



October 19, 2007

Honorable Rahm Emanuel  
U.S. House of Representatives  
Washington, DC 20515

Dear Congressman:

As you requested, CBO has prepared an estimate of the budgetary impact of H.R. 380, the Pharmaceutical Market Access and Drug Safety Act, as introduced on January 10, 2007. That bill is similar to Amendment 990 offered to S. 1082, the Food and Drug Administration Revitalization Act, in May of this year. CBO's estimates for the two pieces of legislation are identical.

The bill would expand FDA's regulatory authorities surrounding importation of prescription drugs. It would require the Secretary of Health and Human Services to permit pharmacies, wholesalers, and individuals (for personal use) to import prescription drugs into the United States under certain new conditions from selected countries. The bill also would modify how Internet pharmacies are regulated.

Enacting H.R. 380 would reduce prices for some prescription drugs, which would lower the amount that both private entities and the federal government spend for prescription drugs. Those changes would affect both federal revenues and spending. CBO estimates that, over the 2009-2017 period, enacting H.R. 380 would increase federal revenues by \$5.2 billion and reduce federal direct spending for prescription drugs by \$5.4 billion.

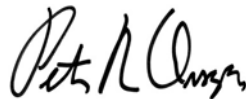
The legislation's effect on revenues would stem from reducing the cost of private health insurance, which in turn would reduce the share of employees' compensation that is tax-advantaged (such as premiums for health insurance) and increase the share of compensation that is taxable. In addition, the bill would impose fees on certain firms that import and export drugs; those fees would be classified as revenues. (The spending of those fees would be subject to appropriation action.)

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The effects on federal direct spending would result from lower costs for the federal government's health care programs, primarily Medicare and Medicaid. Enacting this legislation would also result in reductions in spending for prescription drugs by federal health programs that are funded through appropriation acts, including those of the Department of Defense, the Department of Veterans Affairs, and the Indian Health Service. It would also result in additional costs for the federal agencies that would be primarily responsible for administering the program—the Food and Drug Administration and U.S. Customs and Border Protection. However, CBO has not completed an estimate of those effects on discretionary spending.

I hope this information is helpful to you. The CBO staff contact is Julia Christensen.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Orszag".

Peter Orszag  
Director

cc: Honorable John D. Dingell  
Chairman  
House Committee on Energy  
and Commerce

Honorable Joe Barton  
Ranking Member

Honorable Byron L. Dorgan

Honorable Edward M. Kennedy  
Chairman  
Senate Committee on Health,  
Education, Labor and Pensions

Honorable Mike Enzi  
Ranking Member