

Estimated Effect of the Patient Protection and Affordable Care Act (Incorporating the Manager's Amendment) on the Hospital Insurance Trust Fund

Earlier today, CBO provided additional information about the projected effects of the Patient Protection and Affordable Care Act (PPACA), incorporating the manager's amendment, on the federal budget balance and on the balance in the Hospital Insurance (HI) trust fund. CBO has been asked to elaborate on that information by providing specific estimates of the impact of the legislation, as amended, on the solvency of that trust fund.

Under current law, and based on the economic forecast and technical assumptions in CBO's March 2009 baseline, CBO projected that the HI trust fund will be exhausted—that is, the balance of the trust fund will decline to zero—during fiscal year 2017. Relative to that baseline, CBO estimates that enacting PPACA, including the manager's amendment, would reduce net outlays for Part A (Hospital Insurance) of Medicare by \$245 billion over the 2010-2019 period. CBO and the staff of the Joint Committee on Taxation estimate that enacting PPACA as amended would increase HI payroll tax receipts by about \$113 billion over that period. Given those changes in the financial flows of the trust fund, CBO estimates that the HI trust fund would have a positive balance of about \$170 billion at the end of fiscal year 2019. That balance would be declining, and would be exhausted within a few years. The amended bill would add about \$50 billion more to the trust fund balance in 2019 than would the legislation as originally proposed, and thus would maintain a positive balance in the trust fund for a slightly longer time than the original version.

CBO's August 2009 baseline used an updated economic forecast in which payroll tax receipts were projected to be substantially lower than in the March 2009 baseline. Largely as a result of those lower payroll tax receipts, CBO projected that, under current law, the HI trust fund will be exhausted one year earlier—that is, during fiscal year 2016. CBO has not estimated the budgetary effects of enacting PPACA relative to the August 2009 baseline. However, CBO expects that such an estimate would show a lower—but still positive—balance in the HI trust fund at the end of fiscal year 2019.