



November 20, 2003

Honorable Don Nickles
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

As you requested, I am pleased to provide additional information about CBO's cost estimate for the conference agreement on H.R. 1, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

Table 1 provides year-by-year details on CBO's projections of the major elements of the prescription drug program that would be established under title I. Table 2 displays additional information about the impact of H.R. 1 on Medicare beneficiaries. Table 3 summarizes the estimated impact of the legislation on state Medicaid costs—a net savings of \$17.2 billion over the 2004-2013 period. Table 4 presents information about the number of beneficiaries eligible for and expected to participate in the low-income subsidies provided under title I.

CBO estimates that, of those participants in the Medicare prescription drug program who will have relatively generous employer-sponsored drug benefits under current law, about 2.7 million would not receive supplemental drug benefits from those employer-sponsored plans under H.R. 1. That number represents about 23 percent of *participants in the prescription drug program* who will have such employer-sponsored drug benefits under current law (the approach used in CBO's original cost estimate for H.R. 1 and S. 1). Other Part B enrollees have employer-sponsored drug benefits under current law and would generally not participate in the prescription drug program. In particular, CBO assumes that active workers and those with prescription drug coverage through the Federal Employees Health Benefits program and the Tricare for Life program would continue to receive prescription drug coverage through those programs and would generally choose not to participate in the Medicare prescription drug program. Relative to *all* Part B enrollees who will

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have relatively generous employer-sponsored drug benefits under current law, CBO estimates that 17 percent would not receive supplemental drug benefits from those plans under H.R. 1.

I hope this information is helpful to you. If you have any questions about this material, we would be happy to answer them. The CBO staff contact is Tom Bradley, who can be reached at 226-9010.

Sincerely,

Douglas Holtz-Eakin
Director

Enclosures

cc: Honorable Charles E. Grassley
Chairman
Committee on Finance

Honorable Max Baucus
Ranking Democratic Member

Identical letters sent to the Honorable Jim Nussle and the Honorable Kent Conrad.