

RECOVERY ACT PLAN: HEALTH INSURANCE TAX CREDIT ADMINISTRATION PROGRAM

Objectives

The purpose of the program is to update systems and products to implement Recovery Act changes and expand capacity to provide easy access and reduce burden for eligible taxpayers claiming the Health Coverage Tax Credit (HCTC) and ensure compliance with the law.

The credit was created to help displaced workers and retirees who have lost their jobs due to trade with countries who participate in free trade agreements (for example, the North America Free Trade Agreement).

The Trade Adjustment Assistance (TAA) Reform Act of 2002 created the HCTC to assist certain recipients of trade adjustment assistance and Pension Benefit Guaranty Corporation pension beneficiaries who are aged 55-64 to receive affordable health care. The program provides a monthly advance, refundable tax credit for 65 percent of the cost of qualified insurance. The credit can also be provided when the individual's tax return is filed. The IRS administers the enrollment, payment and compliance of the credit. The Department of Labor (DOL), state workforce agencies and the Pension Benefits Guaranty Corporation (PBGC) have responsibility for determining potentially eligible HCTC individuals.

The Recovery Act changed the HCTC in several ways including:

- Increasing the portion of health premiums paid by the government from 65% to 80% (beginning April 2009 through December 2010)
- Reimbursing premiums paid while enrolling in the monthly HCTC Program (beginning August 2009 through December 2010)
- Allowing family members to continue receiving the HCTC after certain life events (beginning January 2010 through December 2010)
- Expanding eligibility to more people (beginning May 2009 through December 2010)

Prior to the Recovery Act, the IRS estimated that the number of potentially eligible individuals in any given month was increasing to approximately 300,000 due to the overall economic downturn. Given the Recovery Act changes, that estimate is now approximately 570,000 individuals.

Activities

The activity to be performed is the implementation of Recovery Act changes to the HCTC. The appropriated \$80 million is for expansion of the existing program to add the additional capacity required by the Recovery Act, plus other administrative expenses needed for implementation. Implementation will be done via several avenues: education and outreach; guidance and instructions; IRS processing and programming; compliance; and reporting.

Education and outreach activities are designed to assist taxpayers in determining whether or not the HCTC applies to them specifically. Examples of these activities include providing up-to-date information on irs.gov, creating specific toll-free assistance related to HCTC, developing and distributing information specific to current participants as well as to those who are potentially eligible informing them of Recovery Act changes.

Guidance and instructional activities are designed to tell taxpayers how they can actually take or claim the HCTC. Examples of these activities include updating the necessary tax forms and instructions, developing and distributing program kits and registration information to potentially eligible individuals.

IRS processing and programming activities are designed to enable the necessary systems to process taxpayers' claims for the HCTC, and to inform them when IRS is ready to process these claims.

Compliance activities are designed to let the taxpayer know that IRS is working to ensure that the HCTC is correctly claimed and that these benefits are going to those for whom they were intended. Examples of these activities include working with state workforce agencies and the Department of Labor to ensure the accuracy of eligibility data they transmit to IRS, identification and correction of inadvertent errors, and establishing compliance checks and procedures to detect claims made by those not entitled to them.

Reporting activities are designed to track the Recovery Act tax provision benefits. The Department of the Treasury will provide an estimate of benefits to individuals, businesses, and state and local governments as data becomes available.

Characteristics

Implementation of the HCTC includes no financial awards. Appropriated funding is for administrative expenses. Activities in support of carrying out the program requirements are primarily conducted through a long-established contract vehicle with an outside vendor.

Delivery Schedule

Schedule for major phases of the program's delivery:

	Milestone	Planned Completion Date	Actual Completion Date
1.	Implement the change to the credit percentage covered by the government from 65% to 80%	04/17/2009	04/05/2009
2.	Update initial functionality (Release 9.0) to allow reimbursement of health plan premiums paid while waiting to enroll in HCTC	08/31/2009	8/17/2009
3.	Update subsequent functionality (Release 10.0) to allow HCTC to extend benefits to family members after certain life events, expand capacity to handle increased volumes, extend length of time credit is offered, and extend consumer protections under COBRA	12/31/2009	12/31/2009

A more detailed schedule for implementation of the HCTC can be found in Appendix A of this document.

National Environmental Policy Act Compliance

Implementation of the HCTC is categorically excluded from the National Environmental Policy Act, the National Historic Preservation Act, and related statutes.

Measures

The intent of the Recovery Act legislation related to HCTC is to provide those American taxpayers who are eligible with the opportunity to take advantage of this program to ease economic distress. Consistent with this intent, the measures used for this program are the same as those currently used to report this program's performance on an annual basis. Along with Efficiency and Output Measures, HCTC also includes Customer Satisfaction as one of the program's performance measures.

Efficiency Measure: Cost per Taxpayer Served

This measure reflects the costs associated with serving the taxpayers including program kit correspondence, registration and program participation. The cost per taxpayer served was \$16.94 in FY 2008, and is targeted at \$17.00 for FY 2009. The goal is to maintain current performance in spite of increased volumes due to program expansion. IRS will re-baseline this measure in 2010.

Output Measure: Sign-up Time

This measure reflects the median number of days between the day the IRS sends program kits to potential recipients and the day recipients enroll and remit their first payments to the IRS. The sign up time was 94 days in FY 2008, and is targeted at 97 days for FY 2009. The goal is maximize performance in spite of increased volumes due to program expansion. IRS will re-baseline this measure in 2010.

Monitoring and Evaluation

All activity of the IRS relating to implementation of the HCTC is overseen by an Executive Steering Committee consisting of the highest-level executives in IRS, representing every major function and business. This committee, which met weekly through the end of March 2010 and now meets monthly, reviews all progress on program activity. An initial risk assessments and analysis were performed and documented timely, and will be reviewed for any necessary updates as implementation continues. All Recovery Act expenditures are tracked via a unique code and reported weekly. IRS will provide an estimate of the increase in benefits provided as data becomes available.

Transparency

IRS will be open and transparent in all expenditures of Recovery Act funding consistent with statutory and OMB guidance. Program costs and outlays are tracked via Chief Financial Officer reports and will be submitted as required by the Act.

Accountability

To ensure that managers are held accountable for achieving Recovery Act goals in implementing the tax provisions, IRS is using a two-pronged approach – executive oversight and the IRS Legislative Analysis, Tracking and Implementation System. Senior IRS executives met weekly through March, and continue to meet monthly, to review progress on all activity. In-depth briefings to the Commissioner and Deputies are provided as needed. Executives within the operating division that oversees HCTC are responsible for reviewing and approving Recovery Act plans, ensuring activities in those plans are completed timely, assessing and mitigating risks. The IRS Legislative Analysis, Tracking and Implementation System is an internal control infrastructure used to identify all actions necessary (beginning at the lowest level) to timely implement tax changes required by enacted legislation, plus, it tracks and monitors the progress and completion of these actions. This system is overseen by the Deputy Commissioners of IRS and has proven successful over several years in ensuring enacted legislation impacting tax administration is fully and timely implemented.

Barriers to Effective Implementation

No barriers that would impede implementation of the tax provisions have been identified to date.

Federal Infrastructure Investments

All Recovery Act funds for implementation of the tax provisions are for administrative expenses only.

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