July 8, 2022

The Honorable Phillip L. Swagel
Director
Congressional Budget Office
United States Congress
Washington, DC 20515

Thomas A. Barthold
Chief of Staff
Joint Committee on Taxation
United States Congress
Washington, DC 20515

Dear Director Swagel and Mr. Barthold,

We appreciate the work of the Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT) to update the statutorily required baseline projections, a key benchmark for assessing the effects of proposed legislation before Congress.

The updated projections provide a stark reminder that Congress must work diligently to put the federal government on a sustainable fiscal path, especially as we emerge from the COVID-19 pandemic. Under the new baseline, the projected cumulative deficit over the 2022-2031 budget window increased by $2.4 trillion relative to CBO’s July 2021 projections, rising by a staggering 20 percent to a total of $14.5 trillion. Meanwhile, record-high inflation, fueled by partisan spending and irresponsible policy initiatives, continues to erode working families’ wages and savings, imposing a regressive tax on those who least can afford it. In light of these concerning conditions, policymakers must evaluate any new spending proposal with an especially critical eye towards its budgetary and economic impacts.

For these reasons, we write today to request information on the effects of making permanent the expansion of premium tax credits (PTCs), as enacted by Section 9661 of the $1.9 trillion American Rescue Plan Act (ARPA). Section 9661 of ARPA temporarily removed income limitations on premium subsidy recipients, increased the amount of the subsidies for those previously eligible, and provided subsidies that cover 100 percent of benchmark plan premium costs for individuals earning between 100 to 150 percent of the federal poverty level (FPL). This temporary expansion expires at the end of 2022. However, recent reports suggest there may be Congressional efforts underway to make these sizable spending increases permanent, including as part of the Democrats’ reckless budget reconciliation proposal.

Our Democrat colleagues passed ARPA quickly and in partisan fashion, with little time for public scrutiny and virtually no opportunity for feedback or input, including with respect to the legislation’s potential to exacerbate inflationary pressures and force monetary policy responses involving interest rate hikes that significantly raise federal financing costs. As CBO’s latest
projections confirm, ARPA’s expansion of PTCs and subsequent regulatory actions have proven even more costly than previously projected. At the time of passage, CBO and JCT estimated that the two-year ARPA PTC expansion would cost the federal government $34.2 billion in total, and nearly $22 billion in 2022 alone.\(^1\) CBO’s updated baseline budget projections, however, indicate that the cost of temporarily expanding the government subsidies has already surpassed original estimates.\(^2\) Additionally, the projected cost of PTCs under current law has ballooned. CBO and JCT increased their projections of 2022-2031 spending on PTCs by $144 billion, or 22 percent.\(^3\)

Failing to control health care spending growth risks triggering severe and sustained macroeconomic damage. A recent CBO report showed that raising taxes to cover our current spending obligations would, among other effects, result in reduced GDP, lower take-home pay, and a shrinking labor supply.\(^4\) Dramatically increasing spending on PTCs would intensify the economic harm imposed on future generations saddled by the federal debt.

These profound and diverse risks demand a comprehensive accounting of the true costs of extending the expanded PTCs. As such, we request that CBO and JCT provide an updated ten-year cost and coverage estimate of making permanent the temporary expansion of PTC subsidies enacted by Section 9661 of ARPA. In your updated estimate, please include the following information:

1. The budgetary impact on outlays, revenues, and the deficit for each fiscal year in the ten-year budget window, as well as the cumulative five and ten-year estimates;
2. The change in Americans’ sources of health coverage, including the number of individuals who would no longer have employer-sponsored insurance over the ten-year window;
3. The number of subsidized marketplace enrollees as a result of the policy and the federal cost of PTCs for those individuals, broken down by the following income levels:
   a. Between 400 and 500 percent FPL;
   b. Between 500 and 600 percent FPL;
   c. Between 600 and 750 percent FPL;
   d. Greater than 750 percent FPL;
4. The average value of the PTCs for new marketplace enrollees under the policy and the average tax benefit of the employer-sponsored insurance tax exclusion for a person projected to no longer enroll in employment-based coverage under the policy; and

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\(^3\) Ibid.
5. The full effects of finalizing the proposed IRS rule (87 Fed. Reg. 20354, April 7, 2022), to amend the affordability standard for employer-sponsored coverage to include employees’ dependents, which is scheduled to take effect beginning in plan year 2023.

We kindly ask for this cost estimate to be completed no later than July 15, 2022. If you have questions about this request, please contact: Alyssa Palisi with the Senate Committee on the Budget; Gable Brady with the Senate Committee on Finance; and Corey Ensslin with the Senate Committee on Health, Education, Labor, and Pensions. Thank you in advance for your assistance with this request. We look forward to working with you and your staff to obtain this important information.

Sincerely,

Mike Crapo
Ranking Member
Senate Committee on Finance

Richard Burr
Ranking Member
Senate Committee on Health, Education, Labor, and Pensions

Lindsey Graham
Ranking Member
Senate Committee on the Budget