

June 11, 2001

Honorable Max Baucus
Committee on Finance
Chairman
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The Congressional Budget Office (CBO) has prepared the attached updated estimates of the effect on direct spending of four proposals made during the 106th Congress to establish an outpatient prescription drug benefit in Medicare. Those proposals are:

- President Clinton's proposal in the 2000 Mid-Session Review;
- Amendment 3598 to H.R. 4577, as introduced by Senator Robb;
- S. 2807, as introduced by Senators Breaux and Frist and modified in discussions with staff; and
- H.R. 4680, as passed by the House.

The updated estimates reflect CBO's current baseline for spending on outpatient prescription drugs by or for the Medicare population and revisions in CBO's estimating methods. Those revisions are based on updated data and intensive review of our methods to ensure the reasonableness and consistency of the estimates.

The original proposals all would have established a prescription drug benefit in 2003 or earlier. The updated estimates assume that the benefit would begin in 2004.

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The original proposals specified dollar amounts for deductibles, benefit caps, and stop-loss thresholds for the first year of the benefit, and occasionally for subsequent years. The updated estimates assume the specified amounts apply beginning in 2004.

Table 1 summarizes the effect of each proposal on direct spending during the 2002-2011 period. Tables 2 through 5 provide year-by-year estimates and supplemental information for each of the estimates.

If you or your staff have any questions about these estimates, or if you need additional information, we would be happy to be of assistance. The CBO staff contact is Julia Christensen.

I hope this information is helpful to you.

Sincerely,

Dan L. Crippen
Director

Attachments

cc: Honorable Charles E. Grassley
Ranking Member, Senate Committee on Finance

Honorable Kent Conrad
Chairman, Senate Committee on the Budget

Honorable Pete V. Domenici
Ranking Member, Senate Committee on the Budget

Honorable John B. Breaux

Honorable Bill Frist

Identical letters sent to Honorable W. J. "Billy" Tauzin and Honorable William "Bill" M. Thomas

Table 1. Estimated Effect on Direct Spending of Proposals Introduced During the 106th Congress to Establish a Prescription Drug Benefit in Medicare, Fiscal Years 2004-2011

	Clinton	Robb	Breux-Frist	H.R. 4680
Federal Spending on Prescription Drugs for Medicare Enrollees				
Medicare	417	295	124	97
Spending by Other Federal Programs on Prescription Drugs for Medicare Enrollees	-113	-111	-64	-68
Low-Income Subsidy	<u>100</u>	<u>111</u>	<u>104</u>	109
Subtotal	405	294	164	138
Other Direct Spending	<u>21</u>	<u>24</u>	<u>12</u>	<u>16</u>
Total	425	318	176	154

SOURCE: Congressional Budget Office.
