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

Phillip L. Swagel, Director

September 9, 2021

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

Re: Direct Spending and Revenue Effects of H.R. 4350, the National Defense Authorization Act for Fiscal Year 2022

Dear Mr. Chairman:

The Congressional Budget Office has completed the enclosed estimate of the direct spending and revenue effects of H.R. 4350, the National Defense Authorization Act for Fiscal Year 2022, as ordered reported by the House Committee on Armed Services on September 2, 2021. This estimate is based on the Committee Print 117-13 that was posted to the website of the House Committee on Rules on September 7, 2021.

Enacting the bill would have an insignificant effect on net direct spending and revenues, CBO estimates. Our complete cost estimate of H.R. 4350, including a discussion of discretionary authorizations and mandates under the Unfunded Mandates Reform Act, will be provided shortly.

Four provisions of the bill would significantly affect both direct spending and revenues. However, those effects would offset overall so that the net effect on the deficit would be insignificant over the 2022-2031 period (see Table 1).

- Section 713 would allow the Department of Defense (DoD) to levy fines on providers in the military health system who commit fraud and abuse and would allow DoD to retain and spend those amounts without further appropriation. Fines are classified in the budget as revenues, and the spending of those amounts would constitute direct spending.
- Section 703(a) would require DoD to waive beneficiary cost sharing for telehealth services during public health emergencies, which would increase direct spending.

- Section 703(b) would authorize military retirees who serve in the Ready Reserve to receive both retired pay and duty pay, which would increase direct spending for retirement benefits.
- Section 703(c) would allow military retirees who declined to enroll in the Survivor Benefit Plan during the period provided in current law to enroll during the period beginning on the enactment date of the bill and ending January 1, 2023. That provision would decrease direct spending over the budget window.

Other provisions in H.R. 4350 would have insignificant effects on direct spending and revenues.

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

CBO estimates that enacting H.R. 4350 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2032.

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

Sincerely,

Phillip L. Swagel
Director

Enclosure

cc: Honorable Mike Rogers
Ranking Member

Table 1.
Estimated Changes in Direct Spending and Revenues Under H.R. 4350, as Ordered Reported by the House Committee on Armed Services on September 2, 2021, and Posted on the Website of the House Committee on Rules as Committee Print 117-13 on September 7, 2021
https://rules.house.gov/bill/117/hr-4350

	By Fiscal Year, Millions of Dollars												
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021-2026	2021-2031
Increases or Decreases (-) in Direct Spending													
Military Health Fraud and Abuse Program[a] Section 713													
Estimated Budget Authority	0	0	3	5	7	8	9	9	10	10	11	23	72
Estimated Outlays	0	0	3	5	7	8	9	9	10	10	11	23	72
Cost Sharing for Telehealth[b] Section 703(a)													
Estimated Budget Authority	0	*	1	1	1	1	1	1	1	1	1	4	9
Estimated Outlays	0	*	1	1	1	1	1	1	1	1	1	4	9
Retirees in the Reserves[c] Section 703(b)													
Estimated Budget Authority	0	1	1	1	1	2	2	2	2	2	2	6	16
Estimated Outlays	0	1	1	1	1	2	2	2	2	2	2	6	16
Survivor Benefit Plan[d] Section 703(c)													
Estimated Budget Authority	0	-19	-2	-1	-1	-1	-1	*	*	*	*	-24	-25
Estimated Outlays	0	-19	-2	-1	-1	-1	-1	*	*	*	*	-24	-25
Total Changes in Direct Spending													
Estimated Budget Authority	0	-18	3	6	8	10	11	12	13	13	14	9	72
Estimated Outlays	0	-18	3	6	8	10	11	12	13	13	14	9	72
Increases in Revenues													
Military Health Fraud and Abuse Program[a] Section 713	0	0	3	5	7	8	9	9	10	10	11	23	72
Net Increase or Decrease (-) in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	0	-18	*	1	1	2	2	3	3	3	3	-14	*

Components may not sum to totals because of rounding; * = between -$500,000 and $500,000. Estimates relative to CBO's July 2021 baseline.

CBO estimates that enacting H.R. 4350 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2032. Other provisions in H.R. 4350 would have insignificant effects on direct spending and revenues.

a. Section 713 would allow the Department of Defense (DoD) to levy fines on providers in the military health system who commit fraud and abuse and would allow DoD to retain and spend those amounts without further appropriation. Fines are classified in the budget as revenues, and the spending of those amounts would constitute direct spending.
b. Section 703(a) would require DoD to waive beneficiary cost sharing for telehealth appointments during public health emergencies. This would increase DoD's cost of providing care to almost all beneficiaries of the military health system. Most of the costs would be discretionary, with the exception of costs related to retirees of the Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service. Those costs are paid from mandatory appropriations.
c. Section 703(b) would allow military retirees who serve in the Ready Reserve to receive both retired pay and duty pay. Under current law retirees who serve must forfeit retired pay. CBO expects that more retirees would serve in the reserves as a result of the change. The accumulation of additional service time would increase their retired pay, which is paid from the Military Retirement Fund, a mandatory account.
d. Section 703(c) would allow retirees of the uniformed services who declined to enroll in the Survivor Benefit Plan (SBP) during the period provided in current law to enroll during the period beginning on the date of enactment and ending on January 1, 2023. As a condition of their enrollment, they would be required to make retroactive premium payments back to the date on which they were originally eligible to enroll in SBP. On net, this would increase receipts in the near term; that reduction is classified as a decrease in direct spending. Spending would eventually increase over time as survivor benefits are paid from the Military Retirement Fund, a mandatory account.