



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

November 24, 2004

**S. 2618**

**An act to amend title XIX of the Social Security Act  
to extend Medicare cost-sharing for the Medicare Part B premium  
for qualifying individuals through September 2005**

*As cleared by the Congress on November 19, 2004*

**SUMMARY**

S. 2618 would extend through September 2005 a program that pays the Medicare Part B premium for Medicare beneficiaries who have incomes between 120 percent and 135 percent of the federal poverty level and limited assets. Under current law, the program is authorized through December 2004.

CBO estimates that the act would increase direct spending by \$145 million in 2005 and would have no net effect on spending in later years.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 2618 is shown in the following table. The changes in direct spending fall within budget functions 550 (health) and 570 (Medicare).

**BASIS OF ESTIMATE**

The Medicaid program initially pays the Medicare Part B premium for Medicare beneficiaries who have incomes between 120 percent and 135 percent of the federal poverty level and limited assets. (These beneficiaries are commonly known as “qualifying individuals.”) Medicaid is currently authorized to pay those premiums through December 2004; S. 2618 would extend that authority through September 2005.

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ESTIMATED EFFECTS OF S. 2618 ON DIRECT SPENDING (By fiscal year, in millions of dollars)

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2005- 2009	2005- 2014
<b>CHANGES IN DIRECT SPENDING</b>												
<b>Medicaid</b>												
Estimated Budget Authority	30	-30	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	30	-30	0	0	0	0	0	0	0	0	0	0
<b>Medicare</b>												
Estimated Budget Authority	115	30	0	0	0	0	0	0	0	0	145	145
Estimated Outlays	115	30	0	0	0	0	0	0	0	0	145	145
<b>Total Changes</b>												
Estimated Budget Authority	145	0	0	0	0	0	0	0	0	0	145	145
Estimated Outlays	145	0	0	0	0	0	0	0	0	0	145	145

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Using Medicaid administrative data, CBO estimates that Medicaid would pay Medicare Part B premiums for about 200,000 qualifying individuals per month. Based on the premium for calendar year 2005, which will be \$78.20 per month, CBO estimates that spending on the Medicare Part B premium for qualifying individuals over the nine-month period covered by the act would total \$145 million.

Medicaid would pay for the premiums (with the federal government paying the entire cost instead of the usual federal-state split) and then be reimbursed by Medicare. According to the Centers for Medicare and Medicaid Services, there is a lag of about two months in those Medicare reimbursements. As a result, some of the Medicare reimbursements would not occur until 2006. Those reimbursements would be intragovernmental transfers and would have no net budgetary effect in 2006.

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