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

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Sources of Change

- Defense Spending
  - Military buildups and drawdowns

- Historic Transformative Legislation
  - Creation of large-scale social programs

- Temporary Programs
  - American Recovery and Reinvestment Act
  - Disaster Assistance
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
Several ACA provisions have already begun and related transactions are included in the NIPAs

Transactions are included in our normal source data (Budget, MTS, etc.)

Provisions continue to begin each year 2014 through 2020
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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

Illustration of the estimated ACA impact on federal NIPA transactions based on CBO, JCT, and OMB data.
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Grants – Gross ACA Impacts

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Federal Social Benefits to Persons - ACA

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Federal Social Benefits – Gross ACA Impacts

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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)
Illustration of the estimated ACA impact on federal NIPA transactions based on CBO, JCT, and OMB data.
Federal Subsidies - ACA

Illustration of the estimated ACA impact on federal NIPA transactions based on CBO, JCT, and OMB data.
Federal Capital Transfers to Persons - ACA

Illustration of the estimated ACA impact on federal NIPA transactions based on CBO, JCT, and OMB data.
Federal Total Receipts - ACA

Illustration of the estimated ACA impact on federal NIPA transactions based on CBO, JCT, and OMB data.
- 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.
- 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

Illustration of the estimated ACA impact on federal NIPA transactions based on CBO, JCT, and OMB data.
Current Transfer Receipts - ACA

- **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.

Illustration of the estimated ACA impact on federal NIPA transactions based on CBO, JCT, and OMB data.

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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.

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Federal Taxes on Corporate Income – ACA

Illustration of the estimated ACA impact on federal NIPA transactions based on CBO, JCT, and OMB data.
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
2013 Comprehensive Revision - NIPAs

- Changes in economic accounting definitions and classifications
  - Capitalization of research and development
  - Accrual treatment of defined benefit pension plan transactions