

BUILDING COST ESTIMATES, PART 2

June 23, 2025

AGENDA



OVERVIEW OF THE
LEGISLATION



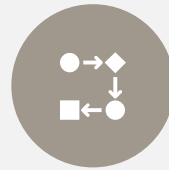
STEP 1: ANALYZING
LEGISLATIVE TEXT



STEP 2: MAPPING
OUT YOUR MODEL



STEP 3: PRICES AND
QUANTITIES



STEP 4: BUILDING
THE MODEL



STEP 5: CHECKING
THE MODEL



STEP 6:
COMMUNICATING
FINDINGS

No Handouts for Drug Advertisements Act

Current law

All businesses may deduct their ordinary and necessary advertising expenses under Internal Revenue Code §162(a), except for electioneering and advertising in foreign countries.

Proposed law

“No deduction shall be allowed under this chapter for expenses relating to direct-to-consumer advertising of covered drugs for any taxable year.”

OVERVIEW OF
LEGISLATION

INITIAL TAKE ON
THE NO
HANDOUTS ACT

- Please share your initial thoughts:
 - Who would be affected?
 - How would they react?
 - How would this affect the federal budget?

STEP I:
ANALYZING
LEGISLATIVE
TEXT

Before reading

- Verify legislative intent
- Understand current law
 - ([House Office of Law Revision Counsel](#))

First read (30,000 foot view)

- Scan organization and key terms
- Note timing of changes and administrative discretion
- Translate any legal references

Second read (detailed review)

- Check internal consistency
- Verify cited legal authorities
- Assess if language achieves intent

Additional Resources

Georgetown Law: [A Guide to Reading, Interpreting, and Applying Statutes](#)
House Office of Legislative Counsel's [Drafting Resources](#)

ANALYZING THE NO HANDOUTS ACT

Key Legislative Change

Eliminates tax deductions for direct-to-consumer drug advertising

Critical Questions

How are key terms defined?

- “Direct-to-Consumer Advertising”
- “Covered Entity”

What is the effective date?

Are there any exceptions?

STEP 2:
MAPPING OUT
YOUR MODEL

Who is affected?

What happens to them?

How will they respond?

How will this affect the federal budget?

Revenue effects

Spending effects

Identify key budgetary “levers”

- Changes in “quantities”
- Changes in “prices”
- Deadlines, effective dates, and sunset provisions

STEP 3: WHAT ARE THE PRICES AND QUANTITIES

Revenues

Quantity

- Amount of DTC ads

Price

- Value of current deduction

Spending

Quantity

- Number of subsidized prescriptions

Price

- Net federal spending for affected drugs

STEP 4: BUILDING THE MODEL

Three-part structure for every model

1. Revenues and spending under current law baseline
2. Revenues and spending under proposed law
3. Net deficit change =
change in outlays minus change in revenue

Guiding principles

- *All models are wrong; some are useful.*
- *Better to be approximately right than precisely wrong*
- *Document thoroughly!*

STEP 4: BUILDING THE MODEL, PT 2

What We'll Do Now

Exit PowerPoint → Open Excel
Review initial model together
Walk through best practices

What to Watch For

Model structure and organization
Common pitfalls and how to avoid them

During Demo

Take notes on structure and process, not just the numbers
Think about how this applies to your own models
Ask questions as we go!

STEP 5: CHECKING THE MODEL

Validation

Do the numbers make sense?

What drives the results?

How uncertain are we?

Sensitivity Testing

Vary key assumptions $\pm 25/50/100\%$

Document which changes matter most

Create high/low scenarios

Red Flags to Catch:

Results that seem "too good"

Massive swings from small changes

Inconsistent growth rates

**STEP 6:
COMMUNICATING
FINDINGS**

Lead with the bottom line

"This bill would increase/decrease the deficit by \$X billion"

Then explain why

Major drivers (biggest items first)

Key assumptions that matter

Uncertainty ranges

Keep it crisp

One-page summary

Technical appendix separate

Visual aids for complex concepts

Your audience needs answers, not spreadsheets