



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

Robert D. Reischauer .
Director

June 27, 1994

Honorable Sam M. Gibbons
Acting Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

At the request of your **staff**, the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) have prepared the enclosed estimate of your health care reform mark, including amendments adopted by the Committee on Ways and Means through June 25. Although CBO and JCT have worked closely with the staff of the committee, the estimate does not reflect detailed specifications for all provisions or final legislative language and must therefore be regarded as preliminary. Also, we have not had time to analyze the **proposal's** impact on employment or the economy or to review other considerations affecting the **proposal's** design and implementation.

Sincerely,


Robert D. Reischauer

Enclosure

cc: Honorable Bill Archer
Ranking Minority Member

H.R. 3600 - HEALTH SECURITY ACT AS AMENDED BY THE COMMITTEE ON WAYS AND MEANS - DRAFT

CHAIRMAN'S MARK, AS AMENDED THROUGH JUNE 25, 1994

By fiscal year, in billions of dollars.

Estimated On-Budget Effects	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
MANDATORY OUTLAYS										
Medicaid										
1 Discontinued Coverage of Acute Care	00	00	00	-582	-866	-96.8	-1086	-1204	-1334	-147.2
2 State Maintenance-of-Effort Payments	00	00	00	-39.1	-56.1	-60.1	-61.4	-65.8	-63.0	-67.4
3 Administrative Savings	00	00	00	-05	-07	-0.8	-09	-1.0	-1.1	-1.2
Total - Medicaid	00	0.0	0.0	-97.8	-143.4	-157.7	-1709	-187.2	-197.5	-215.8
Medicare Parts A and B										
4 Drug Benefit (Net of Premiums and Rebate)	00	0.0	00	52	12.6	13.7	152	168	186	20.5
5 Out of Pocket Cap	00	0.0	00	00	00	00	00	00	9.4	15.4
6 Hospital Day Limits	00	00	00	02	0.3	0.3	04	04	1.0	1.3
7 Other New Benefits (Well-baby, Preventive, Mental Health, EACH/ RPCH)	*	0.1	0.1	03	05	0.4	04	0.3	04	0.4
8 Additional Medicare Savings										
Indirect Medical Education	00	00	0.0	-0.3	-1.0	-1.7	-2.0	-2.2	-2.4	-2.7
Disproportionate Share Adjustment	00	00	0.0	-0.9	-2.2	-2.5	-2.8	-3.1	-3.4	-3.7
Inpatient Hospital Capital	00	-0.7	-0.7	-0.7	-0.8	-0.8	-0.9	-1.0	-1.1	-1.2
Pmts for Phys Svcs in Certain Hospitals	0.0	0.0	0.0	-0.5	-0.8	-0.8	-0.8	-0.9	-1.0	-1.0
Home Health Services Coinsurance	0.0	0.0	0.0	-3.0	-4.7	-5.3	-5.8	-6.2	-6.8	-7.3
Home Health Cost Limits	0.0	0.0	-0.3	-0.4	-0.5	-0.5	-0.6	-0.6	-0.7	-0.7
Medicare Secondary Payer	0.0	0.0	0.0	0.0	-1.2	-1.8	-1.9	-2.0	-2.2	-2.3
9 Minor and Technical Amendments a/	*	*	*	*	*	*	*	*	*	*
10 Annual Screening Mammography	0.0	0.0	0.0	*	*	*	*	*	*	*
11 Grad. Medical Education Specialty Weighting	0.0	*	*	*	*	*	-0.1	-0.1	-0.1	-0.1
12 Part B Premium Offsets	0.0	0.3	0.7	1.5	1.8	1.8	1.9	2.0	2.0	2.2
13 Effect of Growth Limits b/	0.0	-2.7	-7.4	-14.5	-24.5	-35.2	-48.0	-63.5	-81.9	-103.6
Total - Medicare Parts A and B	0.0	-3.0	-7.5	-13.1	-20.6	-32.4	-44.9	-60.1	-67.9	-82.8
14 Federal Employees Health Benefits										
Total - FEHB	0.0	1.1	1.5	1.3	1.6	1.7	1.7	1.6	1.3	0.9
Other Health Programs										
15 Long Term Care Program	0.0	0.0	0.0	0.0	0.0	3.0	4.0	6.0	8.0	10.0
16 Academic Health Centers	0.0	1.3	2.0	2.2	2.3	2.4	2.6	2.7	2.9	3.1
17 Essential Health Facilities (Loans) c/	0.0	0.5	0.7	0.8	0.9	1.0	1.0	1.0	1.0	1.0
18 Federal Grants for Managed Care Plans										
Total - Other Health Programs	0.0	1.8	2.7	3.0	3.2	6.4	7.6	9.7	11.9	14.1

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By *fiscal year*, in billions of dollars.

Estimated On-Budget Effects	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Medicare Part C										
19 Medicare Part C Start-up Premium Offset d/	00	0.0	0.0	69	10.2	88	6.1	1.7	0.0	0.0
20 Additional Costs of the Disabled	0.0	0.0	00	46	7.3	87	10.3	122	142	165
21 Low-Income Wrap-Around Benefits	00	0.0	00	77	11.2	12.1	13.1	141	152	164
22 Emergency Benefits for Aliens	00	0.0	00	0.0	0.0	0.0	1.2	1.4	1.6	1.8
Total - Medicare Part C	0.0	0.0	0.0	192	28.7	296	30.7	29.4	31.0	34.7
Subsidies										
<i>Premium Subsidies:</i>										
23 For Medicare Benes below 120% of Poverty	00	0.0	0.0	43	6.0	6.3	66	6.9	7.2	7.6
24 For Persons btw 0-240% of Poverty <i>el</i>	00	00	0.0	724	102.9	111.4	122.8	132.3	144.1	153.8
<i>Cost-Sharing Subsidies:</i>										
25 For Medicare Beneficiaries below Poverty	0.0	0.0	0.0	106	175	187	200	213	223	23.6
26 For Certain Low Income Beneficiaries	00	0.0	0.0	135	223	24.1	260	279	298	31.6
Total - Subsidies	0.0	0.0	0.0	100.9	148.7	160.5	175.4	188.4	203.5	216.6
TOTAL MANDATORY OUTLAY CHANGES	0.0	-0.1	-3.4	13.5	18.2	8.0	-0.5	-18.3	-17.8	-32.3
DISCRETIONARY OUTLAYS										
27 Administrative and Start-Up Costs	*	0.5	2.6	93	11.3	11.8	12.7	13.4	14.1	14.8
28 Studies and Demonstrations	*									
Total Administrative and Start-Up Costs		0.5	2.6	93	11.3	11.8	12.7	13.4	14.1	14.8
TOTAL OUTLAY CHANGES	0.0	0.4	-0.8	22.8	29.5	19.8	12.2	-4.9	-3.7	-17.5
RECEIPTS										
29 Income and Payroll Tax Effects	0.0	-6.1	-8.1	-19.9	-26.1	-27.8	-28.5	-25.7	-25.6	-25.9
30 Net Medicare Part C Premium Payments from Non-enrolling Employers	0.0	0.0	0.0	24.1	34.3	31.5	23.9	5.4	0.0	0.0
31 Extend Medicare Cov of , & Extend Phase in HI Tax to All State & Local Govt Employees	0.0	0.0	0.3	07	1.0	1.3	1.4	1.3	1.2	1.2
32 Health Benefits may not be Provided under Cafeteria Plans	2.3	2.6	3.9	4.6	5.4	6.2	7.0	7.8	8.6	9.3

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By fiscal year, in billions of dollar*.

Estimated On-Budget Effects	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	
33 Modification of COBRA continuation care rules											----- Negligible Revenue Effects -----
34 Limitation on Prepmnt of Medical Expenses											----- Negligible Revenue Effects -----
35 Trmt of Nonprofit Health Care Organizations											----- Negligible Revenue Effects -----
36 Increase Rpt Penalties for Nonemployees	00	*	*	*			*	*	*	*	
37 Tax Treatment of Accelerated Death Benefits under Life Insurance Contracts	*	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
38 Post-retirement Med & Life Insurance Reserves											----- Negligible Revenue Effects -----
39 Increase in Tax on Tobacco Products	07	2.7	4.5	6.1	7.5	7.3	7.0	6.9	6.8	6.6	
40 1% Excise Tax on Pvt Health Ins Premiums	00	1.3	2.0	2.2	2.3	2.4	2.6	2.7	2.9	3.1	
41 Self-employed Health Ins Deduction	-0.5	-0.4	-0.5	-1.3	-2.9	-3.1	-3.4	-3.7	-3.9	-4.2	
42 Two-Tierd Small Business Credit <i>f/</i>	00	00	00	-6.0	-9.8	-10.8	-11.8	-12.7	-9.9	-5.7	
43 Provide for Medical Savings Accounts											----- Negligible Revenue Effects -----
TOTAL RECEIPT CHANGES	2.5	0.1	2.0	10.4	11.6	6.9	-1.9	-18.1	-20.0	-15.7	
DEFICIT - MANDATORY CHANGES	-2.5	-0.2	-5.4	3.1	6.6	1.1	1.4	-0.3	2.2	-16.6	
DEFICIT - TOTAL CHANGES	-2.5	0.3	-2.8	12.4	17.9	12.9	14.1	13.1	16.3	-1.8	

SOURCES: Congressional Budget Office, Joint Committee on Taxation

* Less than \$50 million.

NOTES:

- a/ Includes the Hemophilia Pass Through amendment and the extension of Medicare bonus payments for providers in shortage areas.
- b/ The estimate **assumes** that the expenditure limits would be less than **fully** effective.
- c/ Medicare spending in **this section** included in Nne 7.
- d/ The estimate assumes that benefit outlays and premium receipts from the Medicare Part C program would balance, except for the **start-up** premium offset
- e/ The benefit package is assumed to be 7 percent less generous than the Administration's plan. The mental health benefit is assumed to be tightly managed.
- f/ The estimate **assumes that the small business** credit has no **effect** on the **distribution of the size of** firms.