

**Table 1. Preliminary CBO Estimates of the Effect on Direct Spending of Four Proposals from the 106th Congress to Establish a Prescription Drug Benefit in Medicare, fiscal years 2005-2012**

*(Outlays in billions of dollars)*

	Clinton Mid-Session Review	Robb Amendment	Breaux- Frist S. 2807	House- passed H.R. 4680
Medicare	507	342	178	120
Spending by Medicaid and other programs on drugs for Medicare enrollees	-145	-142	-78	-84
Low-income subsidy	128	148	123	141
Other direct spending	22	27	10	18
Total federal spending	512	374	233	195

Source: Congressional Budget Office.

Note: Components may not sum to totals because of rounding.

**Table 2. Preliminary CBO Estimate of the Effect on Direct Spending of Establishing a Prescription Drug Benefit in Medicare: President Clinton's Proposal in the 2000 Mid-Session Review, Assuming Implementation in 2005**

(Outlays in billions of dollars, by fiscal year)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2004-07	2004-12
Medicare											
Benefits and insurance load	0	34	53	64	74	87	99	115	132	151	659
Premiums	0	-9	-12	-16	-18	-22	-24	-28	-32	-37	-161
Subsidy to employer-sponsored insurance plans	0	1	1	1	1	1	1	2	2	2	9
Subtotal	0	25	42	49	57	66	77	88	102	116	507
Spending by Medicaid and other programs on drugs for Medicare enrollees	0	-6	-14	-15	-17	-19	-22	-24	-27	-36	-145
Low-income subsidy	0	5	11	14	16	18	19	21	24	30	128
Other direct spending	a	a	1	2	3	3	4	4	4	4	22
Total federal spending	a	25	41	49	58	68	78	89	104	115	512
Memorandum: Change in state Medicaid spending	a	-1	-2	-2	-2	-2	-2	-3	-3	-4	-16

**Characteristics of the proposed benefit (calendar year):**

Voluntary prescription drug benefit under new Part D; one-time enrollment option; 50 percent subsidy of premium below benefit cap; 100 percent subsidy of premium above stop-loss.

Administered by single Pharmacy Benefits Manager per region that does not assume insurance risk.

Premiums and cost sharing subsidies for low-income people, including amounts above the benefit cap and below the stop-loss.

Monthly premium	\$29.50	\$30.20	\$41.40	\$42.70	\$53.40	\$55.20	\$66.00	\$70.80
Deductible	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Coinsurance rate (percent)	50%	50%	50%	50%	50%	50%	50%	50%
Benefit cap (program spending)	\$1,000	\$1,000	\$1,500	\$1,500	\$2,000	\$2,000	\$2,500	\$2,638
Total spending at benefit cap	\$2,000	\$2,000	\$3,000	\$3,000	\$4,000	\$4,000	\$5,000	\$5,276
Out-of-pocket spending where final coinsurance rate applies	\$4,000	\$4,220	\$4,452	\$4,697	\$4,955	\$5,228	\$5,515	\$5,819
Total spending where final coinsurance rate applies	\$5,000	\$5,220	\$5,952	\$6,197	\$6,955	\$7,228	\$8,015	\$8,457
Final coinsurance rate (percent)	0%	0%	0%	0%	0%	0%	0%	0%

**Key assumptions:**

Participation (as a percent of Part B enrollment)								
Medicare drug benefit	86%	86%	86%	86%	86%	86%	86%	86%
Federally-subsidized employer-sponsored plans	7%	7%	7%	7%	7%	7%	7%	7%
Nonparticipants in Medicare drug benefit (as a percent of Part B enrollment)								
With other prescription drug coverage	7%	7%	7%	7%	7%	7%	7%	6%
Without other prescription drug coverage	0%	0%	0%	0%	0%	0%	0%	0%
Price effect (in the 10th year)	8.5%							
Medicare cost management factor	10.0%							

Source: Congressional Budget Office.

Note: Costs or savings of less than \$500 million are shown with an "a." Components may not sum to totals because of rounding. Does not include revenue effects.

**Table 3. Preliminary CBO Estimate of the Effect on Direct Spending of Establishing a Prescription Drug Benefit in Medicare: Former Senator Robb's Proposal in Amendment 3598 to H.R. 4577, Assuming Implementation in 2005**

(Outlays in billions of dollars, by fiscal year)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2004-07	2004-12
Medicare											
Benefits and insurance load	0	38	60	68	76	85	96	108	123	166	654
Premiums	0	-20	-30	-34	-38	-43	-49	-55	-61	-85	-331
Subsidy to employer-sponsored insurance plans	0	1	2	2	2	2	3	3	4	5	19
Subtotal	0	19	31	35	40	45	50	56	65	86	342
Spending by Medicaid and other programs on drugs for Medicare enrollees	0	-6	-14	-15	-17	-19	-21	-24	-26	-35	-142
Low-income subsidy	0	6	12	15	18	20	23	26	29	33	148
Other direct spending	a	1	2	3	3	4	4	5	5	5	27
Total federal spending	a	19	32	38	44	50	56	63	73	89	374
Memorandum: Change in state Medicaid spending	a	a	- a	a	1	2	2	2	3	a	10

**Characteristics of the proposed benefit (calendar year):**

Voluntary prescription drug benefit under new Part D; one-time enrollment option; 50 percent subsidy of premium.

The coinsurance rate below the stop-loss is either 50 percent or 25 percent. Administered by competing Pharmacy Benefits Managers that do not assume insurance risk.

Premiums and cost sharing subsidies for low-income people.

Monthly premium	\$67.30	\$77.30	\$84.90	\$94.00	\$103.90	\$114.80	\$126.80	\$136.70
Deductible	\$250	\$250	\$281	\$313	\$347	\$386	\$427	\$473
Coinsurance rates (percent)	50-25%	50-25%	50-25%	50-25%	50-25%	50-25%	50-25%	50-25%
Benefit cap (program spending)	None	None	None	None	None	None	None	None
Total spending at benefit cap	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Out-of-pocket spending where final coinsurance rate applies	\$4,000	\$4,000	\$4,488	\$5,000	\$5,556	\$6,168	\$6,832	\$7,564
Total spending where final coinsurance rate applies	\$8,750	\$8,750	\$9,818	\$10,938	\$12,154	\$13,493	\$14,945	\$16,546
Final coinsurance rate (percent)	0%	0%	0%	0%	0%	0%	0%	0%

**Key assumptions:**

Participation (as a percent of Part B enrollment)								
Medicare drug benefit	85%	85%	85%	85%	85%	85%	85%	85%
Federally-subsidized employer-sponsored plans	7%	7%	7%	7%	7%	7%	7%	7%
Nonparticipants in Medicare drug benefit (as a percent of Part B enrollment)								
With other prescription drug coverage	7%	7%	7%	7%	7%	7%	7%	7%
Without other prescription drug coverage	0%	0%	0%	0%	0%	0%	0%	0%
Price effect (in the 10th year)	14.7%							
Medicare cost management factor	17.5%							

Source: Congressional Budget Office.

Note: Costs or savings of less than \$500 million are shown with an "a." Components may not sum to totals because of rounding. Does not include revenue effects.

**Table 4. Preliminary CBO Estimate of the Effect on Direct Spending of Establishing a Prescription Drug Benefit in Medicare: S. 2807, as Introduced by Senators Breaux and Frist, and Modified in Discussions with Staff, Assuming Implementation in 2005**

(Outlays in billions of dollars, by fiscal year)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2004-07	2004-12
Medicare											
Benefits and insurance load	0	28	41	45	50	55	61	67	75	114	422
Premiums	0	-17	-24	-26	-29	-31	-35	-39	-43	-67	-244
Subsidy to employer-sponsored insurance plans	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	10	17	19	21	23	26	29	32	47	178
Spending by Medicaid and other programs on drugs for Medicare enrollees	0	-4	-8	-8	-9	-10	-12	-13	-14	-19	-78
Low-income subsidy	0	5	11	13	15	17	19	21	23	29	123
Other direct spending	a	a	- a	a	1	2	2	2	2	a	10
Total federal spending	a	12	20	24	28	31	35	39	43	57	233
Memorandum: Change in state Medicaid spending	a	-1	-2	-2	-2	-3	-4	-4	-5	-5	-24

**Characteristics of the proposed benefit (calendar year):**

Voluntary prescription drug benefit under new Part D; one-time enrollment option; 25 percent subsidy of basic benefit.  
 Administered by competing Pharmacy Benefits Managers with full risk, offset by 80 percent federal reinsurance on high-cost enrollees.  
 Premiums and cost sharing subsidies for low-income people, but no subsidy for amounts above the benefit cap and below the stop-loss.

Monthly premium	\$55.80	\$58.10	\$63.10	\$67.70	\$73.50	\$80.00	\$87.10	\$95.00
Deductible	\$250	\$276	\$303	\$332	\$363	\$397	\$433	\$473
Coinsurance rate (percent)	50%	50%	50%	50%	50%	50%	50%	50%
Benefit cap (program spending)	\$1,050	\$1,159	\$1,272	\$1,393	\$1,524	\$1,665	\$1,819	\$1,986
Total spending at benefit cap	\$2,350	\$2,594	\$2,846	\$3,118	\$3,410	\$3,727	\$4,070	\$4,444
Out-of-pocket spending where final coinsurance rate applies	\$6,000	\$6,624	\$7,266	\$7,962	\$8,706	\$9,516	\$10,392	\$11,346
Total spending where final coinsurance rate applies	\$7,050	\$7,783	\$8,538	\$9,355	\$10,230	\$11,181	\$12,211	\$13,332
Final coinsurance rate (percent)	0%	0%	0%	0%	0%	0%	0%	0%

**Key assumptions:**

Participation (as a percent of Part B enrollment)								
Medicare drug benefit	87%	87%	87%	87%	87%	87%	87%	87%
Federally-subsidized employer-sponsored plans	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Nonparticipants in Medicare drug benefit (as a percent of Part B enrollment)								
With other prescription drug coverage	5%	5%	5%	5%	5%	5%	5%	5%
Without other prescription drug coverage	8%	8%	8%	8%	8%	8%	8%	8%
Price effect (in the 10th year)	0.6%							
Medicare cost management factor (risk / fallback)	30.0%	12.5%						

Source: Congressional Budget Office.

Note: Costs or savings of less than \$500 million are shown with an "a." Components may not sum to totals because of rounding. Does not include revenue effects.

**Table 5. Preliminary CBO Estimate of the Effect on Direct Spending of Establishing a Prescription Drug Benefit in Medicare: H.R. 4680, the Medicare Rx 2000 Act, as passed by the House, Assuming Implementation in 2005**

(Outlays in billions of dollars, by fiscal year)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2004-07	2004-12
Medicare											
Benefits and insurance load	0	25	38	41	45	50	55	61	68	104	383
Premiums	0	-19	-26	-28	-31	-34	-38	-42	-46	-74	-264
Subsidy to employer-sponsored insurance plans	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	6	11	13	14	16	18	20	22	31	120
Spending by Medicaid and other programs on drugs for Medicare enrollees	0	-4	-8	-9	-10	-11	-12	-14	-16	-21	-84
Low-income subsidy	0	7	13	15	17	19	21	24	26	34	141
Other direct spending	a	- a	- a	a	2	3	4	4	5	a	18
Total federal spending	a	9	16	19	23	27	30	33	37	44	195
Memorandum: Change in state Medicaid spending	a	-1	-3	-3	-4	-6	-7	-8	-9	-7	-41

**Characteristics of the proposed benefit (calendar year):**

Voluntary prescription drug benefit under new Part D; one-time enrollment option.

Administered by competing Pharmacy Benefits Managers with full risk, offset by 35 percent federal reinsurance subsidy on high-cost enrollees.

Premiums and cost sharing subsidies for low-income people, but no subsidy for amounts above the benefit cap and below the stop-loss.

Monthly premium	\$72.40	\$74.20	\$80.40	\$85.70	\$92.80	\$100.90	\$109.60	\$119.30
Deductible	\$250	\$276	\$303	\$332	\$363	\$396	\$433	\$472
Coinsurance rate (percent)	50%	50%	50%	50%	50%	50%	50%	50%
Benefit cap (program spending)	\$1,050	\$1,159	\$1,272	\$1,392	\$1,524	\$1,664	\$1,817	\$1,983
Total spending at benefit cap	\$2,350	\$2,594	\$2,846	\$3,116	\$3,410	\$3,725	\$4,066	\$4,439
Out-of-pocket spending where final coinsurance rate applies	\$6,000	\$6,624	\$7,266	\$7,956	\$8,706	\$9,510	\$10,380	\$11,334
Total spending where final coinsurance rate applies	\$7,050	\$7,783	\$8,538	\$9,348	\$10,230	\$11,174	\$12,197	\$13,317
Final coinsurance rate (percent)	0%	0%	0%	0%	0%	0%	0%	0%

**Key assumptions:**

Participation (as a percent of Part B enrollment)

Medicare drug benefit	75%	75%	75%	75%	75%	75%	75%	75%
Federally-subsidized employer-sponsored plans	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Nonparticipants in Medicare drug benefit (as a percent of Part B enrollment)

With other prescription drug coverage	7%	7%	7%	7%	7%	7%	7%	7%
Without other prescription drug coverage	18%	18%	18%	18%	18%	18%	18%	18%

Price effect (in the 10th year)

Medicare cost management factor (risk / fallback)	0.2%	30.0%	12.5%
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Source: Congressional Budget Office.

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