



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

April 24, 2008

H.R. 1223
Keeping Faith with the Greatest Generation Military Retirees Act
As introduced on February 28, 2007

SUMMARY

H.R. 1223 would allow retirees of the uniformed services whose service began before December 7, 1956, and their dependents and survivors to enroll in Medicare Part B without making premium payments. CBO estimates that enacting H.R. 1223 would increase direct spending by \$8.5 billion over the 2009-2013 period and \$16.1 billion over the 2009-2018 period. Enacting the bill would not affect discretionary spending or revenues.

H.R. 1223 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1223 is shown in the following table. The costs of this legislation fall within budget functions 550 (health) and 570 (Medicare).

	Outlays by Fiscal Year, in Millions of Dollars									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CHANGES IN DIRECT SPENDING										
Changes in Medicare	1,561	1,606	1,546	1,489	1,446	1,391	1,339	1,305	1,277	1,276
Changes in TRICARE For Life	<u>106</u>	<u>201</u>	<u>199</u>	<u>197</u>	<u>195</u>	<u>194</u>	<u>192</u>	<u>191</u>	<u>190</u>	<u>181</u>
Total Changes	1,667	1,807	1,745	1,686	1,641	1,585	1,531	1,496	1,467	1,457

BASIS OF ESTIMATE

Under H.R. 1223, net Medicare outlays would increase as qualified individuals would be able to enroll in Medicare Part B without paying a monthly premium. The bill also would have an effect on direct spending for the Department of Defense (DoD) and its TRICARE For Life program. In total, CBO estimates that under H.R. 1223, direct spending would increase by \$16.1 billion over the 2009-2018 period. This estimate assumes that H.R. 1223 will be enacted by the end of fiscal year 2008.

Medicare

Under H.R. 1223, retirees from the uniformed services who entered the services before December 7, 1956, along with their dependents and surviving spouses, would be able to enroll in Part B of Medicare at no cost. The uniformed services include all branches of the military, the Coast Guard, and uniformed members of the commissioned corps of the Public Health Service and the National Oceanographic and Atmospheric Administration. Enacting the bill would increase costs to Medicare in two ways. First, it would reduce the amount of premiums received by Medicare Part B. Second, it would encourage additional retirees of the uniformed services to enroll in Part B. In total, CBO estimates that H.R. 1223 would increase direct spending for Medicare by \$7.6 billion over the 2009-2013 period and \$14.2 billion over the 2009-2018 period.

Loss of Receipts from Part B Premiums. Part B of Medicare covers doctors' fees, hospital outpatient services, laboratory tests, and certain other services. Those who choose to participate pay a monthly premium, set to cover about 25 percent of the cost of the program. H.R. 1223 would allow qualifying retirees, their dependents, and survivors to enroll in Part B without paying the premium, beginning 45 days after the date of enactment of the bill. Using information from DoD and the Centers for Medicare and Medicaid Services (CMS), CBO estimates that this provision would affect about 1.3 million retirees, dependents, and surviving spouses in 2009 who are currently enrolled in Part B; this number would decline to about 670,000 in 2018.

With a standard monthly premium in 2008 of \$96.40 and an estimated premium of about \$140 in 2018, CBO estimates that enacting H.R. 1223 would reduce premium collections by about \$1.4 billion in 2009, \$6.8 billion over the 2009-2013 period, and \$12.5 billion over the 2009-2018 period. Income from premiums is recorded as offsetting receipts—that is, offsets to direct spending—in the federal budget. Consequently, a decrease in premium payments would result in an increase in net direct spending.

Medicare Benefits for New Part B Enrollees. Not everyone eligible to enroll in Part B does so. Based on information from DoD and CMS, CBO estimates that about 96 percent of retirees, dependents, and surviving spouses are enrolled in Part B. Since enrollment would now be free for certain people under H.R. 1223, CBO expects that an additional 26,000 of those people would enroll in Part B during 2009 with an additional 20,000 joining in 2010. By 2018, CBO estimates that the number of additional people who would enroll in Part B under H.R. 1223 would decline to less than 27,000.

CBO estimates that the per capita cost of allowing these individuals to participate in Part B would be about \$4,400 in 2009, increasing to about \$6,000 in 2018. Thus, CBO estimates that enacting H.R. 1223 would increase direct spending for new enrollees in Part B by \$0.9 billion over the 2009-2013 period and \$1.7 billion over the 2009-2018 period.

TRICARE For Life

The bill also would have an effect on direct spending for DoD and its TRICARE For Life (TFL) program, which provides health care benefits to all uniformed service retirees, their dependents, and surviving spouses who are eligible for Medicare and enroll in Part B. TFL provides a generous prescription drug benefit and covers all out-of-pocket costs for those benefits that are provided by both Medicare and TRICARE. While there is no enrollment fee for the TFL program, those who use the program must pay the required monthly premiums to participate in Part B. Those individuals who are currently ineligible to use TFL because they have not enrolled in Part B would become eligible for TFL under H.R. 1223 because enrollment would be free. Accordingly, CBO estimates that almost all of the people who would newly enroll in Part B at no cost also would use the TFL benefit.

Using information from DoD, CBO estimates that the per capita cost of participating in TFL would be about \$4,150 in 2009, increasing to about \$6,900 in 2018. Thus, CBO estimates that enacting H.R. 1223 would increase direct spending costs for the TRICARE For Life program by \$0.9 billion over the 2009-2013 period and \$1.8 billion over the 2009-2018 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1223 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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