

Congress of the United States
Washington, DC 20515

January 15, 2010

Douglas W. Elmendorf
Director
Congressional Budget Office
Ford House Office Building
Second and D Streets, SW - Room 402
Washington, DC 20515

Dear Director Elmendorf:

The current debate on the House and Senate passed versions of the health care reform bill has focused exclusively on the direct spending costs of the legislation. However, based upon my understanding of the legislation, there is over \$100 billion of discretionary costs that would be necessary to fully implement the dozens of new health care initiatives and programs created or expanded by these bills if enacted.

As stated in your letters to Representative Dingell dated November 5 and 6 prior to House consideration of H.R. 3962 and your letter to Senate Majority Leader Harry Reid dated December 19 prior to Senate consideration of H.R. 3590: "CBO has not completed a comprehensive estimate of the discretionary costs that would be associated with H.R. 3962, incorporating the manager's amendment. Total costs would include those arising from the effects of H.R. 3962 on a variety of federal programs and agencies, as well as from a number of new and existing programs subject to future appropriations. The federal agencies that would be responsible for implementing the provisions of H.R. 3962 are funded through the appropriation process; sufficient appropriations would be essential for them to implement this legislation in the time frame it specifies." The letter goes on to state that "Because those costs depend on future appropriations, they are not counted for enforcement of Congressional "pay-as-you-go" procedures and are not included in Tables 1 and 2."

With respect to the effects on discretionary spending of both the House and Senate versions of the legislation you indicated that:

"Major costs for programs subject to future appropriations would include these:

- Costs to the Internal Revenue Service of implementing the eligibility determination, documentation, and verification processes for subsidies. Those costs would probably be between \$5 billion and \$10 billion over 10 years.
- Costs to HHS (and especially the Centers for Medicare and Medicaid Services) of implementing the changes in Medicare, Medicaid, and CHIP as well as certain reforms to the private insurance market. Those costs would probably be at least \$5 billion to \$10 billion over 10 years. (The administrative costs of establishing and operating the exchanges, which are direct spending, are included in Tables 1 and 2.)"

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- Costs to HHS (and especially the Centers for Medicare and Medicaid Services) of implementing the changes in Medicare, Medicaid, and CHIP as well as certain reforms to the private insurance market. Those costs would probably be at least \$5 billion to \$10 billion over 10 years. (The administrative costs of establishing and operating the exchanges, which are direct spending, are included in Tables 1 and 2.)”

Your letters further state that with respect to the House bill, additional discretionary costs beyond those mentioned above would include “costs of a number of grant programs and other changes in Divisions C and D of the legislation”. With respect to the Senate bill, additional discretionary costs would result from “costs of a number of grant programs and other changes in the legislation”. CBO indicated they had not completed a review of these provisions for either the House or Senate bills.

In addition, significant discretionary costs may arise from provisions included in the House bill related to the proposed Public Health Investment Fund and Prevention and Wellness Trust the House. It is unclear how CBO will treat the effects of this program on discretionary spending. CBO’s letter indicates “[F]unding for the proposed Public Health Investment Fund and Prevention and Wellness Trust would also be subject to future appropriation action. The bill would authorize appropriations totaling about \$34 billion for those purposes (of which approximately \$33 billion would be spent over the next 10 years). The Committee on the Budget has directed CBO to count such spending as direct spending for purposes of budget scorekeeping in the House of Representatives.”

Based on the preliminary information you have provided to date, the true budgetary impact of the House and Senate versions of the health care legislation once discretionary costs are factored in may be as much as 15 percent higher than widely understood. Unfortunately, these costs were not included in your preliminary cost estimates for the House and Senate passed bills. For the House Appropriations Committee and Congress to understand better the potential discretionary costs facing future years’ budgets as a result of these bills, we request the Congressional Budget Office please report back on the following aspects of the House passed version of H.R. 3962 and the Senate passed version of H.R. 3590:

- An estimate of the discretionary costs as a result of new programs and initiatives, if fully funded as authorized;
- An estimate of the discretionary costs as a result of the expansion of existing programs and initiatives, if fully funded as authorized; and
- An estimate and a description of all "such sums as may be necessary" provisions, if fully funded as authorized.

Additionally, we request that CBO identify and include those items you have been directed to score as direct spending in these bills, but would normally be scored as discretionary during the regular appropriations process. Please include the budgetary effects of these as well in your correspondence.

Sincerely,



Jerry Lewis
Ranking Member
House Committee on Appropriations



Thad Cochran
Ranking Member
Senate Committee on Appropriations