

**Update on Method for Calculation of Section 1332 Reinsurance Waiver 2021 Premium Tax
Credit Pass-through Amounts**
Office of Tax Analysis, Department of the Treasury
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Section 1332 of the Affordable Care Act (ACA) permits a state to apply to waive certain provisions of the ACA. A waiver must satisfy four requirements to be approved: the waiver must provide access to quality health care that is at least as comprehensive and affordable as would be provided absent the waiver, provides coverage to a comparable number of residents of the state as would be provided coverage absent a waiver, and does not increase the federal deficit. If a state plan under a Section 1332 waiver reduces the amount of premium tax credit (PTC) or small business health care tax credit that individuals and employers in the state would otherwise receive, the savings are paid to the state, in “pass-through funding.” The U.S. Department of Health and Human Services (HHS) and the U.S. Department of the Treasury (collectively, the Departments) are responsible for reviewing waiver applications.

As described in [prior documentation](#), the Department of Treasury’s Office of Tax Analysis (OTA) ordinarily develops pass-through estimates for state reinsurance waivers using the most recent midsession review (MSR) baseline. For 2021, OTA will slightly modify this approach.

The FY2021 MSR did not include updated economic projections or updated baseline estimates, including for the premium tax credit. To ensure that pass-through estimates reflect COVID-related developments in the individual insurance market (such as changes in enrollment or subsidy level due to individuals experiencing changes in health coverage or income), OTA plans to update its model with more recent macroeconomic assumptions and individual market projections.¹ Alternatively, OTA considered use of the baseline projections from the Administration’s prior forecast—the FY2020 President’s Budget; however, such an approach would not incorporate the economic and health changes stemming from COVID-19 into the 2021 pass-through estimates.

¹ The President’s Budget and Mid-Session Review projections of the economic outlook, including macroeconomic assumptions, are prepared jointly by the Council of Economic Advisers, OMB, and the Treasury Department. See <https://www.whitehouse.gov/wp-content/uploads/2019/03/spec-fy2020.pdf>, p. 101. For 2021 pass-through, OTA is updating its model with more recent macroeconomic assumptions using IHS Markit’s economic outlook. See <https://ihsmarkit.com/industry/economics-country-risk.html>.

