



June 5, 2012

Honorable David Dreier
Chairman
Committee on Rules
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 436, the Health Care Cost Reduction Act of 2012, as posted on the Web site of the House Committee on Rules (Committee Print 112-23). Enacting the bill would affect both direct spending and revenues; therefore, pay-as-you-go procedures apply. CBO and the staff of the Joint Committee on Taxation estimate that those effects would increase the deficit by \$2.2 billion in 2013 and \$3.2 billion over the 2013-2017 period, but decrease the deficit by \$6.7 billion over the 2013-2022 period (see enclosed Table 1). That total reflects on-budget savings of about \$9.2 billion and off-budget costs of about \$2.5 billion. For pay-as-you-go purposes, only the on-budget effects are counted (see Table 2).

H.R. 436 would repeal an excise tax on medical devices scheduled to take effect in January 2013, allow up to \$500 of unused balances in health flexible spending accounts to be distributed back to the account holder after the plan year ends, and allow contributions to certain tax-favored health savings accounts to be used to cover the cost of over-the-counter medications. The bill also would eliminate existing limits on the amounts to be repaid by taxpayers who purchase health insurance through exchanges and receive advance payments larger than the premium assistance credits to which they are entitled.

H.R. 436 combines four bills approved by the House Committee on Ways and Means. CBO has prepared the following cost estimates for those bills:

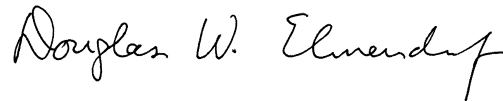
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- H.R. 436, the Protect Medical Innovation Act of 2012, as ordered reported by the House Committee on Ways and Means on May 31, 2012;
- H.R. 1004, the Health Flexible Spending Arrangements Improvements Act of 2012, as ordered reported by the House Committee on Ways and Means on May 31, 2012;
- H.R. 5842, the Restoring Access to Medications Act of 2012, as ordered reported by the House Committee on Ways and Means on May 31, 2012; and
- The Reconciliation Recommendation Related to the Recapture of Overpayments Resulting from Certain Federally Subsidized Health Insurance, as approved by the House Committee on Ways and Means on April 18, 2012.

Those cost estimates provide further details on the budgetary effects of the components of H.R. 436. The CBO staff contact is Kalyani Parthasarathy.

Sincerely,



Douglas W. Elmendorf
Director

Enclosure

cc: Honorable Louise Slaughter
Ranking Minority Member

Table 1. Estimated Budgetary Effects of H.R. 436, the Health Care Cost Reduction Act of 2012, as posted on the Web site of the House Committee on Rules on June 1, 2012

	By Fiscal Year, in Millions of Dollars												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022	
CHANGES IN DIRECT SPENDING													
Modify Repayment of Premium Assistance Credits for Health Insurance													
Estimated Budget Authority	0	-886	-1,880	-3,022	-3,602	-3,966	-4,222	-4,426	-4,803	-5,056	-9,391	-31,864	
Estimated Outlays	0	-886	-1,880	-3,022	-3,602	-3,966	-4,222	-4,426	-4,803	-5,056	-9,391	-31,864	
CHANGES IN REVENUES													
Repeal Excise Tax on Medical Devices	-1,742	-2,562	-2,668	-2,771	-2,889	-3,012	-3,143	-3,280	-3,428	-3,582	-12,631	-29,076	
Unused Balances in Health Flexible Spending Arrangements	-261	-380	-383	-395	-407	-419	-432	-445	-459	-471	-1,826	-4,051	
Over-the-Counter Medication Expenses	-223	-305	-332	-361	-390	-419	-448	-479	-511	-544	-1,611	-4,012	
Modify Repayment of Premium Assistance Credits for Health Insurance	0	238	701	1,116	1,422	1,542	1,664	1,718	1,748	1,864	3,476	12,012	
Total Changes in Revenues	-2,226	-3,009	-2,682	-2,411	-2,264	-2,308	-2,359	-2,486	-2,650	-2,733	-12,592	-25,127	
On-budget	-2,103	-2,830	-2,479	-2,178	-2,008	-2,036	-2,072	-2,184	-2,333	-2,403	-11,600	-22,627	
Off-budget ^a	-123	-179	-203	-233	-256	-272	-287	-302	-317	-330	-992	-2,500	
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND RECEIPTS													
Impact on Deficit	2,226	2,123	802	-611	-1,338	-1,658	-1,863	-1,940	-2,153	-2,323	3,201	-6,737	
On-budget deficit change	2,103	1,944	599	-844	-1,594	-1,930	-2,150	-2,242	-2,470	-2,653	2,209	-9,237	
Off-budget deficit change	123	179	203	233	256	272	287	302	317	330	992	2,500	

Source: Staff of the Joint Committee on Taxation.

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

a. Off-budget revenues result from changes in Social Security payroll tax receipts, which are categorized as off-budget.

Table 2. CBO Estimate of Pay-As-You-Go Effects for H.R. 436, as posted on the Web site of the House Committee on Rules on June 1, 2012

	By Fiscal Year, in Millions of Dollars												2012-	2012-
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022	
NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT														
Statutory Pay-As-You-Go Impact	0	2,103	1,944	599	-844	-1,594	-1,930	-2,150	-2,242	-2,470	-2,653	2,209	-9,237	
