

Table 1. CBO Estimate of the Effect on Federal Direct Spending and Revenues of Title I of the Conference Agreement for H.R. 1

(Outlays in billions of dollars, by fiscal year)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-08	2004-13
Medicare												
Benefits and insurance load	0	0	33	50	56	60	66	72	80	89	139	507
Premiums	0	0	-9	-13	-14	-15	-17	-18	-21	-23	-36	-131
Alternative subsidy to employers and unions	0	0	5	7	8	8	9	10	11	13	19	71
Subtotal	0	0	29	44	49	53	59	64	71	79	122	448
Spending by Medicaid and other programs on drugs for Medicare enrollees	0	0	-7	-15	-17	-19	-21	-23	-25	-28	-39	-155
Reduction in Federal Medicaid payments ("clawback")	0	0	-6	-9	-10	-11	-12	-13	-14	-15	-25	-88
Low-income subsidy	*	1	9	18	21	23	26	28	31	35	48	192
Other direct spending and interaction with Title XI	*	*	1	1	2	2	2	2	2	2	4	14
Total direct spending	*	1	26	39	45	49	54	58	65	73	110	409
Federal tax revenues												
On-budget	0	0	*	*	1	1	1	1	1	1	1	5
Off-budget	0	0	*	*	*	*	*	*	*	*	*	2
Total federal tax revenues	0	0	*	*	1	1	1	1	1	1	1	7
Net increase in deficit or reduction in surplus	*	1	25	38	44	48	53	58	64	72	108	403
Memorandum: Change in state Medicaid spending	*	*	1	-1	-1	-2	-2	-3	-4	-4	-2	-17

MEMORANDUM:

Characteristics of the proposed benefit (calendar year):

Average monthly premium	\$35	\$37	\$41	\$43	\$47	\$49	\$54	\$58
Deductible	\$250	\$275	\$300	\$325	\$350	\$380	\$410	\$445
Coinsurance rates (percent)	25%, 5% 25%, 5% 25%, 5% 25%, 5% 25%, 5% 25%, 5% 25%, 5%							
Initial benefit cap	\$1,500	\$1,646	\$1,808	\$1,946	\$2,115	\$2,265	\$2,460	\$2,666
Program spending at cap	\$750	\$824	\$903	\$974	\$1,055	\$1,135	\$1,230	\$1,334
Beneficiary spending at cap	\$2,250	\$2,470	\$2,710	\$2,920	\$3,170	\$3,400	\$3,690	\$4,000
Total spending at cap	\$3,600	\$3,950	\$4,350	\$4,650	\$5,050	\$5,450	\$5,900	\$6,400
Out-of-pocket spending at catastrophic limit (enrollee without other drug coverage)	\$5,100	\$5,596	\$6,158	\$6,596	\$7,165	\$7,715	\$8,360	\$9,066
Total spending at catastrophic limit (enrollee without other drug coverage)								

Key assumptions:

Distribution of Part B enrollees, by source of prescription drug coverage	2006-13 Average
Coverage through Medicare drug benefit	73%
Participants in alternative employer and union subsidy	20%
Other prescription drug coverage	7%
No prescription drug coverage	0%
Price effect (in the 10th year):	3.5%

Source: Congressional Budget Office.

Notes: Costs or savings of less than \$500 million are shown with an asterisk. Components may not sum to totals because of rounding.

For background on the concepts used here, see CBO cost estimate for H.R. 1 and S. 1 (July 22, 2003).