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

May 1, 2006

Honorable Fortney Pete Stark
U.S. House of Representatives
Washington, DC 20515

Dear Congressman:

As requested by your staff, this letter provides information on CBO's estimate of the budgetary impact of extending the initial enrollment period for the Medicare prescription drug benefit (Part D of Medicare), which is currently scheduled to end on May 15, 2006. CBO estimates that extending the deadline through December 31, 2006, would increase Medicare outlays, net of premiums, by $0.1 billion in 2006 and $3.4 billion over the 2006-2016 period. Most of that increase in outlays would occur because the extension would reduce offsetting receipts from payments of late-enrollment penalties.

Once the May 15 deadline passes, the next opportunity to enroll for individuals who are already eligible will be between November 15 and December 31 of this year, with any new coverage taking effect on January 1, 2007. Under current law, CBO anticipates that about 10 million Medicare beneficiaries who are eligible to enroll in Part D this year will instead enroll over the next three years. We estimate that about 1 million of those beneficiaries would enroll in Part D in 2006 (i.e., sooner than they would otherwise) if the initial enrollment period were extended through the end of this calendar year.

The Part D program charges beneficiaries a late-enrollment penalty (in the form of a permanent add-on to the monthly premium) equal to 1 percent for every month that they are not enrolled in Part D and do not have prescription drug coverage of similar value from another source. CBO estimates that about 75 percent of the 10 million Medicare beneficiaries described above would be subject to a penalty under current law—and that most of them would still pay a penalty if the deadline were extended, but the penalty would be smaller. The penalty starts with the first month after the end of the initial enrollment period, so extending the initial enrollment period through the end of 2006 would eliminate penalties covering the months of June through December.

I hope this information is helpful to you. The staff contacts for further information are Eric Rollins and Shinobu Suzuki, who can be reached at 226-9010.

Sincerely,

Donald B. Marron

Donald B. Marron
Acting Director

cc: Honorable William "Bill" M. Thomas
Chairman
Committee on Ways and Means

Honorable Charles B. Rangel
Ranking Democrat

Honorable Joe Barton
Chairman
Committee on Energy and Commerce

Honorable John D. Dingell
Ranking Member

Honorable Charles E. Grassley
Chairman
Senate Committee on Finance

Honorable Max Baucus
Ranking Democratic Member