



May 11, 2012

Honorable Howard P. "Buck" McKeon
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has completed a preliminary estimate of the direct spending effects of H.R. 4310, the National Defense Authorization Act for Fiscal Year 2013, as ordered reported by the House Committee on Armed Services on May 9, 2012. CBO's complete cost estimate for H.R. 4310, including discretionary costs, will be provided shortly.

Based on legislative language for H.R. 4310 that was provided to CBO from May 2 through May 10, CBO estimates that enacting this bill would decrease net direct spending by \$33 million in 2013, \$554 million over the 2013-2017 period, and \$44 million over the 2013-2022 period. Because the bill would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

The largest cost over that 10-year period results from a provision that would limit the ability of the Department of Defense to increase the copayments charged to beneficiaries who use the TRICARE pharmacy program. Those costs would be offset by savings from a provision that would require certain TRICARE beneficiaries to obtain refills of maintenance medications through TRICARE's national mail-order pharmacy.

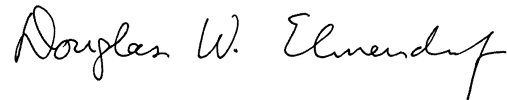
H.R. 4310 also would increase spending from the Military Retirement Fund for the increased number of military retirements that would result from several new authorities. Additional savings would be achieved by reducing

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the amount of funds available to be spent from the Pentagon Reservation Maintenance Revolving Fund.

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

Sincerely,

A handwritten signature in black ink that reads "Douglas W. Elmendorf". The signature is written in a cursive style with a large initial 'D' and 'E'.

Douglas W. Elmendorf
Director

Attachment

cc: Honorable Adam Smith
Ranking Member

PRELIMINARY ESTIMATE OF THE IMPACT OF H.R. 4310 ON DIRECT SPENDING

	By Fiscal Year, in Millions of Dollars											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013- 2017	2013- 2022
TRICARE Pharmacy Copayments												
Estimated Budget Authority	-30	-17	6	31	90	124	162	204	256	303	80	1,129
Estimated Outlays	-25	-19	3	26	80	119	156	197	248	296	65	1,081
Mail-Order Pharmacy Pilot Program												
Estimated Budget Authority	-18	-144	-146	-162	-178	-153	-118	-90	-68	-52	-648	-1,129
Estimated Outlays	-9	-141	-146	-161	-177	-155	-121	-92	-70	-53	-634	-1,125
Pentagon Maintenance Revolving Fund												
Estimated Budget Authority	-26	0	0	0	0	0	0	0	0	0	-26	-26
Estimated Outlays	0	-1	-9	-9	-4	-2	-1	0	0	0	-23	-26
Minimum Service for Retirement as an Officer												
Estimated Budget Authority	0	2	5	5	5	5	3	-1	-2	-2	17	20
Estimated Outlays	0	2	5	5	5	5	3	-1	-2	-2	17	20
Time-In-Grade Waivers												
Estimated Budget Authority	1	8	12	4	3	3	-1	-3	-3	-3	28	21
Estimated Outlays	1	8	12	4	3	3	-1	-3	-3	-3	28	21
Retirement of Navy Chief Warrant Officers												
Estimated Budget Authority	*	-1	-2	-2	-2	-2	-2	-2	-1	-1	-7	-15
Estimated Outlays	*	-1	-2	-2	-2	-2	-2	-2	-1	-1	-7	-15
Total Changes in Direct Spending												
Estimated Budget Authority	-73	-152	-125	-124	-82	-23	44	108	182	245	-556	*
Estimated Outlays	-33	-152	-137	-137	-95	-32	34	99	172	237	-554	-44

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

* = between 0 and -\$500,000.
