



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

December 7, 2006

Honorable William "Bill" M. Thomas  
Chairman  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) have reviewed the provisions of H.R. 6408, the Tax Relief and Health Care Act of 2006, as introduced on December 7, 2006. That bill includes provisions that would make numerous changes in the tax code and in the Medicare program, provide for additional offshore oil and gas leasing in the Gulf of Mexico, and increase health care benefits for retired miners, as well as a number of other provisions. CBO and JCT estimate that enacting the bill would increase outlays by \$4.8 billion and reduce revenues by \$34.7 billion over the 2007-2011 period. Over the 10-year period 2007-2016, outlays would rise by \$10.4 billion and revenues would decline by \$38.8 billion.

The attached tables provide more detail on those estimates. (JCT's estimates are detailed in its table labeled JCX-51-06.) If you wish further information about this estimate, we would be pleased to provide it. The CBO staff contacts are Mark Booth (for the revenue provisions), Tom Bradley (for the health provisions), Kathy Gramp (for the oil and gas leasing provisions), and Julia Christensen (for the abandoned mine provisions).

Sincerely,

A handwritten signature in black ink that reads "Donald B. Marron".

Donald B. Marron  
Acting Director

Enclosures

cc: Honorable Charles B. Rangel  
Ranking Democrat

Identical letter sent to the Honorable Charles E. Grassley.

**CBO ESTIMATE OF DIRECT SPENDING AND REVENUE EFFECTS OF H.R. 6408, THE TAX RELIEF AND HEALTH CARE ACT OF 2006  
AS INTRODUCED ON DECEMBER 7, 2006**

	By Fiscal Year, In Millions of Dollars										Totals	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2011	2007-2016
<b>CHANGES IN DIRECT SPENDING</b>												
Division A - Extension and Expansion of Certain Tax Relief Provisions, and Other Tax Provisions												
Title I - Extension and Modification of Certain Provisions												
Estimated Budget Authority	160	28	0	0	0	0	0	0	0	0	188	188
Estimated Outlays	160	28	0	0	0	0	0	0	0	0	188	188
Title IV - Other Provisions												
Estimated Budget Authority	3	357	290	230	180	134	92	6	6	6	1,060	1,304
Estimated Outlays	3	357	290	230	180	134	92	6	6	6	1,060	1,304
Division B - Medicare and Other Health Provisions												
Estimated Budget Authority	3,095	2,035	-1,239	-1,151	-1,038	464	747	676	657	675	1,702	4,921
Estimated Outlays	3,025	1,540	-817	-1,012	-1,037	464	747	676	657	675	1,699	4,918
Division C - Other Provisions												
Title I - Gulf of Mexico Energy Security												
Estimated Budget Authority	0	-140	54	-90	-40	-20	-85	-130	-195	-235	-216	-881
Estimated Outlays	0	-140	29	-90	-40	-20	-80	-130	-205	-250	-241	-926
Title II - Surface Mining Control and Reclamation Act Amendments of 2006												
Estimated Budget Authority	40	460	480	580	590	650	660	630	430	430	2,150	4,950
Estimated Outlays	40	450	480	570	590	640	660	630	420	430	2,130	4,910
<b>Total Changes in Direct Spending</b>												
Estimated Budget Authority	<b>3,298</b>	<b>2,740</b>	<b>-415</b>	<b>-431</b>	<b>-308</b>	<b>1,228</b>	<b>1,414</b>	<b>1,182</b>	<b>898</b>	<b>876</b>	<b>4,884</b>	<b>10,482</b>
Estimated Outlays	<b>3,228</b>	<b>2,235</b>	<b>-18</b>	<b>-302</b>	<b>-307</b>	<b>1,218</b>	<b>1,419</b>	<b>1,182</b>	<b>878</b>	<b>861</b>	<b>4,836</b>	<b>10,394</b>
<b>CHANGES IN REVENUES</b>												
Division A - Extension and Expansion of Certain Tax Relief Provisions, and Other Tax Provisions												
Title I - Extension and Modification of Certain Provisions												
Estimated Revenues	-14,667	-9,780	-3,809	-2,573	-1,584	-807	-669	-719	-627	-496	-32,413	-35,732
Title II - Energy Tax Provisions												
Estimated Revenues	0	-285	-404	-381	-403	-412	-390	-371	-373	-372	-1,476	-3,393
Title III - Health Savings Accounts												
Estimated Revenues	-23	-50	-64	-70	-80	-89	-101	-148	-198	-212	-287	-1,035
Title IV - Other Provisions												
Estimated Revenues	-582	-370	-120	-46	4	40	286	372	367	365	-1,115	314
Division C - Other Provisions												
Title II - Surface Mining Control and Reclamation Act Amendments of 2006												
Estimated Revenues	30	160	150	120	100	110	90	90	90	90	560	1,030
Title III - Other Provisions												
Estimated Revenues	1	14	4	1	1	1	1	1	1	1	19	24
<b>Total Changes in Revenues</b>												
On-budget Revenues	<b>-15,241</b>	<b>-10,311</b>	<b>-4,243</b>	<b>-2,949</b>	<b>-1,962</b>	<b>-1,157</b>	<b>-783</b>	<b>-775</b>	<b>-740</b>	<b>-624</b>	<b>-34,712</b>	<b>-38,792</b>
Off-budget Revenues	-2	-10	-1	0	0	0	0	0	0	0	-13	-13

Sources: Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT)

NOTES: Numbers may not sum to totals because of rounding.

The JCT instructed CBO to adjust its cost estimate for section 406 of Division A of the legislation to reflect an updated estimate by JCT. Consequently, this table includes a gain in revenues from this section that is \$86 million lower over the 2007-2016 period than the estimate published by JCT in JCX-51-06.

**CBO's Estimate of the Effects on Direct Spending of the Medicare Improvements and Extension Act of 2006  
(Division B of H.R. 6408, The Tax Relief and Health Care Act of 2006)**

Figures are outlays, by fiscal year, in billions of dollars. Costs or savings of less than \$50 million are noted with an asterisk.

December 7, 2006

Section	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-10	2007-11	2007-16
<b>Title I - Medicare Improved Quality and Provider Payments</b>													
101 Physician update, except subsection (d)	1.8	1.3	*	0	0	0	0	0	0	0	3.1	3.1	3.1
101(d) Physician assistance and quality initiative fund	0	0.8	0.4	0.1	0	0	0	0	0	0	1.4	1.4	1.4
102 Extend GPCI floor	0.3	0.2	0	0	0	0	0	0	0	0	0.5	0.5	0.5
103 Payments for dialysis services	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.4	1.1
104 Extend direct billing for certain pathology services	0.1	*	0	0	0	0	0	0	0	0	0.1	0.1	0.1
105 Payments for diagnostic lab tests in rural hospitals	*	*	0	0	0	0	0	0	0	0	*	*	*
106 Hospital wage-index reclassifications	0.1	*	0	0	0	0	0	0	0	0	0.1	0.1	0.1
107 Payments for brachytherapy services	*	*	0	0	0	0	0	0	0	0	*	*	*
108 Competitive acquisition program	*	0	0	0	0	0	0	0	0	0	*	*	*
109 Quality reporting for hospital outpatient and ASC services	0	0	*	*	*	*	*	*	*	*	*	-0.1	-0.2
110 Reporting for anti-anemia drugs	0	0	0	0	0	0	0	0	0	0	0	0	0
111 Designation of hospice satellite	*	0	0	0	0	0	0	0	0	0	*	*	*
<b>Title II - Medicare Beneficiary Protections</b>													
201 Extend exceptions process for therapy services	0.4	0.1	0	0	0	0	0	0	0	0	0.6	0.6	0.6
202 Payment for administration of Part D vaccines	*	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.8
203 OIG study of never events	*	*	*	0	0	0	0	0	0	0	*	*	*
204 Medical home demonstration project	0	0	*	*	0.1	*	0	0	0	0	0.1	0.1	0.1
205 Medicare DRA technical corrections	*	0	0	*	0	0	0	0	0	0	0	0	0
<b>Title III - Medicare Program Integrity Efforts</b>													
301 Offsetting adjustment to stabilization fund	0	-1.3	-1.7	-1.7	-1.8	-0.2	0.1	*	0	0	-4.7	-6.5	-6.5
302 Recovery audit contractor program	0.1	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6	1.2	1.7	4.4
302 Health Care Fraud and Abuse Account	*	*	*	*	*	*	*	*	*	*	0.1	0.1	0.3
304 Implementation funding	*	*	0	0	0	0	0	0	0	0	*	*	*
Medicare Advantage interactions	0	0.4	0.1	*	*	*	*	*	*	*	0.5	0.6	0.6
Premium interactions	0	-0.7	-0.2	-0.2	0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-1.0	-1.0	-1.7
<b>Subtotal, Total Medicare Changes (Titles I - III)</b>	<b>2.8</b>	<b>1.4</b>	<b>-0.7</b>	<b>-1.0</b>	<b>-1.0</b>	<b>0.5</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>2.5</b>	<b>1.5</b>	<b>4.8</b>

(Continued)

**CBO's Estimate of the Effects on Direct Spending of the Medicare Improvements and Extension Act of 2006 (continued)**  
**(Division B of H.R. 6408, The Tax Relief and Health Care Act of 2006)**

Figures are outlays, by fiscal year, in billions of dollars. Costs or savings of less than \$50 million are noted with an asterisk.

December 7, 2006

<b>Section</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2007-10</b>	<b>2007-11</b>	<b>2007-16</b>
<b>Title IV - Other Health Provisions</b>													
401 Extend TMA and Abstinence Education through June 30, 2007	0.1	0.2	*	*	*	*	*	*	*	*	0.4	0.4	0.4
402 Research grants for Valley Fever vaccine	0	0	0	0	0	0	0	0	0	0	0	0	0
403 Reduce limit on provider taxes to 5.5% (1/1/08 to 9/30/11 only)	0	-0.1	-0.1	*	*	0	0	0	0	0	-0.2	-0.3	-0.3
404 Establish DSH allotments for Tennessee and Hawaii for 2007	*	0	0	0	0	0	0	0	0	0	*	*	*
405 Medicaid DRA technical corrections	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Subtotal, Title IV</b>	<b>0.2</b>	<b>0.1</b>	<b>-0.1</b>	<b>*</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>						
<b>Net Changes in Direct Spending</b>	<b>3.0</b>	<b>1.5</b>	<b>-0.8</b>	<b>-1.0</b>	<b>-1.0</b>	<b>0.5</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>2.7</b>	<b>1.7</b>	<b>4.9</b>

**Memorandum:**

Estimated changes in budget authority and outlays for Division B, by fiscal year, in millions of dollars

Estimated budget authority	3,095	2,035	-1,239	-1,151	-1,038	464	747	676	657	675	2,740	1,702	4,921
Estimated outlays	3,025	1,540	-817	-1,012	-1,037	464	747	676	657	675	2,736	1,699	4,918