



July 17, 2014

Honorable Dave Camp
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office (CBO) and the staff of the Joint Committee on Taxation (JCT) have completed an updated estimate of the budgetary effects of H.R. 2575, the Save American Workers Act of 2013. Relative to the baseline budget projections at the time the bill was ordered reported by the House Committee on Ways and Means, CBO and JCT estimated that enacting the bill would increase budget deficits by \$73.7 billion over the 2015-2024 period.¹ However, based on the April 2014 baseline projections, CBO and JCT now estimate that enacting H.R. 2575 would increase budget deficits by \$45.7 billion over that period (see attached table).

H.R. 2575 would alter the calculation of the number of full-time-equivalent employees for the purposes of determining which employers are subject to penalties under the Affordable Care Act for not offering health insurance for their employees or for offering insurance that does not meet certain criteria specified in the law. In addition, the legislation would change the definition of “full-time employee” used for the calculation of those penalties. Specifically, the bill would raise the threshold that defines full-time employment from 30 hours per week under current law to 40 hours per week.

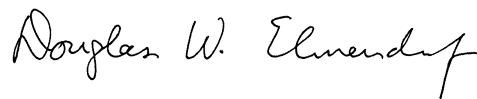
1. See Congressional Budget Office, cost estimate for H.R. 2575, the Save American Workers Act of 2013 (February 25, 2014), www.cbo.gov/publication/45137. Because the bill would affect direct spending and revenues, pay-as-you-go procedures apply. The bill was passed by the House of Representatives on April 3, 2014.

Those changes in the law regarding employer penalties would reduce the amount of penalties collected. In addition, as CBO and JCT explained in the previous cost estimate, the changes would alter the sources of health insurance coverage for some people. For all years between 2015 and 2024, slightly fewer people are estimated to receive employment-based coverage; slightly more people to obtain coverage through Medicaid, the Children's Health Insurance Program (CHIP), or health insurance exchanges; and slightly more people to be uninsured.

CBO and JCT's estimate of the 10-year cost of enacting H.R. 2575 has fallen by \$28 billion primarily because the agencies now estimate that the bill would affect a significantly smaller number of workers than was previously estimated. In updating their baseline projections, the agencies generally incorporate changes in their models, as well as recent legislation and revisions to the economic outlook.² Such technical changes in the latest baseline substantially reduced the number of workers who are estimated to have worked between 30 and 40 hours per week in recent years (and increased the number estimated to have worked 40 or more hours per week). As a result, CBO and JCT now expect that enacting H.R. 2575 would exempt fewer employers from paying penalties than the agencies previously expected, thereby generating a significantly smaller estimated reduction in penalty collections.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Sarah Masi and Alexandra Minicozzi, who can be reached at 226-9010.

Sincerely,



Douglas W. Elmendorf
Director

Attachment

cc: Honorable Sander M. Levin
Ranking Member

2. For a more complete discussion of the revisions incorporated in the April baseline projections regarding the ACA, see Congressional Budget Office, *Updated Estimates of the Effects of the Insurance Coverage Provisions of the Affordable Care Act* (April 2014), www.cbo.gov/publication/45231.

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UPDATED ESTIMATE OF THE IMPACT OF H.R. 2575, THE SAVE AMERICAN WORKERS ACT OF 2013

	By Fiscal Year, in Billions of Dollars											2015-	2015-
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019	2024	
CHANGES IN DIRECT SPENDING													
Exchange Subsidies													
Estimated Budget Authority	0.2	0.8	1.2	1.4	1.5	1.4	1.4	1.5	1.6	1.7	5.0	12.7	
Estimated Outlays	0.2	0.8	1.2	1.4	1.5	1.4	1.4	1.5	1.6	1.7	5.0	12.7	
Medicaid and CHIP													
Estimated Budget Authority	0.1	0.5	0.6	0.7	0.7	0.8	0.8	0.9	0.9	1.0	2.6	6.9	
Estimated Outlays	0.1	0.5	0.6	0.7	0.7	0.8	0.8	0.9	0.9	1.0	2.6	6.9	
Other													
Estimated Budget Authority	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	*	*	*	-0.4	-0.6	
Estimated Outlays	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	*	*	*	-0.4	-0.6	
Total Changes in Direct Spending													
Estimated Budget Authority	0.3	1.2	1.6	2.0	2.1	2.1	2.2	2.3	2.5	2.6	7.2	18.9	
Estimated Outlays	0.3	1.2	1.6	2.0	2.1	2.1	2.2	2.3	2.5	2.6	7.2	18.9	
CHANGES IN REVENUES													
Changes in Revenues	0.5	0.5	-0.7	-2.1	-3.2	-3.7	-4.1	-4.4	-4.9	-4.8	-5.0	-26.8	
On-Budget	0.3	-1.2	-2.0	-3.2	-4.3	-4.9	-5.3	-5.7	-6.1	-6.2	-10.5	-38.6	
Off-Budget ^a	0.3	1.7	1.3	1.1	1.1	1.2	1.2	1.3	1.3	1.4	5.5	11.8	
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Change in the Deficit	-0.2	0.7	2.3	4.0	5.3	5.8	6.3	6.8	7.3	7.3	12.2	45.7	
On-Budget	0.1	2.4	3.6	5.2	6.4	7.0	7.5	8.1	8.6	8.7	17.7	57.5	
Off-Budget ^a	-0.3	-1.7	-1.3	-1.1	-1.1	-1.2	-1.2	-1.3	-1.3	-1.4	-5.5	-11.8	

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Notes: CHIP = Children's Health Insurance Program; * = savings of less than \$50 million.

Numbers may not sum to totals because of rounding.

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