



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

March 27, 2006

**H.R. 4912
Rural Health Care Capital Access Act of 2006**

*As ordered reported by the House Committee on Financial Services
on March 15, 2006*

CBO estimates that implementing H.R. 4912 would increase offsetting collections (a credit against discretionary spending) by \$1 million to \$3 million over the next five years. Enacting the bill would not affect direct spending or revenues.

H.R. 4912 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act. The bill would provide benefits to any hospitals owned by state, local, or tribal governments that apply for and receive Federal Housing Administration (FHA) loan guarantees.

Under the National Housing Act, FHA offers to guarantee private loans used to finance the modernization and rehabilitation of certain hospital facilities. To qualify for such loan guarantees, hospitals must meet certain criteria, including assigning no more than 50 percent of total patient days (that is, essentially the number of days a person is in a hospital) to patients requiring care involving chronic convalescence and rest, drug and alcoholic rehabilitation, and mental issues. Under current law, critical access hospitals, which are usually small, isolated rural hospitals with a limited number of beds available for acute care, are exempted from this requirement through July 31, 2006.

H.R. 4912 would extend the exemption for critical access hospitals to July 31, 2011. To the extent that additional hospitals would obtain loan guarantees under this bill (after the current cut-off of July 31, 2006), CBO estimates that FHA could earn additional offsetting collections (which are recorded as a reduction in discretionary spending). Under current law, FHA guarantees of loans to hospitals result in net offsetting collections to the federal government because the credit subsidy is estimated to be negative. That is, guarantee fees for new loans more than offset the costs of expected defaults, resulting in net collections from the loan guarantee program.

Based on information from FHA, CBO estimates that, over the next five years, only a few critical access hospitals are likely to need the exemption that would be provided under this bill to be eligible for the FHA loan guarantee. The average hospital loan guarantee is about \$18 million and the subsidy rate for this program is estimated to be negative 3.5 percent for fiscal year 2007 and for subsequent years. CBO estimates that enacting this legislation would result in collections of \$1 million to \$3 million over the fiscal year 2007-2011 period. Such offsetting collections are contingent on enactment of appropriation bills, which establish the authority to make such loan guarantees by specifying commitment levels. Thus, enactment of H.R. 4912 would not affect direct spending or revenues.

The CBO staff contact for this estimate is Susanne S. Mehlman. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.