



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

May 10, 2006

Honorable Duncan Hunter  
Chairman  
Committee on Armed Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

This letter responds to your request for a cost estimate of a proposed amendment to H.R. 5122, the National Defense Authorization Act for Fiscal Year 2007, as reported by the House Committee on Armed Services on May 5, 2006. The amendment, proposed by Representative Skelton, would create a program to provide partial refunds to military family members and retirees for certain pharmacy copayments made in fiscal year 2007.

Section 731 of H.R. 5122 would increase the copayments that TRICARE beneficiaries must pay for drugs obtained at retail pharmacies to \$6 for generic drugs and \$16 for brand-name drugs. The proposed amendment would modify section 731 by authorizing the Department of Defense (DoD) to pay eligible beneficiaries an amount equal to the difference between the current copayments at retail pharmacies, \$3 for generic drugs and \$9 for brand-name drugs, and the increased amount that would be authorized in section 731. Eligible beneficiaries include dependents of active-duty servicemembers and retirees and their dependents. This refund program would only apply to drugs obtained in fiscal year 2007.

Based upon information from DoD, the Congressional Budget Office estimates that over 20 million prescriptions for generic drugs and almost 26 million prescriptions for brand-name drugs would be filled at retail pharmacies in 2007. Using the copayments established by section 731, CBO estimates that refunds provided under the amendment would cost about \$240 million, assuming appropriation of the necessary amounts. The amendment specifies that payment of such refunds is subject to the availability of appropriations, and it authorizes the appropriation of up to \$290 million for that purpose out of the amounts authorized for fiscal year 2007 in title XV of H.R. 5122.

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If you wish further details on this estimate, we will be pleased to provide them.  
The CBO staff contact is Michelle Patterson, who can be reached at 226-2840.

Sincerely,

Donald B. Marron  
Acting Director

cc: Honorable Ike Skelton  
Ranking Member