



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

June 19, 2006

**H.R. 5574
Children's Hospital GME Support Reauthorization Act of 2006**

*As ordered reported by the House Committee on Energy and Commerce
on June 15, 2006*

SUMMARY

H.R. 5574 would amend the Public Health Service Act to authorize payments to children's hospitals that operate graduate medical education programs. Payments would be made to such hospitals for both "direct" and "indirect" costs related to graduate medical education. Direct costs are related to the cost of operating a medical education program, such as the salaries of medical residents, while indirect costs are intended to compensate hospitals for patient care costs that are expected to be higher in teaching hospitals than in non-teaching hospitals.

H.R. 5574 would authorize the appropriation of \$300 million a year over the 2007-2011 period for payments to children's hospitals. CBO estimates that implementing the bill would cost \$225 million in 2007 and \$1.4 billion over the 2007-2011 period, assuming the appropriation of the authorized amounts.

H.R. 5574 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Children's hospitals that are operated by government entities could benefit from grants authorized by the bill for graduate medical training.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5574 is shown in the following table. The costs of this legislation fall within budget function 550 (health).

	By Fiscal Year, in Millions of Dollars					
	2006	2007	2008	2009	2010	2011
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Budget Authority ^a	301	0	0	0	0	0
Estimated Outlays	302	75	0	0	0	0
Proposed Changes						
Authorization Level	0	300	300	300	300	300
Estimated Outlays	0	225	300	300	300	300
Spending Under H.R. 5574						
Authorization Level ^a	301	300	300	300	300	300
Estimated Outlays	302	300	300	300	300	300

a. The 2006 level is the amount appropriated for that year for payments to children's hospitals that operate graduate medical education programs.

BASIS OF ESTIMATE

The Health Resources and Services Administration administers a program that provides payments to children's hospitals that operate graduate medical education programs. Authorization for that program expired in 2005. H.R. 5574 would authorize funding for the program through 2011. For this estimate, CBO assumes that H.R. 5574 will be enacted before the end of this fiscal year and that the authorized amounts will be appropriated for each year.

H.R. 5574 would authorize the appropriation of \$100 million a year for 2007 through 2011 for payment towards the direct costs of graduate medical education in children's hospitals. Those funds would be allocated across eligible hospitals according to a formula that takes into account the number of residents each hospital employs and its cost per resident as reported in 1997.

The bill also would authorize the appropriation of \$200 million a year for 2007 through 2011 for payment towards the indirect costs of graduate medical education programs. Those payments would be made to hospitals on the basis of a formula that takes into account the hospital's number of discharges, the relative costliness of those cases as measured by a case-mix index, and the number of residents at the hospital.

Based on historical patterns of spending for the graduate medical education program, CBO estimates that implementing the bill would cost \$225 million in 2007 and \$1.4 billion over the 2007-2011 period, assuming appropriation of the specified amounts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5574 contains no intergovernmental or private-sector mandates as defined in UMRA. Children's hospitals that are operated by governmental entities could benefit from grants authorized by the bill for graduate medical training.

ESTIMATE PREPARED BY:

Federal Costs: Camile Williams

Impact on State, Local, and Tribal Governments: Leo Lex

Impact on the Private Sector: Paige Shevlin

ESTIMATE APPROVED BY:

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis