

June 25, 2003

Honorable David Dreier
Chairman
Committee on Rules
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has prepared a preliminary estimate of the impact of H.R. 1, the Medicare Prescription Drug and Modernization Act of 2003, on direct spending and revenues, based on the legislative language we received late this evening. As shown in the enclosed table, we estimate that enacting H.R. 1 would result in additional outlays totaling \$4.0 billion in fiscal year 2004, \$116.0 billion over the 2004-2008 period, and \$393.2 billion over the 2004-2013 period. In addition, we estimate that federal revenues would increase by \$4.8 billion over the 2004-2008 period and by \$20.7 billion over the 2004-2013 period. The net effect of the bill, we estimate, would be an increase in the deficit of \$4.0 billion in 2004, \$111.2 billion over the 2004-2008 period, and \$372.5 billion over the 2004-2013 period. These estimates are preliminary and subject to revision after we have had an opportunity to carefully review the legislative language. CBO has not yet completed its estimate of the discretionary costs of the bill.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Tom Bradley, who can be reached at 226-9010.

Sincerely,

Douglas Holtz-Eakin

cc. Honorable Martin Frost
Ranking Minority Member

Honorable William “Bill” M. Thomas
Chairman
Committee on Ways and Means

Honorable Charles B. Rangel
Ranking Member

Honorable W.J. “Billy” Tauzin
Chairman
Committee on Energy and Commerce

Honorable John D. Dingell
Ranking Member

Preliminary CBO Estimate of Effect on Direct Spending and Revenues of H.R. 1 as introduced on June 25, 2003; Subject to revision after review of the legislative language.

06/25/2003

by fiscal year, in billions of dollars

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2003-2008	2003-2013
DIRECT SPENDING													
Title													
I Medicare Prescription Drug Benefit	0	0.2	1.6	26.6	38.4	42.4	47.4	52.8	59.0	66.0	74.2	109.2	408.6
II Medicare Modernization	0	0.4	0.6	(0.0)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)	0.6	(0.5)
III - VII Fee-for-Service Provisions	-0.0	2.6	2.5	0.8	-0.8	-2.0	-3.0	-3.6	-4.3	-4.9	-5.1	2.9	(17.9)
VIII Medicare Benefits Administration	0	0	0	0	0	0	0	0	0	0	0	0	0
IX Regulatory Reduction and Contracting Reform	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
X Medicaid	0.0	0.9	0.8	0.7	0.6	0.4	0.3	0.1	0.0	0.0	0.0	3.4	3.8
XI Hatch-Waxman Revisions	<u>0</u>	<u>(0.0)</u>	<u>(0.0)</u>	<u>(0.0)</u>	<u>(0.0)</u>	<u>(0.0)</u>	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.2)</u>	<u>(0.2)</u>	<u>(0.8)</u>
Total, Direct Spending	(0.0)	4.0	5.4	28.0	37.9	40.7	44.5	49.0	54.4	60.8	68.5	116.0	393.2
REVENUE													
On-budget (Income and Hospital Insurance Payroll Tax)	0	0	0	0.4	1.8	2.0	2.2	2.5	2.8	3.1	3.4	4.2	18.1
Off-budget (Social Security Payroll Taxes)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.1</u>	<u>0.2</u>	<u>0.3</u>	<u>0.3</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.5</u>	<u>0.6</u>	<u>2.6</u>
Total, Revenue	0	0	0	0.5	2.0	2.3	2.5	2.9	3.2	3.5	3.8	4.8	20.7
Effect on Unified Deficit	(0.0)	4.0	5.4	27.5	35.9	38.3	42.0	46.1	51.2	57.2	64.7	111.2	372.5