CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 28, 2008

H.R. 2851
Michelle's Law

As ordered reported by the House Committee on Energy and Commerce on July 16, 2008

H.R. 2851 would require that group health plans continue to provide coverage for full-time college students who take a medically necessary leave of absence from school. Currently, health plans extend coverage to dependents of family policyholders as long as the dependent is either 18 or younger or 22 or younger and enrolled at a post-secondary institution. Dependents who are covered by the group health plan on the basis of their enrollment at a post-secondary institution may lose eligibility if they take a leave of absence for any reason. H.R. 2851 would create an exception to that rule by preventing group health plans from terminating coverage if the leave of absence is for medical reasons.

CBO estimates that H.R. 2851 would have no significant impact on the budget. It would have a negligible impact on federal revenues. CBO assumes that less than one percent of students go on medical leave of absence annually, of which approximately half are covered as dependents under employer-sponsored insurance. Furthermore, many states already require employer-sponsored plans to cover dependents up to 22 years of age and older for other reasons; students in these states would not be affected by the proposed law. This leaves a very small proportion of students enrolled in post-secondary educational institutions to whom the bill would apply.

An insurer's cost of covering a college student who goes on medical leave can be significant; for those taking medical leaves of absence, the most common causes are mental disorders, major illnesses such as cancer, drug and alcohol-related problems, and serious trauma. However, due to the small number of students who take medical leaves of absence and state requirements that plans cover dependents above 22 years of age, the overall cost to group health plans would be negligible.

H.R. 2851 would not impose an intergovernmental mandate but would impose a private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA). (The bill would marginally affect the budgets of state and local governments only if they chose to comply with the bill's requirements.) The bill would impose a private-sector mandate by requiring group health plans to continue the coverage of full-time students enrolled in a post-secondary institution who take a medically necessary leave of absence. CBO estimates that the costs of complying with the mandate would be small and would not exceed the thresholds established in UMRA ($136 million in 2008, adjusted annually for inflation).

The CBO staff contacts for this estimate are Robert Stewart (for federal costs), and Stuart Hagen (for the private-sector impact). This estimate was approved by Keith J. Fontenot, Deputy Assistant Director for Health and Human Resources, Budget Analysis Division.