



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

January 14, 2009

Honorable Paul Ryan  
Ranking Member  
Committee on the Budget  
U.S. House of Representatives  
Washington, DC 20515

Dear Congressman:

As you requested, the Congressional Budget Office (CBO) has estimated the budgetary effects of modifying H.R. 2, the Children's Health Insurance Program Reauthorization Act of 2009, to extend the program's authorization through 2019 in a manner that would provide sufficient funding to allow states to meet demand for increasing enrollment within the program's parameters. If H.R. 2 were changed to authorize the Children's Health Insurance Program (CHIP) through 2019 and to provide sufficient funding for such increasing enrollment throughout that period, CBO estimates that enacting that alternative version of the bill would increase deficits by \$41.6 billion over the 2009-2019 period. In contrast, CBO estimates that the version of H.R. 2 introduced in the House of Representatives on January 13, 2009, would result in a net reduction in deficits of \$0.4 billion over that 11-year period.<sup>1</sup>

The introduced version of H.R. 2 would authorize CHIP through 2013 and would provide significant funding increases over the next few years, leading up to a total funding level of \$17.4 billion in 2013. The program's funding for the second half of fiscal year 2013 would be \$3 billion. Under baseline rules, that amount annualized—\$6 billion—would be projected for each subsequent year. The estimated cost of the bill assumes that funding level for CHIP for fiscal years 2014 through 2019. On that basis, CBO estimates that the introduced version of H.R. 2 would increase federal direct spending by \$73.3 billion through 2019, including the costs of other provisions in the bill. (That spending would be offset by increases in

---

<sup>1</sup> On January 13, 2009, CBO produced a cost estimate for H.R. 2 as transmitted to CBO by the Committee on Energy and Commerce on January 13, 2009. The cost estimate can be found at: <http://www.cbo.gov/ftpdocs/99xx/doc9963/hr2.pdf>

Honorable Paul Ryan  
Page 2

federal tax revenues totaling \$73.6 billion over the same period, primarily from increases in the excise taxes levied on tobacco products.)

As an alternative to the introduced version of H.R. 2, you requested that CBO assume the CHIP rules and structure as currently delineated in H.R. 2 would remain unchanged through 2019 and that sufficient funding would be made available after 2013 to accommodate projected enrollment growth. The projected enrollment growth is based on expected growth in the total population, as well as changes in the health insurance market and the economy as a whole. Under those assumptions, CBO estimates that average monthly enrollment in CHIP would rise from about 9 million in 2013 to about 12 million in 2019.

Based on the assumptions you specified, CBO estimates total changes in direct spending of \$115.2 billion, as compared with the \$73.3 billion increase we estimate for the introduced version of H.R. 2. (Revenue increases would remain unchanged.) Thus, the net budget impact of a modified version of H.R. 2, as you specified, would be an increase in deficits totaling \$41.6 billion over the 2009-2019 period.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Robert Stewart and Sean Dunbar.

Sincerely,



Robert A. Sunshine  
Acting Director

cc: Honorable John M. Spratt Jr.  
Chairman

Honorable Henry A. Waxman  
Chairman  
Committee on Energy and Commerce

Honorable Joe Barton  
Ranking Member