



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

September 15, 2011

**S. 958
Children's Hospital GME Support Reauthorization Act of 2011**

*As reported by the Senate Committee on Health, Education, Labor, and Pensions
on September 12, 2011*

SUMMARY

S. 958 would amend the Public Health Service Act to reauthorize payments to children's hospitals operating training programs that provide graduate medical education. Payments would be made to such hospitals for both direct and indirect costs related to graduate medical education. Direct costs are those related to operating a medical education program, such as the salaries of medical students, while indirect costs are those intended to compensate hospitals for patient care costs that are expected to be higher in teaching hospitals than in non-teaching hospitals.

S. 958 would authorize the appropriation of \$330 million a year over the 2012-2016 period for payments to children's hospitals. CBO estimates that implementing the bill would cost \$248 million in 2012 and \$1,568 million over the 2012-2016 period, assuming the appropriation of the authorized amounts. Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 958 is shown in the following table. The costs of this legislation fall within budget function 550 (health).

	By Fiscal Year, in Millions of Dollars					2012- 2016
	2012	2013	2014	2015	2016	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Authorization Level	330	330	330	330	330	1,650
Estimated Outlays	248	330	330	330	330	1,568

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 expires in 2011. S. 958 would authorize funding for the program through 2016 at a level that is similar to recent years and greater than amounts appropriated, \$268 million, in fiscal year 2011. For this estimate CBO assumes that S. 958 will be enacted before the end of fiscal year 2011 and that the authorized amounts will be appropriated for each year.

S. 958 would authorize the appropriation of \$110 million a year for 2012 through 2016 for payment toward the direct costs of graduate medical education in children’s hospitals. Those funds would be awarded to eligible hospitals according to a formula that takes into account the number of residents each hospital employs and its cost per resident.

The bill also would authorize the appropriation of \$220 million a year for 2012 through 2016 for payment toward 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, the number of residents at the hospital, and the number of inpatient beds in the hospital complex.

Based on historical patterns of spending for the graduate medical education program, CBO estimates that implementing the bill would cost \$248 million in 2012 and \$1,568 million over the 2012-2016 period, assuming the appropriation of the specified amounts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 958 contains no intergovernmental or private-sector mandates as defined in UMRA. Children’s hospitals that are operated by governmental entities could benefit from grant funds authorized by the bill for graduate medical training.

PREVIOUS CBO ESTIMATE

On August 9, 2011, CBO transmitted a cost estimate for H.R. 1852, the Children's Hospital GME Support Reauthorization Act of 2011, as ordered reported by the House Committee on Energy and Commerce on July 28, 2011. H.R. 1852 is similar to S. 958, and the CBO cost estimates are the same.

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