

# Accounting for the Changing Impact of the Federal Government Including the Affordable Care Act

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*BEA Advisory Committee Meeting*

*Washington, DC*

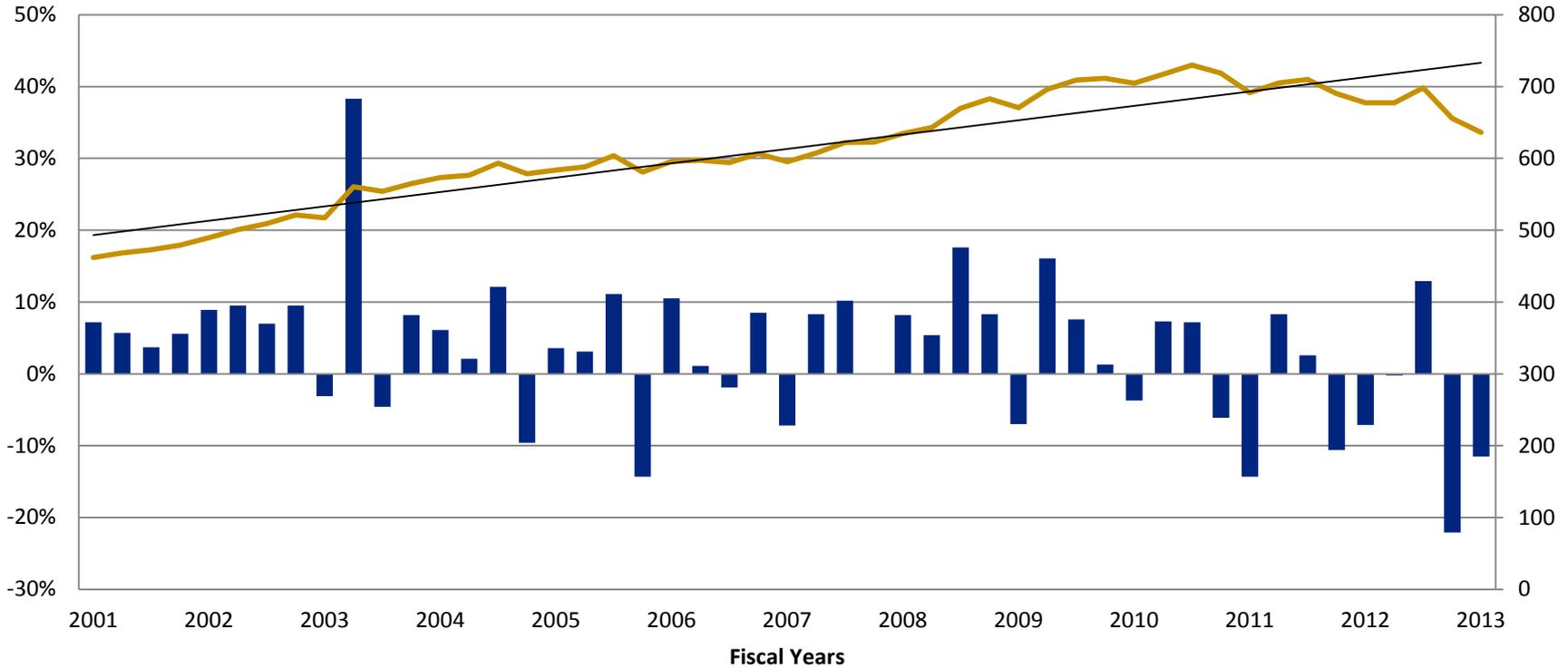
*May 10, 2013*

# Sources of Change

- Defense Spending
  - Military buildups and drawdowns
- Historic Transformative Legislation
  - Creation of large-scale social programs

# Federal Defense Spending

## Real Consumption Expenditures & Gross Investment



- Percent Change From Preceding Quarter in National Defense CE & GI
- Real National Defense CE & GI
- Trend Line

# Derivation of NIPA Defense Estimates

- Control total (top down) based on outlays data from the Monthly Treasury Statement.
  - DOD Military
  - OPM and DOD Civilian (retirement benefits)
  - Energy and a few other small programs
- Allows the NIPAs to capture changes in defense spending
  - Sequester impacts embedded in MTS data
- Individual methodologies for component series (bottom up)
  - Compensation (possible furlough adjustments)

# Adjustments to Defense Outlays

## National Accounting differs from Budget Accounting

- **Timing**

- Personnel
- Procurement of Equipment

- **Coverage**

- Consumption of Fixed Capital
- Other smaller adjustments

# Historic Social Program Legislation

- Old-Age (Retirement), Survivors, and Disability Insurance
- Unemployment benefits
- Medicare - Health insurance for aged and disabled
- Medicaid - Federal grants to states for medical assistance programs
- Supplemental Security Income - Payments to low-income people who are either 65 or older, blind, or disabled

# Patient Protection and Affordable Care Act

- Ensure health insurance coverage for most U.S citizens
  - Individual Mandate
    - Employer
    - Medicare or Medicaid
    - Individual direct purchase
    - Health insurance exchanges
  - Prohibits exclusions for pre-existing conditions
- Improve healthcare treatments and delivery

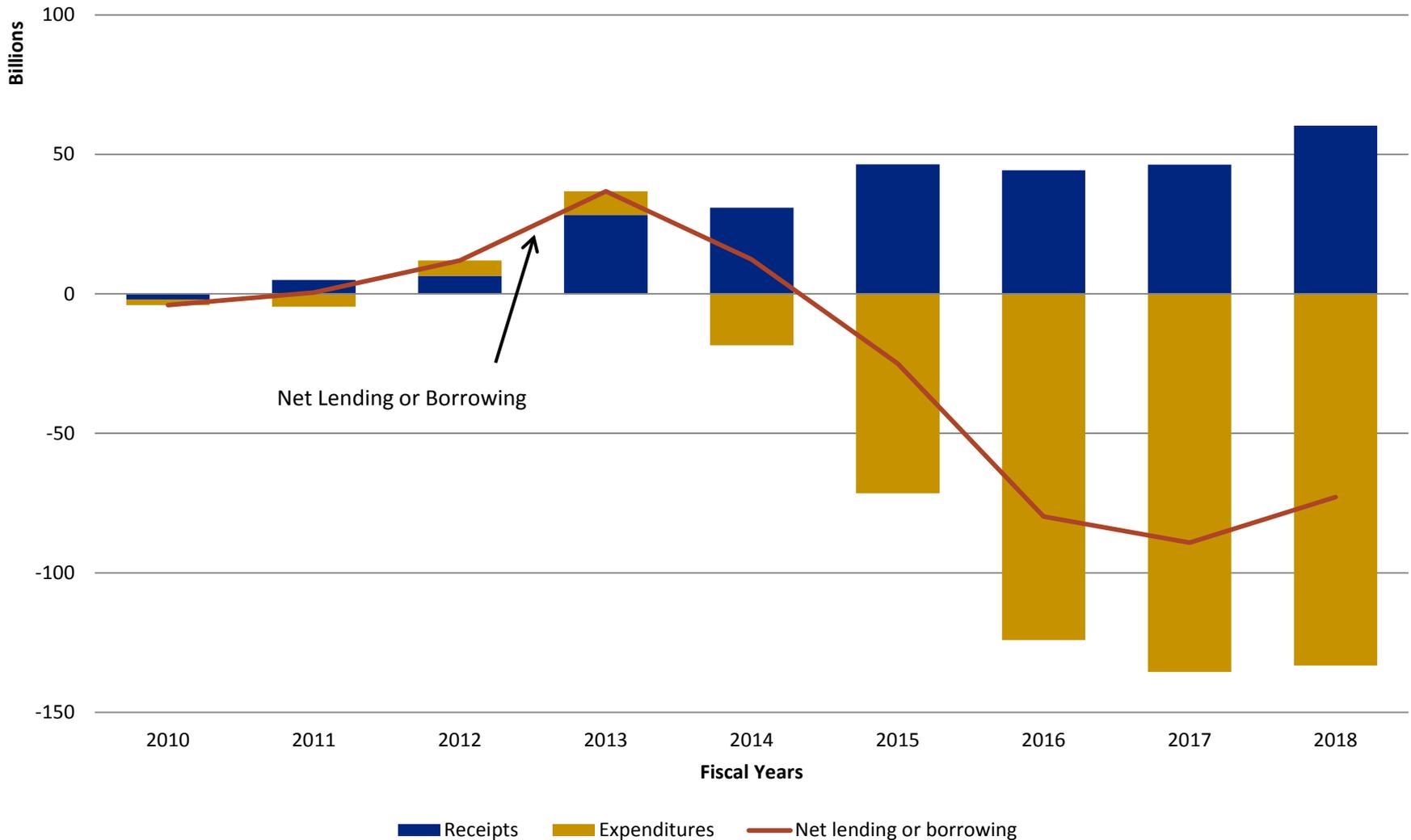
# Government Services and Funding

- Government Support
  - Health Exchanges
  - Insurance subsidies
  - Expansion of existing programs – Medicaid and CHIP
- Government Revenue
  - Increase existing taxes and reduce certain tax credits
  - New excise taxes
  - Penalties and fees

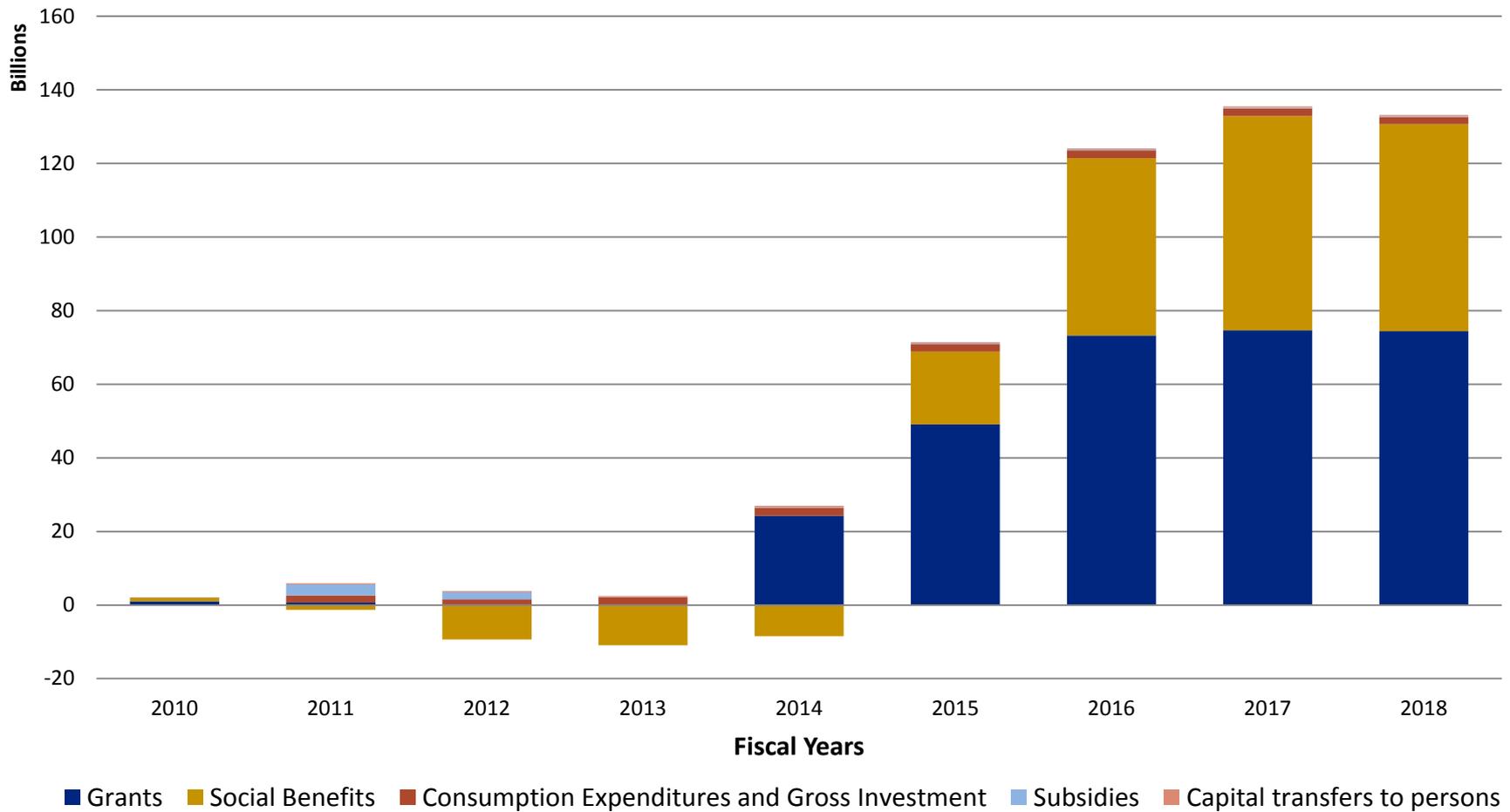
# BEA's Analysis of ACA Impact on the Federal Sector of the NIPAs

- Classify estimates of ACA spending and revenues into a national accounts framework
  - Focus on which NIPA transactions are impacted, **not** estimated values
  - Source data (fiscal years)
    - CBO & Joint Committee on Taxation : 2010 – 2012 reports
      - Estimates a bit outdated, but still useful for analysis
      - Consistent impacts
    - OMB outlays and receipts through 2018 (used for allocations)
    - Lacking detailed data, BEA split estimates of the new Medicare surtaxes 50/50 between contributions for social insurance and personal current taxes
  - Federal sector perspective
- Direct impacts of law changes
  - Changes to existing programs
  - New transactions
  - Not multiplier effects

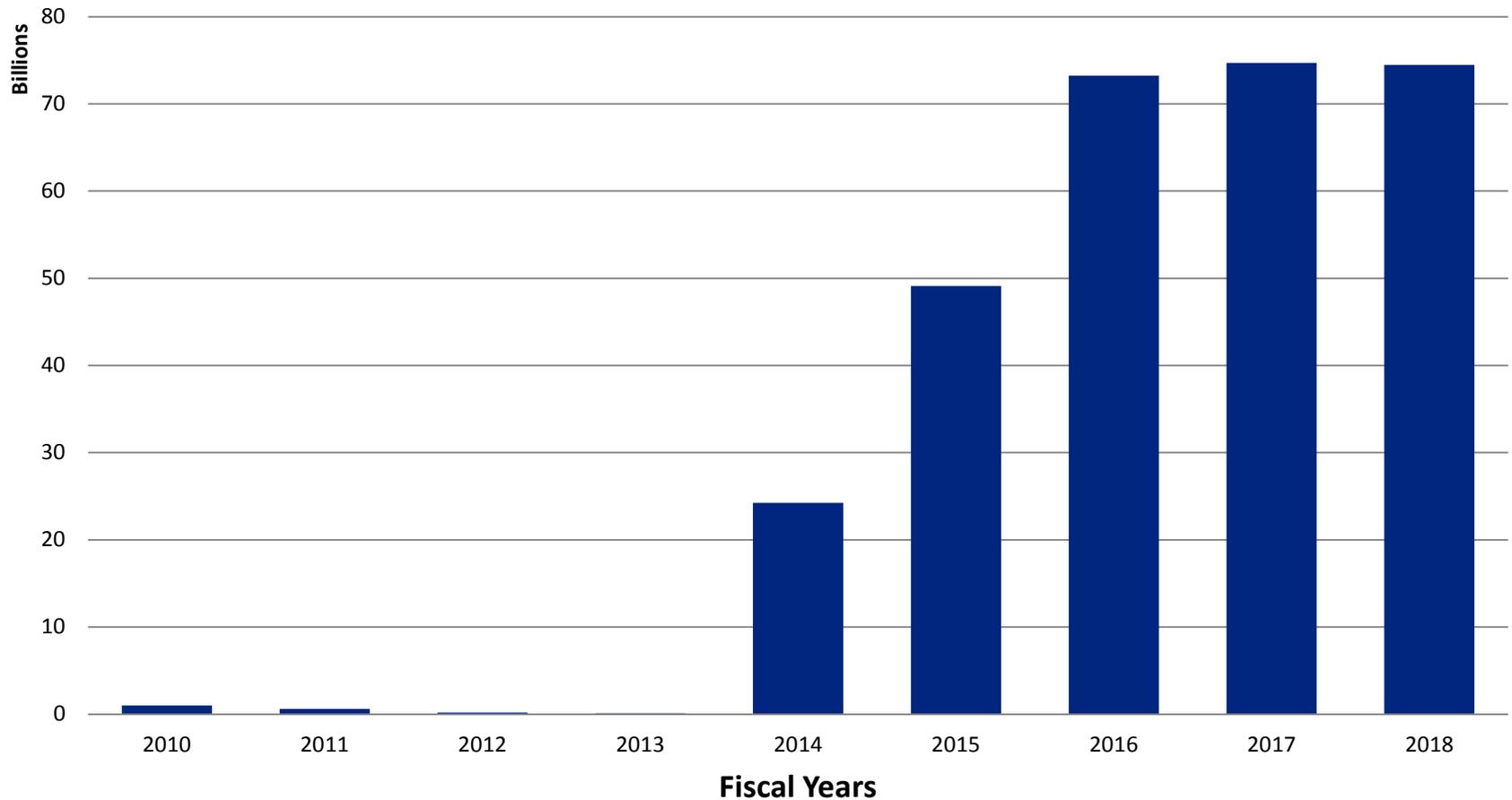
# Impact of ACA on NIPA Federal Sector



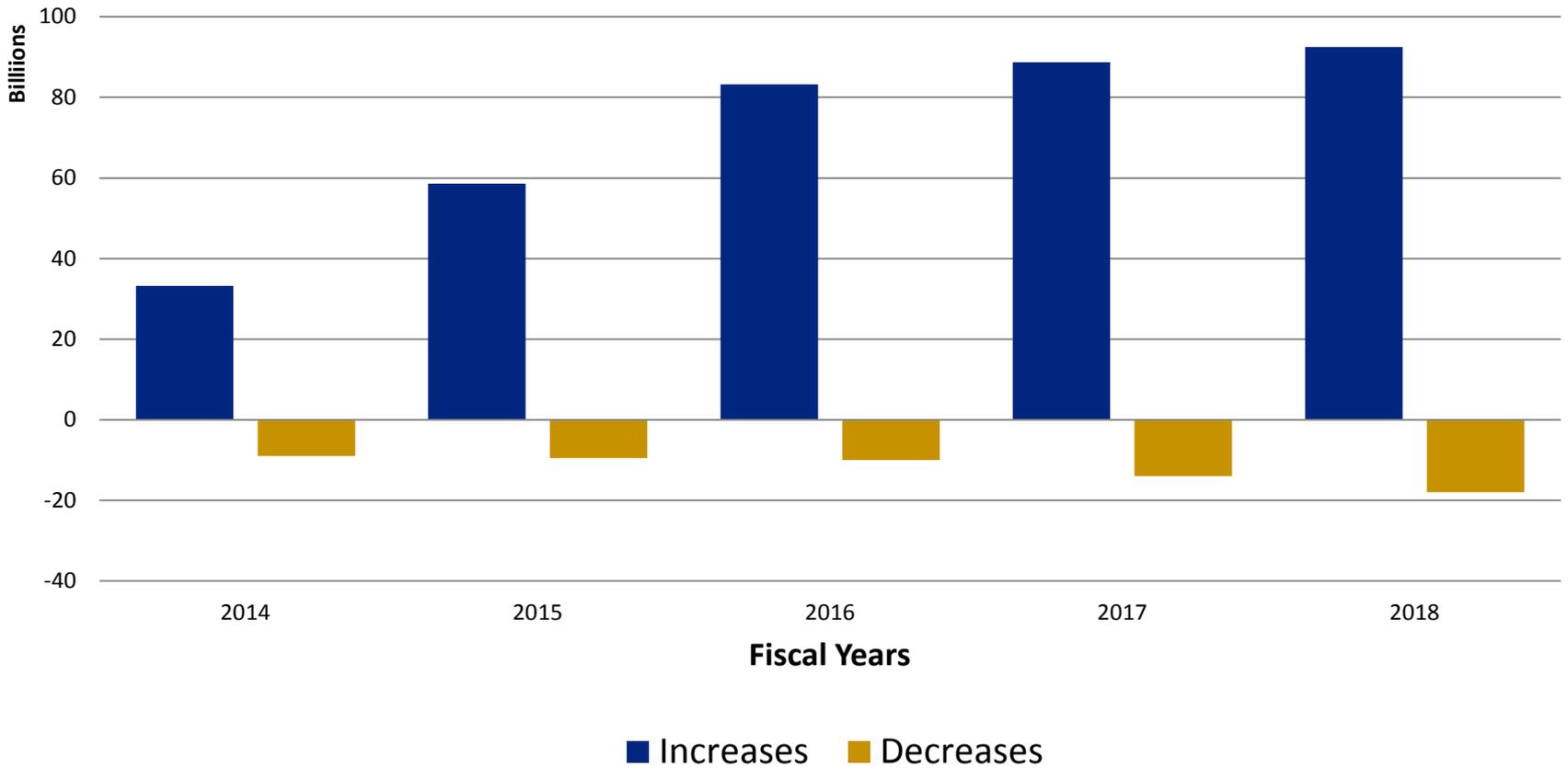
# Federal Total Expenditures - ACA



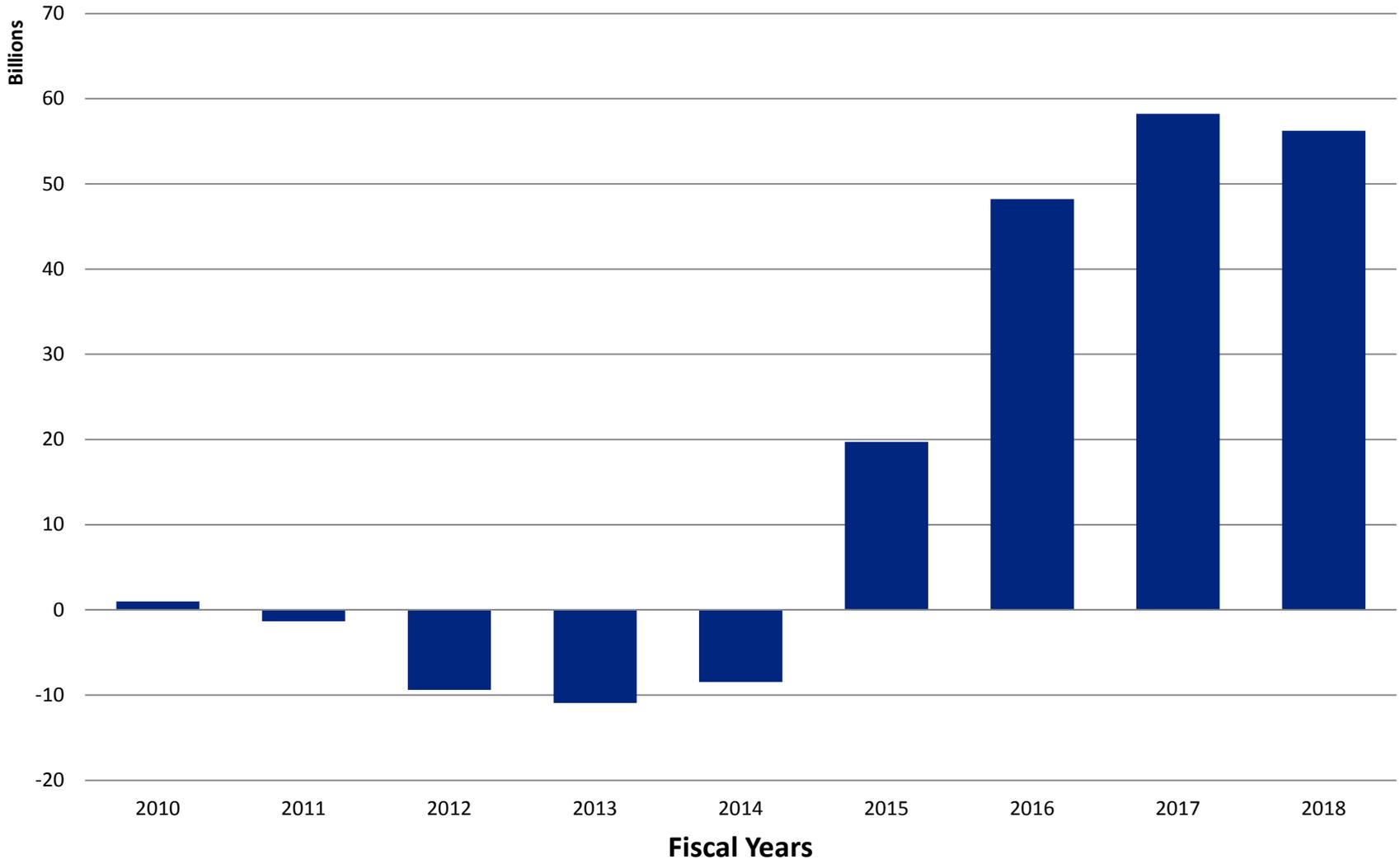
# Federal Grants to S&L Governments - ACA



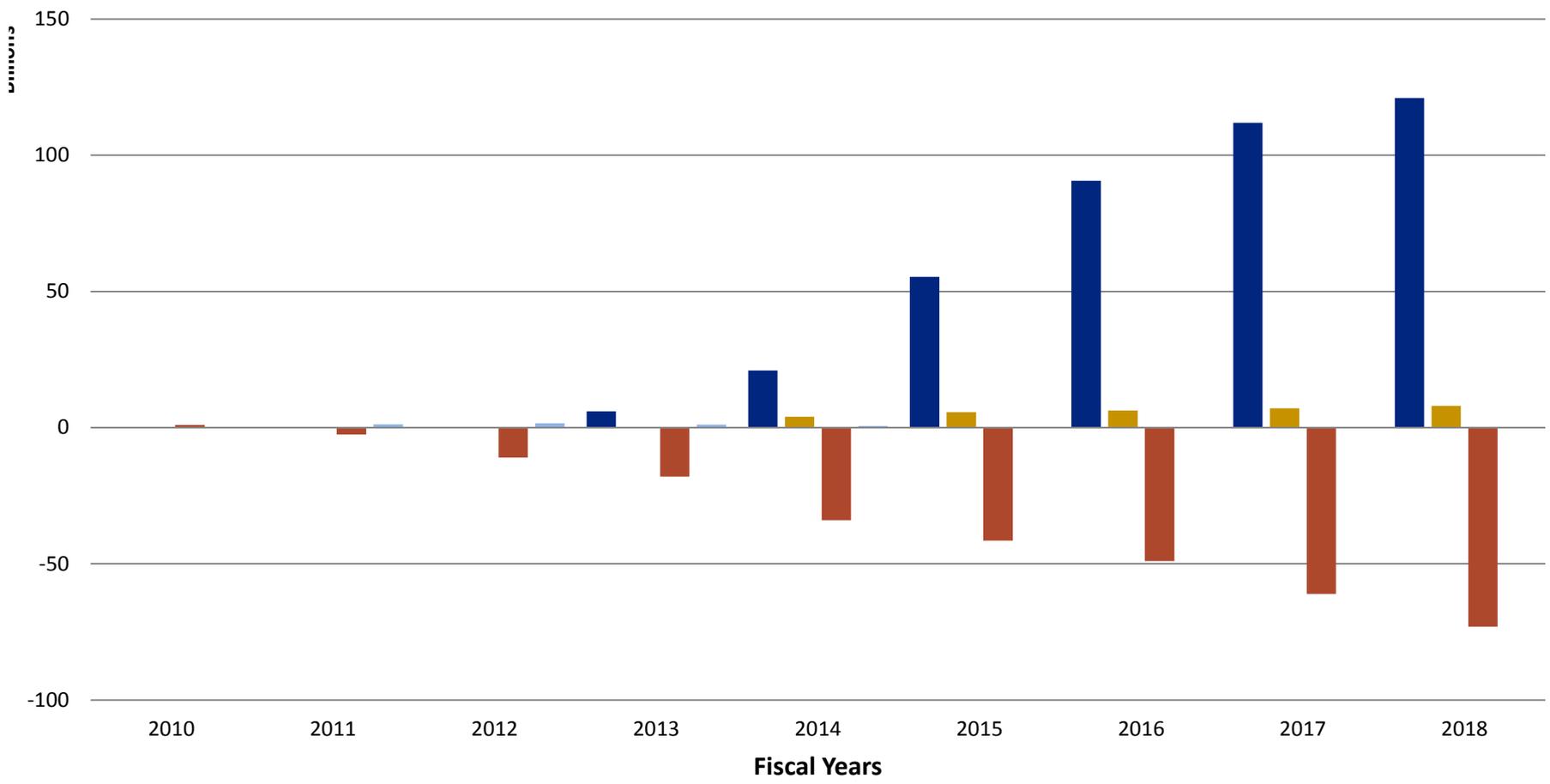
# Grants – Gross ACA Impacts



# Federal Social Benefits to Persons - ACA



# Federal Social Benefits – Gross ACA Impacts

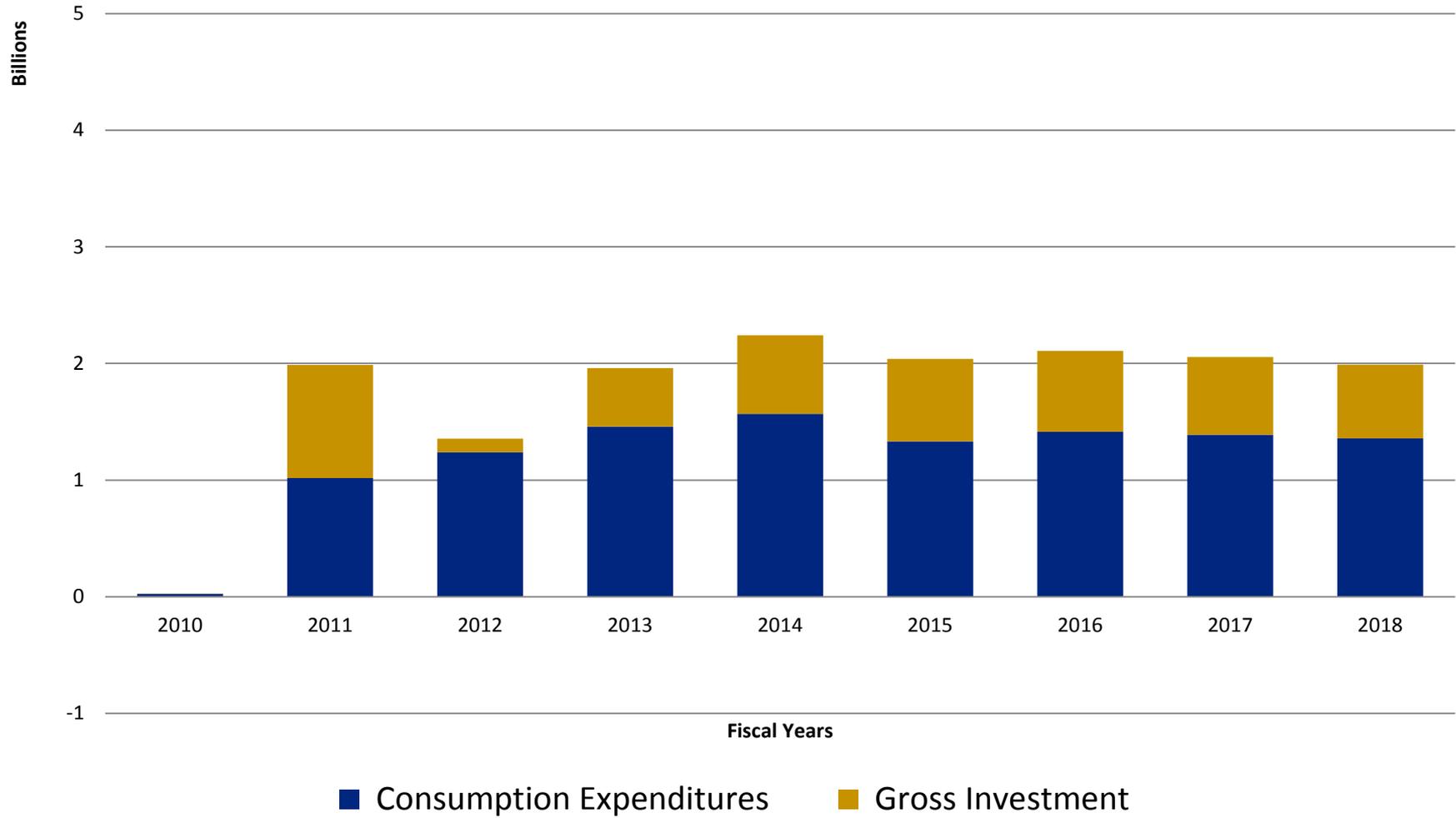


■ Health Insurance Subsidies (Tax Credit)
 ■ Co-payment assistance
 ■ Reductions to Medicare
 ■ Other social benefits

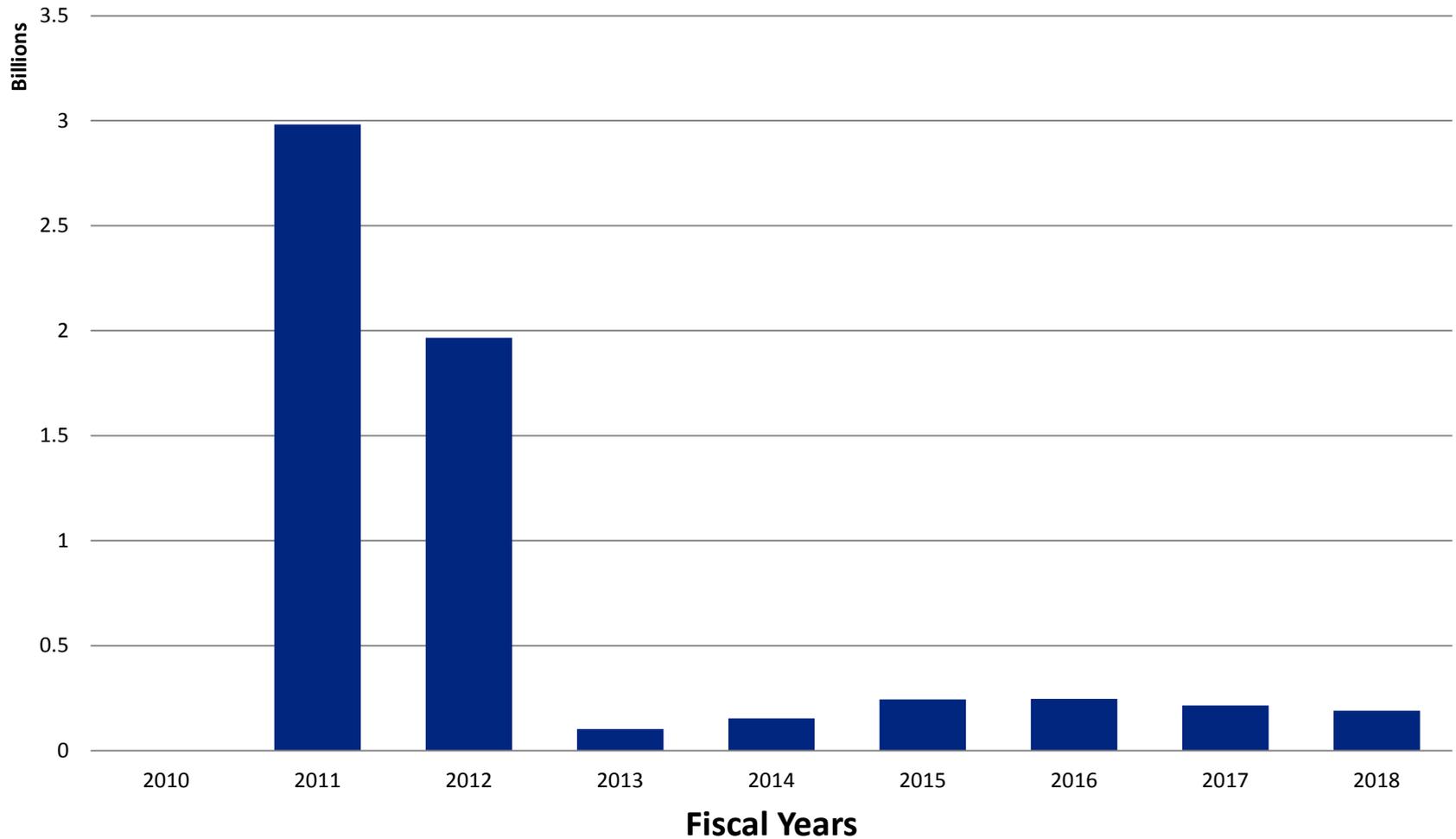
# Health Insurance Subsidies

- Subsidized purchase of insurance from government-run exchanges
  - Beginning in 2014
  - Eligibility: income that does not exceed 400% of the poverty level
- Social Benefit to Persons
  - Prepaid refundable tax credit most likely paid directly to the insurer, not the individual
- Personal Current Taxes
  - Tax filing: reconciliation of prepaid credit with allowable credit
  - Either a tax reduction (entitled to more of a subsidy) or tax increase (received too much of a subsidy)

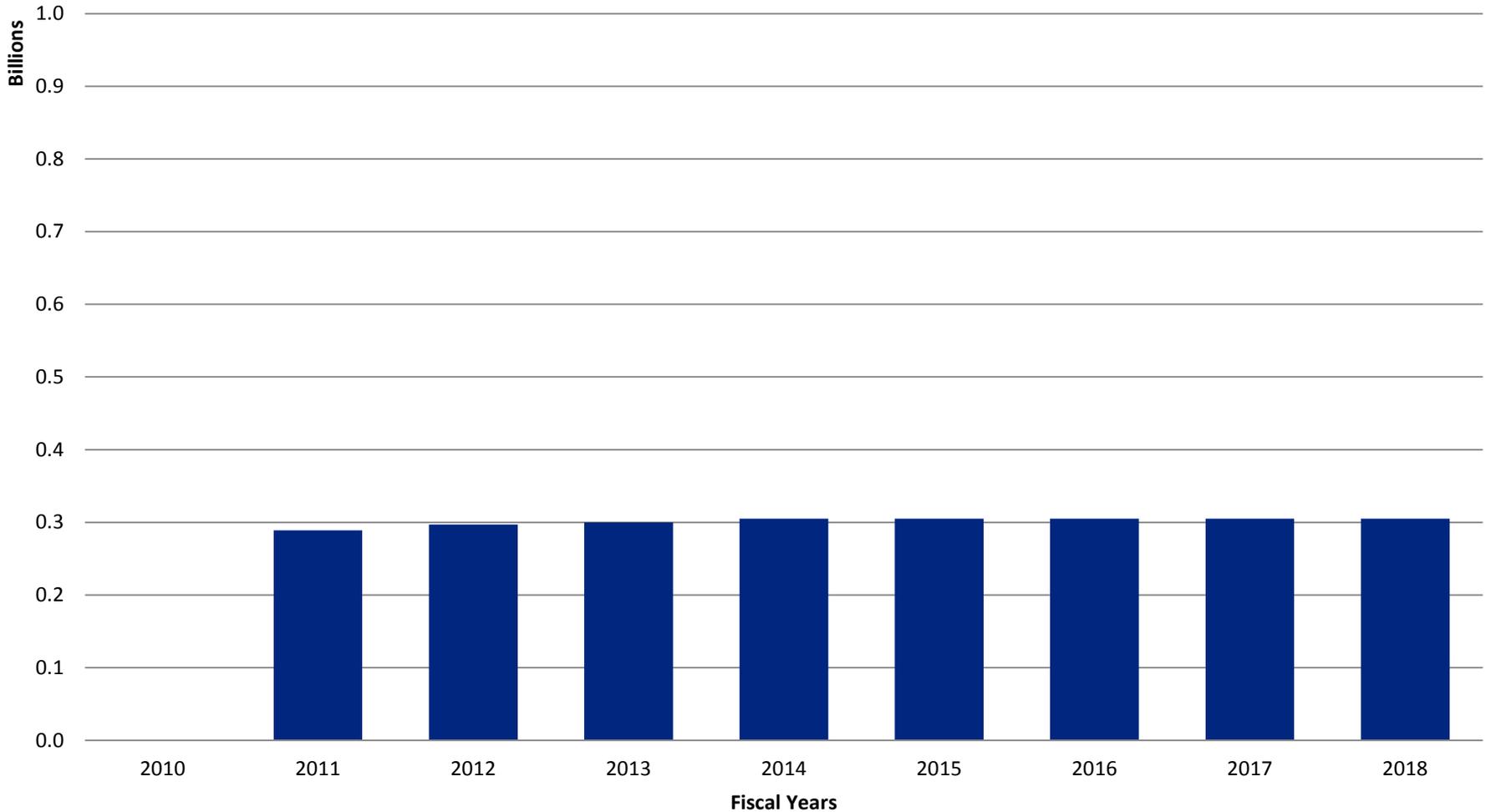
# Federal CE & GI (GDP) - ACA



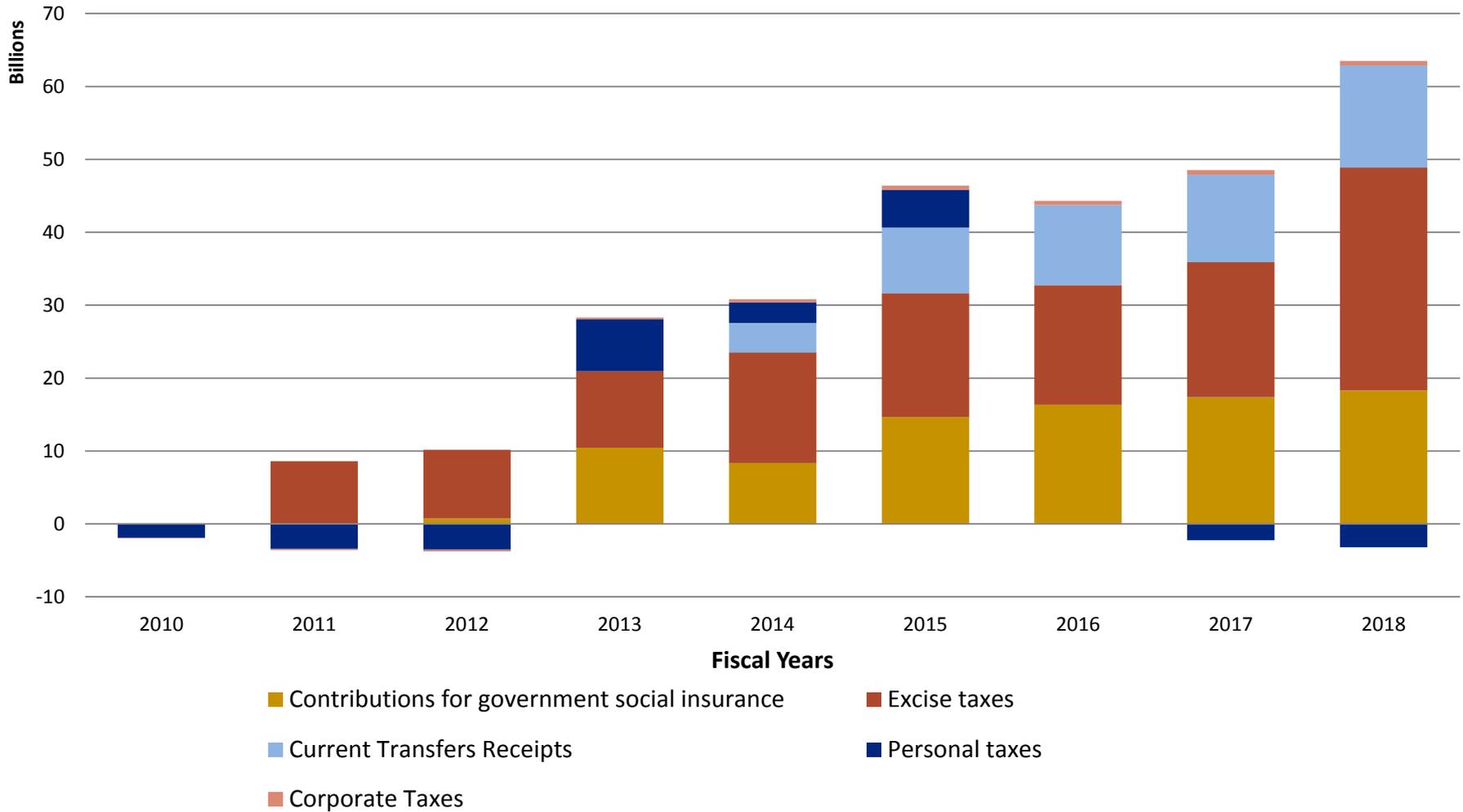
# Federal Subsidies - ACA



# Federal Capital Transfers to Persons - ACA

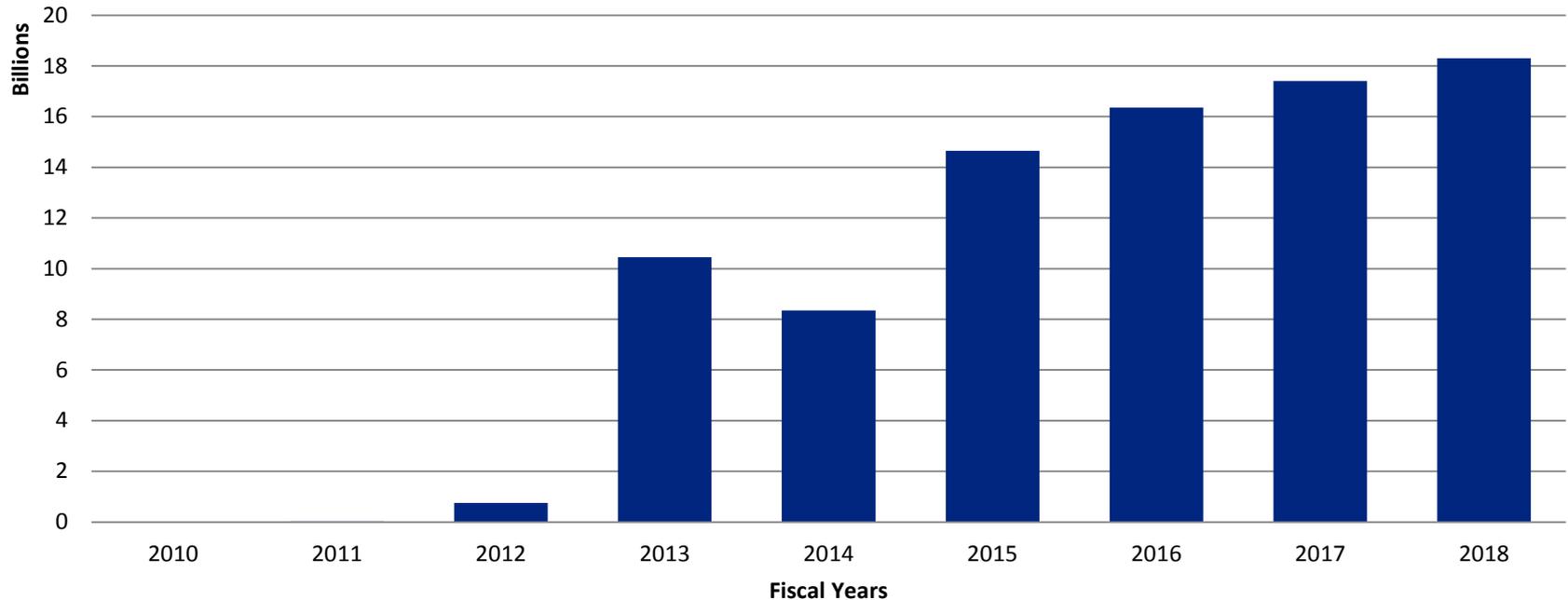


# Federal Total Receipts - ACA



# Federal Receipts of Contributions for Social Insurance - ACA

## Contributions for Government Social Insurance

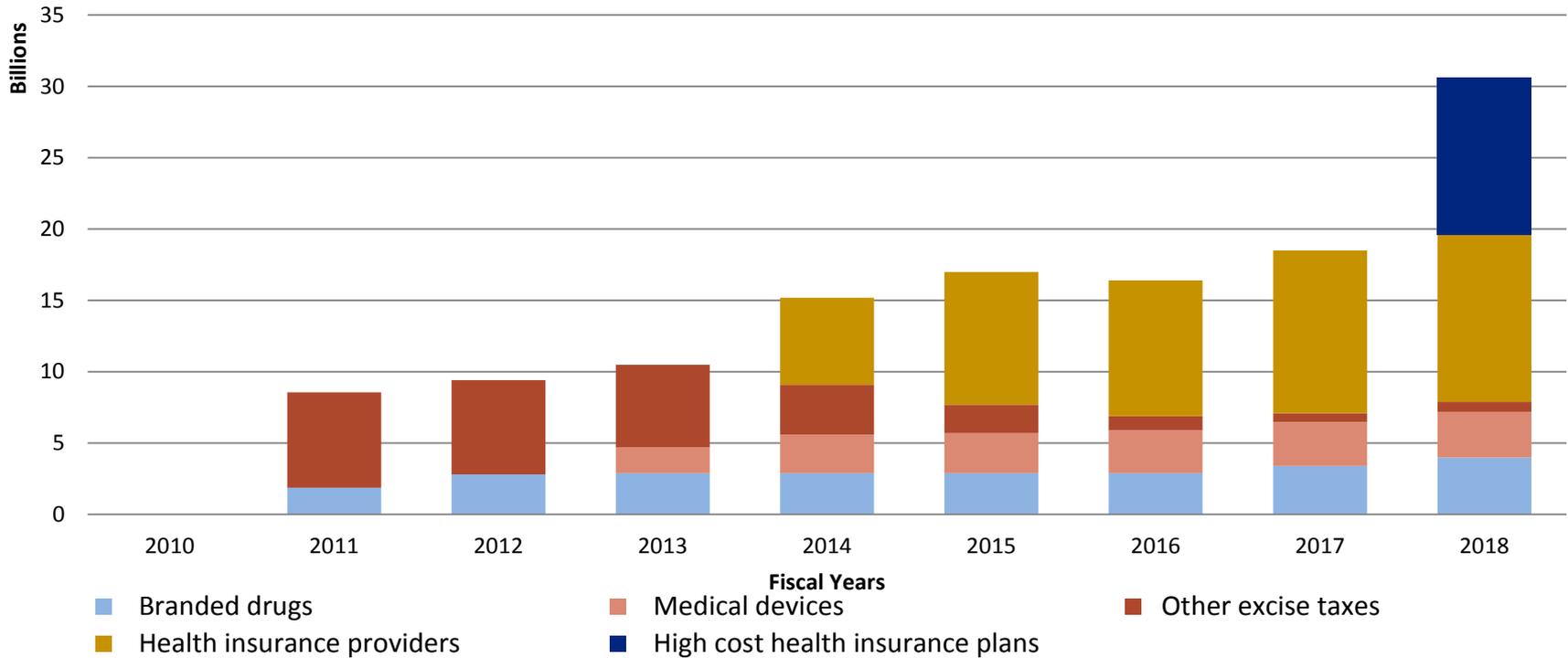


- Additional Medicare hospital insurance surtax of 0.9% on earned income in excess of \$200,000/\$250,000 (unindexed)

Note: BEA used a 50/50 split of an estimate of the total new Medicare HI surtaxes to allocate the surtaxes between contributions and personal current taxes to illustrate the impact on the component series.

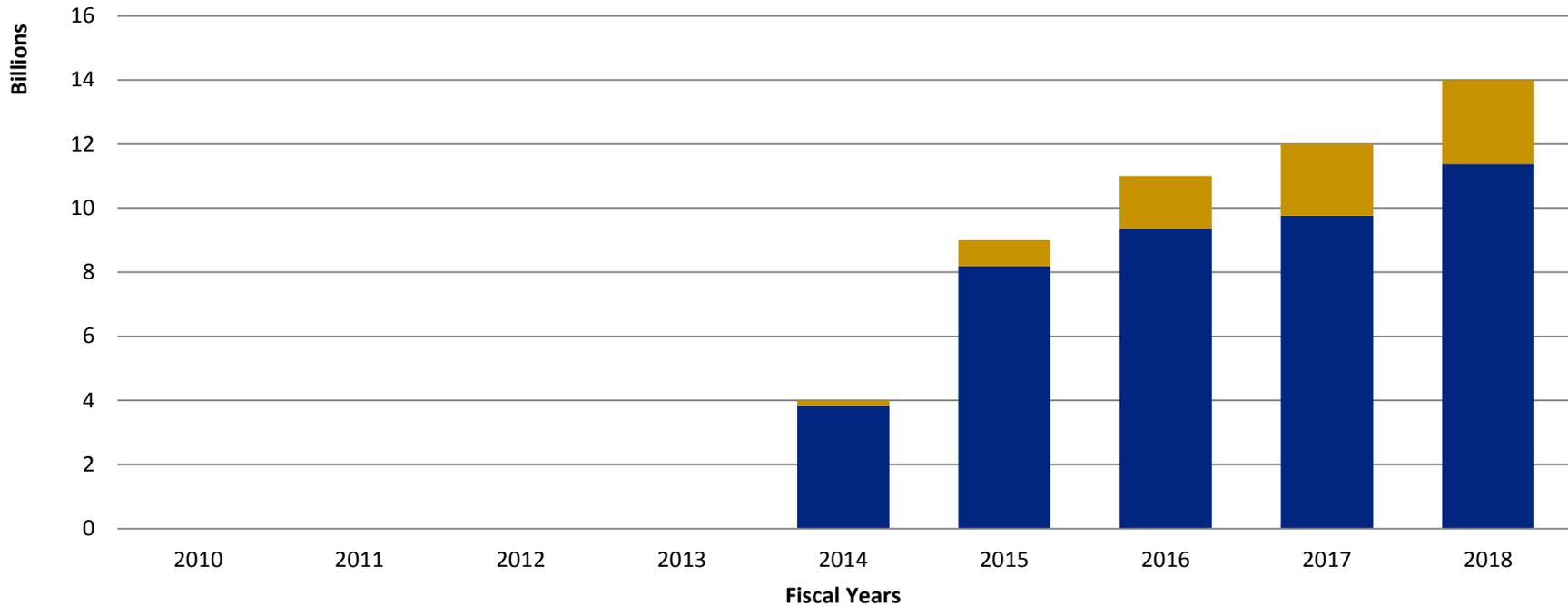
# Federal Excise Taxes - ACA

## Excise Taxes



- 2011: Annual fee on manufacturers and importers of branded drugs
- 2013: 2.3% excise tax on importers and manufacturers of certain medical devices
- 2014: Annual fee on health insurance providers
- 2018: 40% excise tax on high cost health “Cadillac” plans

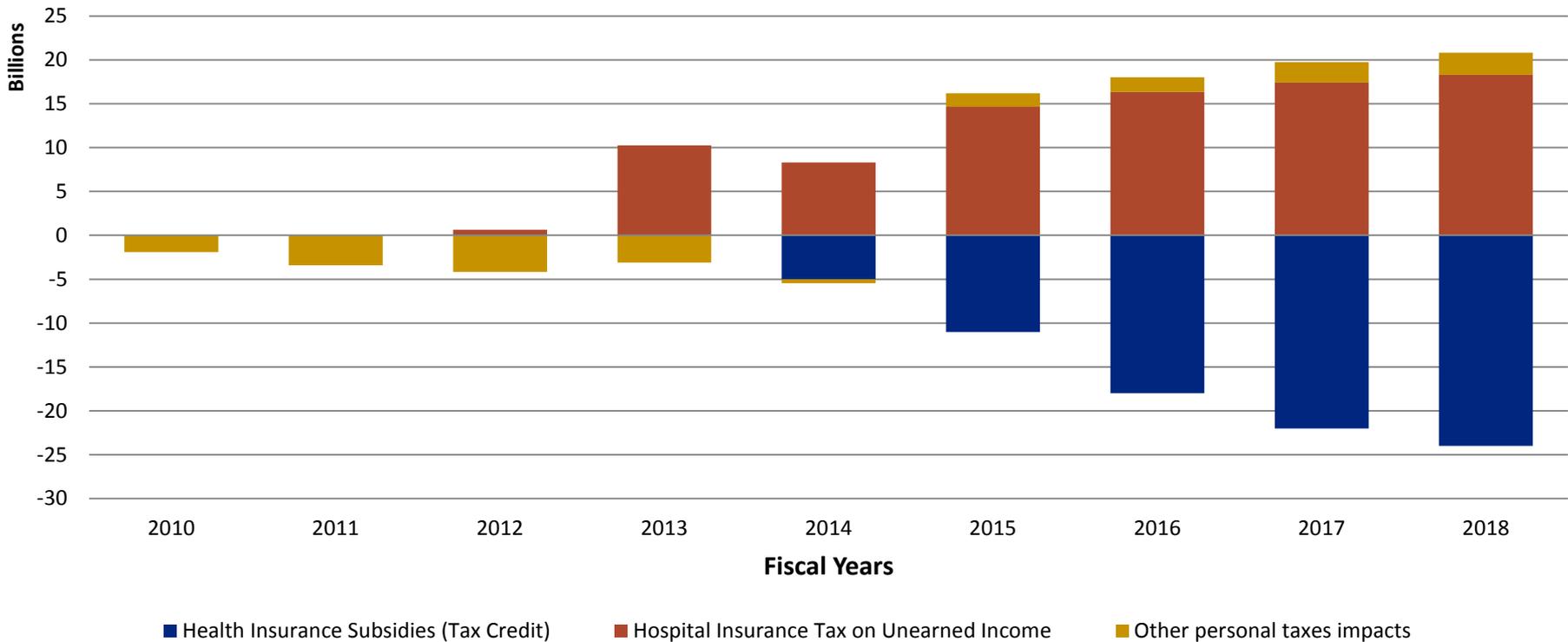
# Current Transfer Receipts - ACA



■ Transfer receipts from businesses
 ■ Transfer receipts from persons

- Business Mandate: Insurance coverage for employees of businesses with more than fifty full-time workers.
- Individual Mandate: Most U.S. citizens and legal residents required to have “minimal essential coverage” for themselves and their dependents.

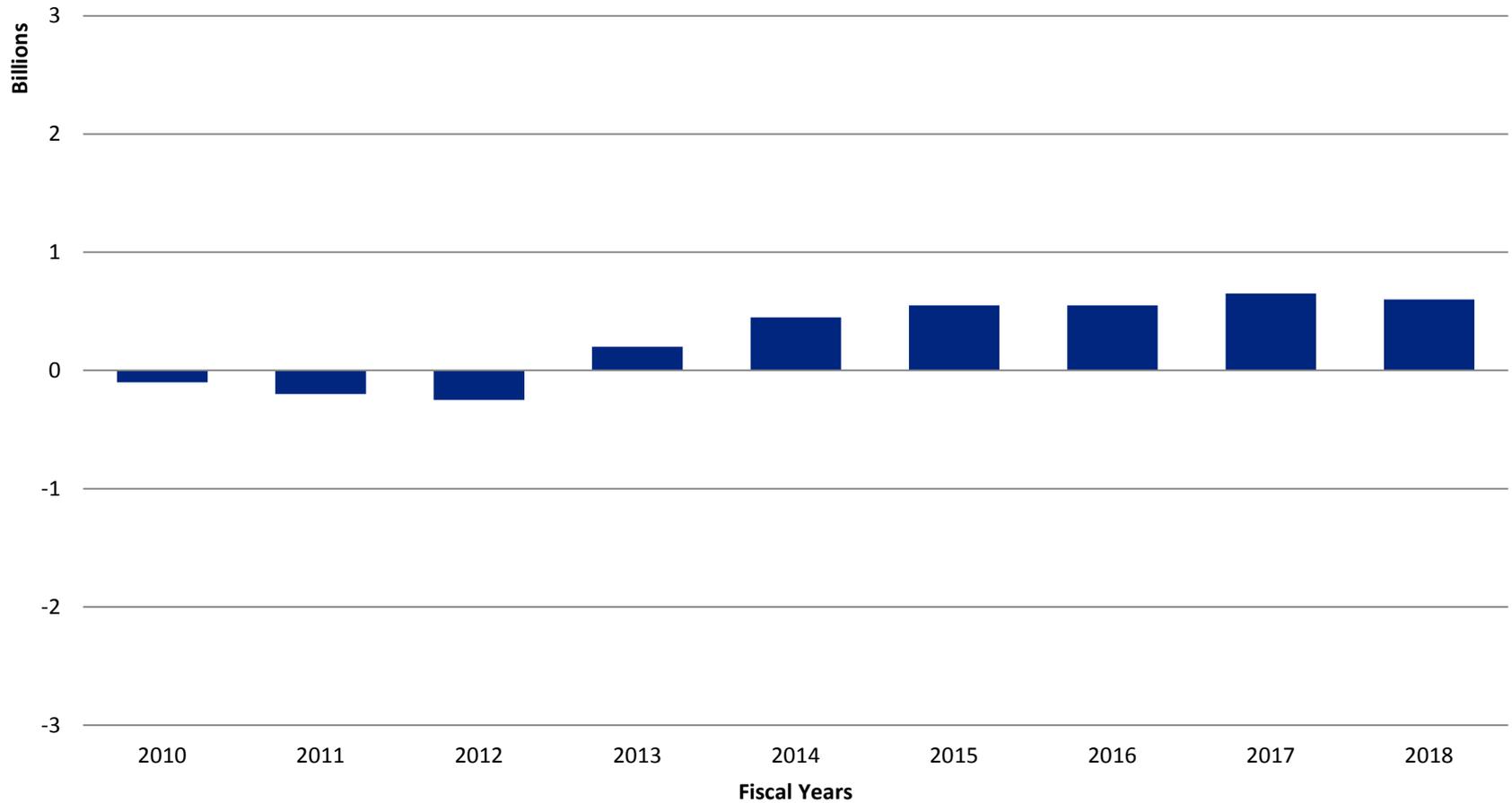
# Federal Personal Current Taxes - ACA



- 2013: new 3.8% surtax on investment income for taxpayers with AGI in excess of \$200,000/\$250,000 (unindexed).

Note: BEA used a 50/50 split of an estimate of the total new Medicare HI surtaxes to allocate the surtaxes between contributions and personal current taxes to illustrate the impact on the component series.

# Federal Taxes on Corporate Income – ACA



# ACA Analysis – Future Considerations

- The implementation of the ACA will lead to changes in the current estimates of impacts
- Some programs may be modified or eliminated
- Unclear exactly what actions individuals and employers will take regarding health insurance.
- Impacts on other sectors of the NIPAs?
  - State and Local Governments
  - Personal Consumption Expenditures (Current dollars and Prices)
  - Corporate Profits