



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

Phillip L. Swagel, Director

June 24, 2020

Honorable James M. Inhofe
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Re: Direct Spending and Revenue Effects of S. 4049, the National Defense Authorization Act for Fiscal Year 2021

Dear Mr. Chairman:

The Congressional Budget Office has completed the enclosed estimate of the direct spending and revenue effects of S. 4049, the National Defense Authorization Act for Fiscal Year 2021, as reported by the Senate Committee on Armed Services on June 23, 2020.

Enacting the bill would increase net direct spending by \$488 million over the 2021-2030 period. Those effects arise from five provisions:

- During a national emergency, section 723 would allow the Department of Defense (DoD) to waive the statutes and regulations that govern the military health system;
- Section 602 would require DoD to provide hazardous-duty pay for military service related to the COVID-19 emergency;
- Section 707 would require DoD to conduct a pilot program for drug pricing;
- Section 551 would result in the award of additional Medals of Honor; and
- Section 1413 would allow retirees from the reserve components to reside at the Armed Forces Retirement Home.

S. 4049 also would change net revenues by less than \$500,000, CBO estimates. Sections 526, 532, 703, and 1043 would change the amount of fines and penalties collected by the government. Section 1047 would reduce amounts collected from visa fees.

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Because the bill would affect direct spending and revenues, statutory pay-as-you-go procedures apply.

CBO estimates that enacting S. 4049 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2031.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Matt Schmit.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip L. Swagel", with a long, sweeping flourish extending to the right.

Phillip L. Swagel
Director

Enclosure

cc: Honorable Jack Reed
Ranking Member

Table 1.
Estimated Increases or Decreases in Direct Spending Under S. 4049,
As reported by the Senate Committee on Armed Services on June 23, 2020

	By Fiscal Year, Millions of Dollars											2020- 2025	2020- 2030
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
Increases or Decreases (-) in Direct Spending													
Waive TRICARE Requirements During Emergencies ^a													
Section 723													
Estimated Budget Authority	0	120	60	30	30	30	30	30	30	40	40	270	440
Estimated Outlays	0	99	70	35	30	30	30	30	30	38	40	264	432
Retroactive Hazardous Duty Pay for COVID-19 ^b													
Section 602													
Estimated Budget Authority	0	90	0	0	0	0	0	0	0	0	0	90	90
Estimated Outlays	0	90	0	0	0	0	0	0	0	0	0	90	90
Armed Forces Retirement Home ^c													
Section 1413													
Estimated Budget Authority	0	0	-4	-4	-5	-5	-5	-5	-5	-5	-5	-18	-43
Estimated Outlays	0	0	-4	-4	-5	-5	-5	-5	-5	-5	-5	-18	-43
Drug Pricing Pilot Program ^d													
Section 707													
Estimated Budget Authority	0	*	2	2	2	0	0	0	0	0	0	6	6
Estimated Outlays	0	*	2	2	2	*	0	0	0	0	0	6	6
Medals of Honor ^e													
Section 551													
Estimated Budget Authority	0	*	*	*	*	*	*	*	*	*	*	1	3
Estimated Outlays	0	*	*	*	*	*	*	*	*	*	*	1	3
Total Changes in Direct Spending													
Estimated Budget Authority	0	210	58	28	27	25	25	25	25	35	35	349	496
Estimated Outlays	0	189	68	33	27	25	25	25	25	33	35	343	488

Components may not sum to totals because of rounding; * = between \$0 and \$500,000.

CBO estimates that enacting S. 4049 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2031. Other provisions in S. 4049 would have insignificant effects on direct spending and revenues. For this estimate, CBO assumes that S. 4049 will be enacted near the start of fiscal year 2020.

- a. During national emergencies, section 723 would allow DoD to temporarily waive the statutes and regulations that govern the military health system. CBO anticipates that DoD may use that authority to reduce some forms of cost sharing by beneficiaries, thus encouraging them to receive care from certain points of service during emergencies, such as from mail-order pharmacies. Costs of care for beneficiaries of the military health system who are eligible for Medicare are paid from mandatory appropriations.
- b. Section 602 would require DoD to provide hazardous-duty pay to service members who support the Department's response to COVID-19 during calendar year 2020. Payments made for duty performed before the enactment of S. 4049 would be classified as direct spending.
- c. Section 1413 would authorize retirees from the reserve components to reside at the Armed Forces Retirement Home. The resident fees paid by those retirees would decrease direct spending.
- d. Section 707 would require DoD to conduct a pilot program to promote the distribution of maintenance medications from retail pharmacies. Pharmacy costs for beneficiaries of the military health system who are eligible for Medicare are paid from mandatory appropriations.
- e. Section 551 would authorize awards of the Medal of Honor that cannot be given under current law. Recipients who are living receive monthly pensions that are paid from mandatory appropriations.