



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 7, 2004

S. 2526

Children's Hospitals Educational Equity and Research Act

*As ordered reported by the Senate Committee on Health, Education, Labor, and Pensions
on September 22, 2004*

SUMMARY

S. 2526 would amend the Public Health Service Act to authorize payments through 2010 to children's hospitals that operate graduate medical education programs. Separate payments would be made to the hospitals for both direct expenses and indirect expenses related to graduate medical education. The bill also would alter the factors used in determining the amount of payment for indirect expenses.

CBO estimates that implementing S. 2526 would cost \$248 million in 2006 and \$1.3 billion over the 2006-2009 period, assuming the appropriation of the necessary amounts. Enacting the legislation would not affect direct spending or receipts.

S. 2526 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2526 is shown in the following table. The costs of this legislation fall within budget function 550 (health).

	By Fiscal Year, in Millions of Dollars					
	2004	2005	2006	2007	2008	2009
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Budget Authority/Authorization Level ^a	303	309	0	0	0	0
Estimated Outlays	303	308	77	0	0	0
Proposed Changes						
Estimated Authorization Level	0	0	330	336	342	348
Estimated Outlays	0	0	248	334	340	346
Spending Under S. 2526						
Estimated Authorization Level ^a	303	309	330	336	342	348
Estimated Outlays	303	308	325	334	340	346

a. The 2004 level is the amount appropriated for that year for the program of payments to children's hospitals that operate graduate medical education programs. The amount shown for 2005 is a baseline projection that assumes an increase for anticipated inflation.

BASIS OF ESTIMATE

The program of payments to children's hospitals that operate graduate medical education programs is authorized through 2005. That program provides two sets of payments to children's hospitals that operate graduate medical education programs. Payments for the "direct" costs of such programs are related to the cost to the hospital of operating the graduate medical education program. Payments for "indirect" costs associated with operating a graduate medical education program are intended to compensate for patient-care costs that are expected to be higher in teaching hospitals than in nonteaching hospitals.

S. 2526 would authorize funding through 2010 for those payments to children's hospitals that operate graduate medical education programs. The bill would authorize the appropriation of specific amounts for 2006. For subsequent years, CBO estimated authorization levels by adjusting 2006 levels for anticipated inflation. For this estimate, CBO assumes that S. 2526 will be enacted this fall and that the authorized and estimated amounts will be appropriated for each year.

The bill would authorize appropriation of \$110 million in 2006, and such sums as necessary in 2007 through 2010, for payments toward the direct costs of operating graduate medical education programs in children's hospitals. Those funds would be allocated across eligible hospitals based on a formula that would take into account the number of medical residents

and the average cost per resident in 1997 of the hospital's graduate medical education program.

The bill also would authorize appropriation of \$220 million in 2006, and such sums as necessary in 2007 through 2010, for payments toward the indirect costs of operating graduate medical education programs in children's hospitals. Those funds would be allocated across eligible hospitals based on a formula that would take into account the number of discharges, the relative costliness of those cases as measured by a case-mix index, and the ratio of the number of medical residents to the number of beds (excluding beds for healthy newborns) in each hospital. Under current law, the allocation formula used the number of residents rather than the ratio of residents to beds.

Based on historical spending patterns for the graduate medical education programs, CBO estimates the bill would cost \$248 million in 2006 and \$1.3 billion over the 2006-2009 period, assuming appropriation of the authorized amounts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2526 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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