



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

July 31, 2003

**S. 648**

**Pharmacy Education Aid Act of 2003**

*As ordered reported by the Senate Committee on Health, Education, Labor, and Pensions  
on June 11, 2003*

**SUMMARY**

S. 648 would establish two pharmacy education programs within the Health Services and Research Administration (HRSA). The bill would authorize the agency to pay principal and interest on education loans owed by pharmacists possessing bachelor or doctorate degrees who agree to work for at least two years in an area where there is a shortage of pharmacists. S. 648 also would provide for loan repayments for students and graduates who become members of the faculty of a pharmacy school for a minimum of two years. In each case, payments for an individual could not exceed \$35,000 per year of service. The bill would authorize the appropriation of such sums as necessary for these activities from 2004 through 2008.

Assuming appropriation of the necessary amounts, CBO estimates that implementing S. 648 would cost \$2 million in 2004 and \$51 million over the 2004-2008 period.

By authorizing assistance to certain pharmacists, S. 648 would effectively extend provisions of section 224 of the Public Health Service Act to those pharmacists who choose to work in health centers that receive funding under section 330 of that act. That section authorizes settlements and awards for tort claims to be paid out of the Treasury's Judgment Fund. Those payments are considered direct spending, regardless of whether the health program involved is an entitlement program or subject to appropriation. CBO estimates that additional payments under S. 648 would be less than \$500,000 over the 2004-2008 period.

S. 648 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Any costs that public schools of pharmacy incur to assist faculty members with loan payments would be voluntary.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 648 is shown in the following table. The costs of this legislation fall within budget functions 550 (health) and 800 (general government).

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	By Fiscal Year, in Millions of Dollars				
	2004	2005	2006	2007	2008
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION <sup>a</sup></b>					
Estimated Authorization Level	3	8	13	18	22
Estimated Outlays	2	5	11	15	18

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a. Enacting S. 648 also would increase direct spending, but the estimated cost would be less than \$500,000 over the 2004-2008 period.

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## BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 648 will be enacted by the fall of 2003 and that the necessary amounts to implement the bill will be appropriated each year. CBO estimates that implementing S. 648 would require new discretionary spending of about \$51 million over the next five years. Enacting the legislation also could increase direct spending, but any such effects would not be significant.

### Spending Subject to Appropriation

S. 648 would establish a loan repayment program for individuals with a pharmacy degree who agree to work for a minimum of two years in areas with a critical shortage of pharmacists. The program would reimburse up to \$35,000 per year for loans covering tuition and living expenses, and would cover the tax liability associated with those reimbursements.

Based on information from HRSA, CBO estimates that about 50 graduates would participate in 2004, rising to about 250 graduates each year by 2008. CBO estimates that annual loan repayments, including payments for tax liability, would average about \$30,000 per participant in 2004, and that participants would receive this aid for two to three years.

The bill would allow HRSA to recover payments to individuals who fail to complete two years of service in an area with a shortage of pharmacists. CBO estimates that the percentage of pharmacists who fail to complete two years of service would be between 5 percent and 15 percent, which is similar to the experience of the National Health Service Corps program.

CBO estimates that the cost of implementing this loan repayment program would be less than \$2 million in 2004 and \$49 million over the 2004-2008 period, assuming the appropriation of the necessary amounts.

The bill also would establish a loan repayment program for pharmacy school graduates and near-graduates who serve on the faculty of a pharmacy school. Under the bill, HRSA would enter into contracts with students or graduates who have agreed to work for a minimum of two years at a school of pharmacy. HRSA would reimburse participants up to \$35,000 per year for their outstanding loans. The school hiring the participant would be required to match federal payments, and would not be able to reduce the faculty member's salary to account for the loan repayments.

Based on information from HRSA, CBO expects that there would not be much participation by pharmacy schools in the faculty loan repayment program because of the matching requirement. CBO estimates that the number of participants in the loan repayment program would grow from 5 in 2004 to 30 in 2008. We assume that participants would receive loan reimbursement for two years on average, in amounts averaging between \$22,000 and \$25,000 per year over this period. CBO estimates that implementing this program would cost less than \$500,000 in 2004 and \$3 million over the 2004-2008 period, assuming the appropriation of the necessary amounts.

### **Direct Spending**

Under current law, settlements and tort claims arising from the actions of licensed health care providers in federally funded health centers are paid from the Treasury's Judgment Fund. The bill would expand that coverage to include tort claims arising from the actions of licensed pharmacists participating in the new loan repayment program. Based on past experience with spending from the Judgment Fund for providers covered under section 224 and the small number of pharmacists who would likely be affected by this provision, CBO estimates that any payments from the Fund would be less than \$500,000 during the 2004-2008 period.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 648 contains no intergovernmental or private-sector mandates as defined in UMRA. Any costs that public schools of pharmacy incur to assist faculty members with loan payments would be voluntary.

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