Congress of the United States
U.S. House of Representatives
COMMITTEE ON WAYS AND MEANS
1102 LONGWORTH HOUSE OFFICE BUILDING
(202) 225-3625
Washington, DC 20515-6348
http://waysandmeans.house.gov

March 2, 2012

The Honorable Timothy Geithner
Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue
Washington, D.C. 20220

Dear Secretary Geithner,

I am writing regarding the projected 30 percent increase in spending for subsidies (premium tax credits) in health insurance exchanges, which were created in the health care law. Table 33-1 of the Analytical Perspectives volume that accompanied the President's FY2012 and FY2013 budget proposals details projected mandatory outlays for the health insurance exchange subsidies over a ten-year period. Comparing the tables for the two budget proposals reveals a projected $111 billion increase in spending on health insurance exchange subsidies between the FY2012 and FY2013 budget proposals over the period of FY2014 through FY2021. This staggering increase in health insurance exchange subsidy spending cannot be explained by legislative changes or new economic assumptions, and therefore must reflect substantial changes in underlying assumptions regarding the program's utilization and costs.

On April 14, 2011, President Obama signed into law H.R. 4, the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011 (P.L. 112-9). According to the Joint Committee on Taxation, this legislation will reduce exchange subsidy spending by roughly $20 billion over the 2014-21 period. On November 21, 2011, President Obama signed into law H.R. 674, the 3% Withholding Repeal and Job Creation Act (P.L. 112-56). The Congressional Budget Office estimated that while dramatically reducing Medicaid spending (by $33 billion), this legislation will increase exchange subsidy spending by roughly $11 billion over the 2014-21 period. Thus, legislation enacted between your FY2012 and FY2013 budget proposals should have reduced exchange subsidy spending by billions of dollars. Instead, the Administration's budget estimates that spending will increase.

The Committee on Ways and Means convened a hearing regarding the President's FY2013 Department of Health and Human Services (HHS) budget submission on February 28, 2012. At the hearing, I asked Secretary Sebelius to explain why spending on the health care law's health insurance exchange subsidies had increased so dramatically. She stated that she was not familiar with the 30 percent increase in spending and requested I submit the question to her in writing.

While HHS regulations and mandates will significantly affect how much will be spent on health insurance exchange subsidies, under federal law, the subsidies are administered by the Treasury Department. As such, please provide a full accounting for the $111 billion increase in projected health insurance exchange subsidy spending for FY2014 through FY2021 between the FY2012 and FY2013 budget proposals. Additionally, please submit a detailed and comprehensive analysis of which technical assumptions led the Administration to significantly increase its spending estimates. Specifically, how much more expensive does the Administration now expect health insurance premiums in the exchange will be, and how many more families does the Administration now expect will lose their employer-provided health insurance between 2014 and 2021 compared to last year's budget proposal?

A general reference to technical assumptions as the source of the growth is insufficient and will be considered unresponsive. If such corrections are a part of the $111 billion increase, please specify, in detail, the exact "assumptions" that changed in the FY2013 budget proposal, why the "assumptions" changed, why they were accounted for differently in the FY2012 budget proposal, and what financial impact each change in "assumption" had on spending projections.

Because Administration officials must have already had this information at their disposal to complete the President's FY2013 budget proposal, this information should be readily available. As such, I look forward to receiving a written response to my inquiry no later than March 5, 2012.

Sincerely,

DAVE CAMP
Chairman

Cc: The Honorable Kathleen Sebelius, Secretary, Department of Health and Human Services