

June 26, 2003

Honorable John D. Dingell
Ranking Member
Committee on Energy and Commerce
United States House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has prepared a preliminary estimate of the impact of the Democratic amendment to H.R. 1, the Medicare and Prescription Drug Modernization Act of 2003. As shown in the enclosed table, we estimate that enacting this amendment would result in outlays totaling \$0.4 billion in 2003, \$5.1 billion in 2004, \$263 billion over the 2004-2008 period and \$1.0 trillion over the 2004-2013 period. In addition, we estimate that federal revenues would increase by \$8.1 billion over the 2004-2008 period and by \$34.0 billion over the 2004-2013 period. The net effect of the bill, we estimate, would be an increase in the deficit of \$0.4 billion in 2003, \$5.1 billion in 2003, \$255.0 billion over the 2004-2008 period, and \$968.7 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 W. J. "Billy" Tauzin
Chairman

Identical letter sent to Honorable Charles B. Rangel.

Preliminary CBO Estimate of Changes in Direct Spending and Revenues as a Result of the Democratic Substitute for H.R. 1 Subject to revision after review of the legislative language.

by fiscal year, in billions of dollars

06/26/2003

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2003-2008	2003-2013
Estimated Budget Impact of H.R. 1 (as reported by the Rules Committee)													
Direct Spending Outlays	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
Increase in Revenues	0	0	0	0.5	2.0	2.3	2.5	2.9	3.2	3.5	3.8	4.8	20.7
Proposed Changes--Democratic Substitute													
Change in Direct Spending (by title in H.R. 1)													
I Medicare Prescription Drug Benefit	0	(0.2)	(5.6)	22.8	44.9	53.7	62.4	71.7	82.0	94.4	98.7	115.6	524.8
II Medicare Modernization	0	0.1	0.1	1.1	1.4	1.6	1.6	1.8	1.8	2.1	2.5	4.4	14.3
III - VII Fee-for-Service Provisions	0.0	0.9	4.1	6.1	6.9	6.5	6.4	6.8	7.2	7.8	8.7	24.6	61.6
VIII Medicare Benefits Administration	0	0	0	0	0	0	0	0	0	0	0	0	0
IX Regulatory Reduction and Contracting Refc	0	0	0	0	0	0	0	0	0	0	0	0	0
X Medicaid	0.4	0.2	0.3	0.3	0.5	0.7	0.9	1.2	1.3	1.4	1.4	2.4	8.7
XI Access to Affordable Pharmaceuticals	<u>0</u>	<u>0.0</u>	<u>0.2</u>										
Total Changes in Direct Spending	0.4	1.1	(1.0)	30.3	53.8	62.5	71.4	81.5	92.5	105.7	111.3	147.1	609.5
Changes in Revenues	0	0	0	0.4	1.4	1.5	1.7	1.8	1.9	2.1	2.4	3.3	13.3
Estimated Budget Impact of the Democratic Substitute													
Direct Spending Outlays	0.4	5.1	4.4	58.3	91.7	103.2	115.9	130.6	146.9	166.5	179.7	263.1	1,002.7
Increase in Revenues	0.0	0.0	0.0	0.8	3.4	3.8	4.2	4.7	5.1	5.6	6.3	8.1	34.0