

Estimated Budgetary Effects of Subtitle I of Reconciliation Recommendations for Prescription Drug Legislation, as Posted by the Senate Committee on Finance on July 6, 2022

Based on filename KEL22401, <https://tinyurl.com/dcpw8wj9>

		By Fiscal Year, Millions of Dollars											
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
		Increases or Decreases (-) in Direct Spending											
Part 1. Lowering Prices Through Drug Price Negotiation													
Sec. 129001	Providing for Lower Prices for Certain High-Priced Single Source Drugs ^a												
	Budget Authority	0	0	0	0	-4,844	-9,432	-18,498	-20,807	-23,603	-24,612	-4,844	-101,796
	Estimated Outlays	0	0	0	0	-4,844	-9,432	-18,498	-20,807	-23,603	-24,612	-4,844	-101,796
Sec. 129002	Special Rule to Delay Selection and Negotiation of Biologics for Biosimilar Market Entry	Estimate included in sec. 129001											
Sec. 129003	Selected Drug Manufacturer Excise Tax Imposed During Noncompliance Periods	Estimate included in sec. 129001											
Sec. 129004	Funding												
	Budget Authority	3,000	0	0	0	0	0	0	0	0	0	3,000	3,000
	Estimated Outlays	0	333	314	314	314	314	314	314	314	314	1,275	2,845
Part 2. Prescription Drug Inflation Rebates													
Sec. 129101	Medicare Part B Rebate by and Manufacturers ^{a,b} and												
Sec. 129102	Medicare Part D Rebate by Manufacturers ^b												
	Budget Authority, Total	160	-2,339	-3,166	-18,191	-5,700	-5,929	-6,161	-6,446	-7,068	-7,455	-29,236	-62,295
	Estimated Outlays, Total	0	-2,309	-3,150	-18,177	-5,686	-5,915	-6,147	-6,432	-7,054	-7,441	-29,322	-62,311
	<i>On-Budget Outlays</i>	0	-2,293	-3,114	-18,129	-5,626	-5,842	-6,061	-6,338	-6,956	-7,340	-29,162	-61,699
	<i>Off-Budget Outlays</i>	0	-16	-36	-48	-60	-73	-86	-94	-98	-101	-160	-612
	Medicare												
	Budget Authority	160	-2,348	-3,298	-18,538	-6,180	-6,630	-7,204	-7,915	-9,076	-9,992	-30,204	-71,021
	Estimated Outlays	0	-2,318	-3,282	-18,524	-6,166	-6,616	-7,190	-7,901	-9,062	-9,978	-30,290	-71,037

See also CBO's Cost Estimates Explained, www.cbo.gov/publication/54437; How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and Glossary, www.cbo.gov/publication/42904.

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		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
Medicaid													
	Budget Authority	0	138	566	994	1,328	1,791	2,350	2,928	3,548	4,162	3,026	17,805
	Estimated Outlays	0	138	566	994	1,328	1,791	2,350	2,928	3,548	4,162	3,026	17,805
Other^c													
	Budget Authority	0	-129	-434	-647	-848	-1,090	-1,307	-1,459	-1,540	-1,625	-2,058	-9,079
	Estimated Outlays	0	-129	-434	-647	-848	-1,090	-1,307	-1,459	-1,540	-1,625	-2,058	-9,079
	<i>On-Budget Outlays</i>	0	-113	-398	-599	-788	-1,017	-1,221	-1,365	-1,442	-1,524	-1,898	-8,467
	<i>Off-Budget Outlays</i>	0	-16	-36	-48	-60	-73	-86	-94	-98	-101	-160	-612
Part 3. Part D Improvements and Maximum Out-of-Pocket Cap for Medicare Beneficiaries													
Sec. 129201	Medicare Part D Benefit Redesign												
	Budget Authority	341	0	1,952	3,252	3,500	4,492	4,426	3,902	1,736	1,412	9,045	25,013
	Estimated Outlays	0	48	1,988	3,291	3,530	4,522	4,456	3,932	1,766	1,442	8,857	24,975
Sec. 129202	Maximum Monthly Cap on Cost-Sharing Payments Under Prescription Drug Plans and MA-PD Plans												
	Budget Authority	0	10	0	15	15	15	20	15	15	20	40	125
	Estimated Outlays	0	5	3	17	15	15	20	15	15	20	40	125
Part 4. Repeal of Prescription Drug Rebate Rule													
Sec. 129301	Prohibiting Implementation of Rule Relating to Eliminating the Anti-Kick-Back Statute Safe Harbor Protection for Prescription Drug Rebates												
	Budget Authority	0	0	0	0	0	-16,290	-25,656	-23,394	-27,561	-29,250	0	-122,151
	Estimated Outlays	0	0	0	0	0	-16,290	-25,656	-23,394	-27,561	-29,250	0	-122,151

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		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
Part 5. Miscellaneous													
Sec. 129401	Coverage of Adult Vaccines Recommended by the Advisory Committee on Immunization Practices Under Medicare Part D												
	Budget Authority	0	-69	301	863	579	466	551	503	593	632	1,674	4,419
	Estimated Outlays	0	-69	301	863	579	466	551	503	593	632	1,674	4,419
Sec. 129402	Payment for Biosimilar Biological Products During Initial Period ^a												
	Budget Authority	0	-1	-1	-1	-2	-2	-2	-2	-2	-2	-5	-15
	Estimated Outlays	0	-1	-1	-1	-2	-2	-2	-2	-2	-2	-5	-15
Sec. 129403	Temporary Increase in Medicare Part B Payment for Certain Biosimilar Biological Products												
	Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
	Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0	0
Sec. 129404	Expanding Eligibility for Low-Income Subsidies Under Part D of the Medicare Program												
	Budget Authority	0	0	195	230	248	266	311	281	327	347	673	2,205
	Estimated Outlays	0	0	195	230	248	266	311	281	327	347	673	2,205
Sec. 129405	Improving Access to Adult Vaccines Under Medicaid and CHIP												
	Budget Authority	0	0	235	317	304	314	324	335	346	359	856	2,534
	Estimated Outlays	0	0	235	317	304	314	324	335	346	359	856	2,534

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	By Fiscal Year, Millions of Dollars										2022-2026	2022-2031
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031		
Total Changes in Direct Spending												
Budget Authority	3,501	-2,399	-484	-13,515	-5,900	-26,100	-44,685	-45,613	-55,217	-58,549	-18,797	-248,961
Estimated Outlays	0	-1,993	-115	-13,146	-5,542	-25,742	-44,327	-45,255	-54,859	-58,191	-20,796	-249,170
<i>On-Budget Outlays</i>	<i>0</i>	<i>-1,977</i>	<i>-79</i>	<i>-13,098</i>	<i>-5,482</i>	<i>-25,669</i>	<i>-44,241</i>	<i>-45,161</i>	<i>-54,761</i>	<i>-58,090</i>	<i>-20,636</i>	<i>-248,558</i>
<i>Off-Budget Outlays</i>	<i>0</i>	<i>-16</i>	<i>-36</i>	<i>-48</i>	<i>-60</i>	<i>-73</i>	<i>-86</i>	<i>-94</i>	<i>-98</i>	<i>-101</i>	<i>-160</i>	<i>-612</i>
Increases in Revenues												
Part 2. Prescription Drug Inflation Rebates												
Sec. 129101 Medicare Part B Rebate by and Manufacturers ^b and Sec. 129102 Medicare Part D Rebate by Manufacturers ^b	0	696	1,792	2,651	3,610	4,550	5,440	6,141	6,588	6,938	8,749	38,406
<i>On-Budget Revenues</i>	<i>0</i>	<i>491</i>	<i>1,267</i>	<i>1,877</i>	<i>2,636</i>	<i>3,353</i>	<i>4,010</i>	<i>4,532</i>	<i>4,865</i>	<i>5,130</i>	<i>6,271</i>	<i>28,161</i>
<i>Off-Budget Revenues</i>	<i>0</i>	<i>205</i>	<i>525</i>	<i>774</i>	<i>974</i>	<i>1,197</i>	<i>1,430</i>	<i>1,609</i>	<i>1,723</i>	<i>1,808</i>	<i>2,478</i>	<i>10,245</i>
Total Changes in Revenues	0	696	1,792	2,651	3,610	4,550	5,440	6,141	6,588	6,938	8,749	38,406
<i>On-Budget Revenues</i>	<i>0</i>	<i>491</i>	<i>1,267</i>	<i>1,877</i>	<i>2,636</i>	<i>3,353</i>	<i>4,010</i>	<i>4,532</i>	<i>4,865</i>	<i>5,130</i>	<i>6,271</i>	<i>28,161</i>
<i>Off-Budget Revenues</i>	<i>0</i>	<i>205</i>	<i>525</i>	<i>774</i>	<i>974</i>	<i>1,197</i>	<i>1,430</i>	<i>1,609</i>	<i>1,723</i>	<i>1,808</i>	<i>2,478</i>	<i>10,245</i>



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	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031		
Net Decrease (-) in the Deficit From Changes in Direct Spending and Revenues												
Net Effect on the Deficit	0	-2,689	-1,907	-15,797	-9,152	-30,292	-49,767	-51,396	-61,447	-65,129	-29,545	-287,576
<i>On-Budget Deficit</i>	0	-2,468	-1,346	-14,975	-8,118	-29,022	-48,251	-49,693	-59,626	-63,220	-26,907	-276,719
<i>Off-Budget Deficit</i>	0	-221	-561	-822	-1,034	-1,270	-1,516	-1,703	-1,821	-1,909	-2,638	-10,857

Components may not sum to totals because of rounding. CHIP = Children’s Health Insurance Program; MA-PD = Medicare Advantage Prescription Drug Plan

Staff Contacts: Chad Chirico and Paul Masi

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

The effects of the legislation fall within budget functions 550 (health) and 570 (Medicare). In keeping with reconciliation instructions from the Senate Committee on the Budget, this estimate reflects CBO’s July 2021 baseline projections updated to reflect enacted legislation, and includes budgetary effects through fiscal year 2031. This estimate incorporates interactions among provisions. The revenues and outlays of the Social Security trust funds and the net cash flow of the Postal Service are classified as off-budget. Budget authority reflects appropriations specifically provided or amounts estimated by CBO and the staff of the Joint Committee on Taxation.

CBO estimates that under the bill, the number of drugs that would be introduced to the U.S. market would be reduced by about 2 over the 2023-2032 period, about 5 over the subsequent decade, and about 8 over the decade after that. CBO expects that under current law about 1,300 drugs will be approved over the next 30 years. The amounts in this estimate are in the middle of the distribution of possible outcomes, by CBO’s assessment, and they are subject to uncertainty. CBO did not predict what kind of drugs would be affected or analyze the effects of forgone innovation on public health. (Note revised July 13, 2022; No budgetary estimates were changed in the table above. The original note indicated that 10 fewer drugs would be introduced over the next 30 years instead of 15, as indicated here.)

- a. Estimate includes interactions with Medicare Advantage payments and Medicare Part B premiums.
- b. This section would affect both direct spending and revenues, which are shown separately.
- c. “Other” spending is for health programs of the Department of Defense, the Federal Employees Health Benefits program, and subsidies for health insurance coverage through the marketplaces established under the Affordable Care Act.