



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Peter R. Orszag, Director

July 30, 2007

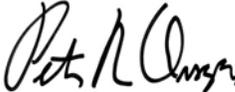
Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

In response to your letter, the Congressional Budget Office (CBO) has estimated the impact on the number of uninsured children of the Administration's fiscal year 2008 budget proposal that would replace virtually all of the current tax preferences for health insurance with a new standard deduction for taxpayers who buy a qualifying health insurance plan.

Earlier this year, CBO estimated that enacting the proposal would result in a net decrease of about 6.8 million in the number of uninsured people. (See Appendix C of CBO's March 2007 *An Analysis of the President's Budgetary Proposals for Fiscal Year 2008*.) Most of that reduction would result from otherwise uninsured adults purchasing coverage in the individual (nongroup) market, many of whom would find that the new tax deduction offset a substantial part of their insurance premium. The estimated net reduction of 6.8 million people includes a net decrease in the number of uninsured children of fewer than 0.5 million. That estimated reduction in the number of uninsured children is largely the result of two offsetting effects—some otherwise uninsured children would be covered by new family policies, and some otherwise insured children (covered by their parents' employer-based policy under current law) would be uninsured under the proposal because their parents' employer would not offer coverage.

I hope that this information is useful to you. If you have any questions, please feel free to contact me at (202) 226-2700. The staff contacts at CBO are David Auerbach and Stuart Hagen, both of whom can be reached at (202) 226-2666.

Sincerely,

Peter R. Orszag

cc: Honorable Charles E. Grassley
Ranking Member