



July 26, 2007

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

Dear Mr. Chairman:

The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) have prepared the attached cost estimate for the Children's Health Insurance Program Reauthorization Act of 2007, based on the legislative language (ERN07632) that was provided by the Committee on Finance on July 26, 2007.

CBO estimates that enacting this legislation would increase federal direct spending by \$35.2 billion over the 2008-2012 period and by \$71.0 billion over the 2008-2017 period. CBO and JCT estimate that net revenues would increase under the bill by \$36.1 billion over the next five years and \$72.8 billion over the 10-year period. A portion of that increase would be in off-budget revenues: \$0.8 billion for the 2008-2012 period and \$1.1 billion over the 2008-2017 period. On balance, the spending and revenue changes would reduce federal on-budget deficits by \$0.1 billion through 2012 and \$0.8 billion for the 2008-2017 period. The two attached tables provide estimates of year-by-year changes and a summary of the estimated change in enrollment of children under the State Children's Health Insurance Program (SCHIP) and Medicaid.

Projected spending would exceed estimated on-budget revenue increases beginning in fiscal year 2015. Pursuant to section 203 of S. Con. Res. 21, the Concurrent Resolution on the Budget for Fiscal Year 2008, CBO estimates that the changes in direct spending and revenues would cause an increase in the on-budget deficit greater than \$5 billion in at least one of the 10-year periods between 2018 and 2057.

Honorable Max Baucus

Page 2

CBO has reviewed the non-tax provisions of the bill—titles I through VI, excluding section 411, and title VII—for mandates and determined that they contain no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would affect the way states administer SCHIP and Medicaid, but because of the flexibility in those programs, the new requirements would not be intergovernmental mandates as UMRA defines that term. In general, state, local, and tribal governments would benefit from the continuation of existing SCHIP grants, the creation of new grant programs, and broader flexibility and options in some programs.

According to JCT, the tax provisions of the bill contain no intergovernmental mandates as defined in UMRA. JCT has determined that the tax provisions of the bill contain a private-sector mandate, as defined in UMRA, by increasing the excise tax rate on cigarettes and other tobacco products. The costs of that mandate would be similar to the estimated budget effects of the provision (as shown in the attached table), and thus would significantly exceed the threshold established in UMRA for private-sector mandates in each year (the threshold is \$131 million in 2007, and is adjusted annually for inflation).

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Eric Rollins and Jeanne De Sa.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter R. Orszag".

Peter R. Orszag  
Director

Enclosure

cc: Honorable Charles E. Grassley  
Ranking Member

# CBO's Estimate of the Effects on Direct Spending and Revenues of the Children's Health Insurance Program Reauthorization Act of 2007

(Based on the legislative language ERN07632, provided by the Senate Committee on Finance on July 26, 2007)

Figures are outlays, by fiscal year, in billions of dollars. Costs or savings of less than \$50 million are shown with an asterisk. Components may not sum to totals because of rounding.

Section	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-12	2008-17
<b>CHANGES IN DIRECT SPENDING</b>												
SCHIP outlays from the funding provided in sections 101, 103, 104, and 105 of the bill												
Benefits and administrative costs	2.2	3.8	5.5	6.5	7.4	-0.4	-1.8	-1.8	-1.7	-1.6	25.4	18.1
Incentive payments	0	0.4	0.6	0.8	0.9	1.0	1.1	1.2	1.2	1.3	2.7	8.4
Subtotal	2.2	4.1	6.1	7.2	8.4	0.6	-0.7	-0.6	-0.4	-0.3	28.1	26.5
Medicaid outlays due to interactions with the SCHIP outlays shown above	-0.3	0.3	1.2	1.6	1.8	4.5	6.0	7.1	7.7	8.4	4.7	38.4
Other changes in direct spending that are not included with the SCHIP and Medicaid totals above												
104 Additional administrative funding for territories	*	*	*	*	*	*	*	*	*	*	0.1	0.1
105 Funding for improved reporting of Medicaid enrollment	*	*	0	0	0	0	0	0	0	0	*	*
108 Contingency fund	0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	1.1
201 Grants for outreach and enrollment	*	*	*	*	0.1	*	*	*	*	*	0.2	0.4
203 Express Lane demonstration project	*	*	*	*	*	0	0	0	0	0	*	*
301 Revise requirement to document citizenship	0	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.6	1.4	3.7
501 Development of quality measures for child health	*	0.1	0.1	0.1	0.1	*	*	*	*	*	0.3	0.4
604 Additional funding for Current Population Survey	*	*	*	*	*	*	*	*	*	*	0.1	0.1
608 Dental health grants	*	0.1	0.1	0.1	*	0	0	0	0	0	0.2	0.2
609 Transition grants for payment of FQHC / RHC services	*	*	0	0	0	0	0	0	0	0	*	*
Subtotal	0.1	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.8	2.4	6.1
Total changes in direct spending	2.1	5.0	7.9	9.4	10.8	5.8	6.0	7.2	8.0	8.9	35.2	71.0

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Section	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-12	2008-17
<b>CHANGES IN REVENUES</b>												
On-budget revenues												
701 Increased taxes on tobacco products	6.2	7.6	7.4	7.3	7.3	7.2	7.1	7.1	7.0	6.9	35.7	71.1
703 Change timing of corporate estimated tax payments	0	0	0	0	-0.9	0.9	0	0	0	0	-0.9	0
Effect of SCHIP provisions on on-budget revenues	*	0.1	0.1	0.1	0.1	0.1	*	*	*	*	0.5	0.7
Subtotal	6.2	7.7	7.5	7.4	6.5	8.2	7.2	7.1	7.0	7.0	35.3	71.7
Off-budget revenues (due to SCHIP provisions)	0.1	0.2	0.2	0.2	0.2	0.1	*	*	*	0.1	0.8	1.1
Total changes in revenues	6.3	7.8	7.7	7.6	6.7	8.3	7.2	7.1	7.1	7.0	36.1	72.8
Net budgetary effect of legislation												
Direct spending and on-budget revenues	-4.2	-2.7	0.4	2.0	4.3	-2.4	-1.2	0.1	1.0	1.9	-0.1	-0.8
Direct spending and all revenues	-4.3	-2.8	0.2	1.8	4.1	-2.5	-1.2	*	0.9	1.8	-0.9	-1.8
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Memorandum:												
SCHIP outlays under CBO's baseline	5.4	5.4	5.5	5.5	5.6	5.5	5.3	5.3	5.2	5.1	27.4	53.8
Additional SCHIP outlays under proposal	2.3	4.3	6.2	7.4	8.5	0.7	-0.6	-0.5	-0.3	-0.2	28.6	27.9
Total SCHIP outlays under proposal	7.7	9.7	11.7	12.9	14.1	6.2	4.7	4.8	4.9	5.0	56.1	81.7

# CBO's Estimate of Changes in SCHIP and Medicaid Enrollment of Children under the Children's Health Insurance Program Reauthorization Act of 2007

(Based on the legislative language ERN07632, provided by the Senate Committee on Finance on July 26, 2007)

All figures are average monthly enrollment, in millions of individuals. Components may not sum to totals because of rounding.

	SCHIP /a/				Medicaid /b/				SCHIP/Medicaid total		
	Enrollees moved to SCHIP	Reduction in the uninsured	Reduction in private coverage	Total	Enrollees moved to SCHIP	Reduction in the uninsured	Reduction in private coverage	Total	Reduction in the uninsured	Reduction in private coverage	Total
<b>FISCAL YEAR 2012:</b>											
CBO's baseline projections				3.3				25.0			28.3
Effect of providing funding to maintain current SCHIP programs	0.6	0.8	0.5	1.9	-0.6	n.a.	n.a.	-0.6	0.8	0.5	1.3
Effect of additional SCHIP funding and other provisions:											
Additional enrollment within existing eligibility groups /c/ /d/	n.a.	0.9	0.6	1.5	n.a.	1.7	0.4	2.2	2.7	1.0	3.7
Expansion of SCHIP eligibility to new populations	n.a.	0.6	0.6	1.1	n.a.	n.a.	n.a.	n.a.	0.6	0.6	1.1
Subtotal	n.a.	1.5	1.2	2.6	n.a.	1.7	0.4	2.2	3.2	1.6	4.8
Total proposed changes	0.6	2.2	1.7	4.5	-0.6	1.7	0.4	1.5	4.0	2.1	6.1
Estimated enrollment under proposal				7.9				26.5			34.4

**Notes:**

/a/ The figures in this table include the program's adult enrollees, who account for less than 10 percent of total SCHIP enrollment.

/b/ The figures in this table do not include children who receive Medicaid because they are disabled.

/c/ For simplicity of display, the Medicaid figures in this line include the additional children enrolled as a side effect of expansions of SCHIP eligibility.

/d/ The Medicaid figures and SCHIP/Medicaid totals in this line include about 100,000 adults who would gain eligibility under section 301 of the bill.

n.a. = not applicable