CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 23, 2018

H.R. 6305
Bipartisan HSA Improvement Act of 2018

As reported by the House Committee on Ways and Means on July 19, 2018

H.R. 6305 would amend the Internal Revenue Code to make a number of changes to Health Savings Accounts (HSAs), including making more individuals eligible and allowing distributions from health Flexible Spending Arrangements (FSAs) and Health Reimbursement Arrangements (HRAs) into HSAs in certain circumstances.

Under current law, individuals are eligible for certain tax-advantaged saving through HSAs if they are covered by a high deductible health plan but not by other health plans. H.R. 6305 would allow individuals to be eligible for HSAs even if they are eligible to access to certain services through their employer at on-site or retail clinics, such as physical examinations, immunizations, or screenings. The bill would also expand HSA eligibility to individuals whose spouse has coverage under a health FSA, subject to certain limitations.

The bill would include distributions from an employee's health FSA or HRA directly to an employee's HSA as a "qualified HSA distribution" if the employee establishes coverage under a high deductible health plan after a significant period of not having such coverage. The bill also sets the allowable amount of such qualified HSA distributions up to the total annual limit on FSA contributions ($2,650 in 2018) or twice that amount in the case of an eligible individual who has family coverage under a high deductible health plan.

The statutory annual contribution limits to an HSA in 2018 are $2,250 for an individual with single coverage or $4,500 for an individual with family coverage, and indexed for cost-of-living adjustments. The contribution limits for 2018 are $3,450 for self-only HDHP coverage, and $6,900 for an individual with family coverage. The proposal allows deductible HSA contributions up to these limits for a given year, reduced by the amount of the qualified HSA distribution attributable to that year. The proposal also specifies that if a general purpose health FSA or HRA is converted to an HSA-compatible FSA or HRA, coverage under that health FSA or HRA for the portion of the plan year after a qualified HSA distribution is made is disregarded in determining whether the individual is eligible to make deductible contributions to an HSA.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 6305 would reduce revenues by $4.3 billion over the 2019-2028 period. The change in revenues includes a reduction of $900 million over the 2019-2028 period that would result from changes in off-budget revenues (from Social Security payroll taxes). CBO estimates that enacting H.R. 6305 would not affect direct spending.

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

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 6305 is shown in the following table.

	By Fiscal Year, in Millions of Dollars												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
DECREASES IN REVENUES													
Certain Employment Related Services Not treated as Disqualifying Coverage for Purposes of Health Savings Accounts	0	-165	-248	-247	-310	-350	-392	-440	-518	-588	-655	-1,347	-3,939
Contributions Permitted if Spouse has a Health Flexible Spending Account	0	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-8	-18
FSA and HRA Terminations or Conversions to Fund Health Savings Accounts	0	-11	-28	-28	-29	-30	-31	-32	-38	-38	-39	-127	-302
Total Decrease in Revenue	0	-177	-278	-304	-341	-382	-425	-474	-555	-628	-696	-1,482	-4,259
Memorandum: Components of the Net Change in the Deficit													
NET INCREASE IN THE DEFICIT FROM DECREASES IN REVENUES													
Total Deficit Increase	0	177	278	304	341	382	425	474	555	628	696	1,482	4,259

Source: Staff of the Joint Committee on Taxation.

Note: Components do not add to totals due to rounding.

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.

CBO Estimate of Pay-As-You-Go Effects for bill H.R. 6305, as reported by the House Committee on Ways and Means on July 19, 2018.

	By Fiscal Year, in Millions of Dollars												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
NET INCREASE IN THE ON-BUDGET DEFICIT													
Statutory Pay-As-You-Go Effects	0	138	222	243	272	304	335	372	438	492	536	1,177	3,351
Memorandum:[a]													
Change in On-Budget Revenues	0	-138	-222	-243	-272	-304	-335	-372	-438	-492	-536	-1,177	-3,351
Change in Off-Budget Revenues[b]	0	-39	-56	-61	-69	-78	-90	-102	-117	-136	-160	-305	-908

Source: Staff of the Joint Committee on Taxation.

Note: Components do not add to totals due to rounding.

a. A negative sign for revenues indicates a reduction in revenues.
b. Off-budget revenues result from changes in Social Security payroll tax receipts.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO and JCT estimate that enacting H.R. 6305 would increase on-budget deficits by more than $5 billion in at least one of the four 10-year periods beginning in 2029. CBO estimates that enacting the bill would not increase net direct spending in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

JCT has reviewed H.R. 6305 and determined that it contains no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY

Revenues: Staff of the Joint Committee on Taxation

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