CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 12, 2005

S. 1239
American Indian Elderly and Disabled Access to Health Care Act of 2005

As ordered reported by the Senate Committee on Indian Affairs on June 29, 2005

SUMMARY

S. 1239 would authorize the Indian Health Service (IHS) to pay the monthly premium under Part D of Medicare on behalf of Medicare-eligible Indians. The bill would require IHS to consider the cost-effectiveness of paying the Part D premium based on such factors as an individual's expected use of prescription drugs.

Assuming appropriation of the estimated amounts that IHS would pay for Part D premiums ($8 million in 2006 and $54 million over the 2006-2010 period), CBO estimates that implementation of S. 1239 would cost $17 million in 2006 and $128 million over the 2006-2010 period. Those costs include increased spending by Medicare for Part D benefits.

S. 1239 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1239 is shown in the following table. The costs of this legislation fall within budget functions 550 (health) and 570 (Medicare).

	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
IHS Premium Payments for Part D [a]					
Estimated Authorization Level	8	10	11	12	13
Estimated Outlays	8	10	11	12	13
Offsetting Receipts (Part D Premiums [a])					
Estimated Authorization Level	-7	-9	-10	-11	-12
Estimated Outlays	-7	-9	-10	-11	-12
Medicare Part D Benefits [b]					
Estimated Authorization Level	16	23	25	28	30
Estimated Outlays	16	23	25	28	30
Total Changes					
Estimated Authorization Level	17	24	26	29	31
Estimated Outlays	17	24	26	29	31

a. The difference between the IHS premium payments for Part D and offsetting receipts of Part D premiums reflects premiums for Indians who would have enrolled in Part D under current law.

b. Spending under current law for the new prescription drug benefits under Medicare Part D is classified as direct spending. The changes shown here, however, would be subject to appropriation because the additional benefits would be triggered by the appropriation of the premium payments.

BASIS OF ESTIMATE

For the purpose of this estimate, CBO assumes that S. 1239 will be enacted by the end of calendar year 2005.

S. 1239 would amend the Indian Health Care Improvement Act to authorize IHS to pay the monthly premium under Part D of Medicare on behalf of Medicare-eligible Indians. The bill would require IHS to consider the cost-effectiveness of paying the Part D premium based on such factors as an individual's expected use of prescription drugs.

Based on information from IHS, CBO estimates that approximately 30,000 IHS users are eligible for Part D but do not qualify for a premium subsidy under Part D or have other prescription drug coverage. IHS does not expect many of those individuals to enroll in Part D if they have to pay the premium themselves. Our estimate assumes that IHS would pay premiums for 80 percent of those individuals under the bill. The remainder either would

choose not to enroll in Part D or IHS would determine that paying the premium for them would not be cost-effective.

Assuming appropriation of the necessary amounts, CBO estimates that IHS spending for Part D premiums would total $8 million in 2006 and $54 million over the 2006-2010 period. The change in Medicare's receipts of Part D premiums would be lower than the IHS premium payments because some of those premiums would have been paid by the Indians who will enroll in Part D under current law. CBO assumes that, under current law, Part D premium collections from those Indians will grow from about $1 million in 2006 to about $1.5 million in 2010.

CBO expects that Indians who would enroll in Part D under this bill would have relatively low spending for prescription drugs, due both to geographic limits on access to pharmacies and to cost-sharing obligations that could constitute a substantial portion of their incomes. Based on information provided by IHS on spending by Indians for prescription drugs, CBO assumes that annual prescription drug spending by Indians who would enroll in Part D under the bill would be approximately 40 percent lower than the average for all Medicare beneficiaries. That is, average annual spending for prescription drugs for participating Indians would total about $1,800 in 2006, and would grow to about $2,600 in 2010. The Part D program would pay about 60 percent of those amounts. (Cost-sharing obligations account for the other 40 percent.)

CBO estimates that implementing S. 1239 would increase Medicare Part D benefit costs by $16 million in 2006 and $122 million over the 2006-2010 period. (Those amounts do not include the costs for Indians who would have enrolled in Part D under current law.)

Assuming appropriation of the estimated amounts that IHS would pay for Part D premiums, CBO estimates that implementing S. 1239 would cost $17 million in 2006 and $128 million over the 2006-2010 period. Over the 10 year period between 2006 and 2015, this bill would cost $330 million, assuming continued appropriation of the necessary amounts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1239 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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