CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 19, 2013

H.R. 1549
Helping Sick Americans Now Act

As ordered reported by the House Committee on Energy and Commerce on April 17, 2013

SUMMARY

H.R. 1549 would amend the Public Health Service Act to direct the Secretary of the Department of Health and Human Services (HHS) to transfer unobligated amounts from the Prevention and Public Health Fund (PPHF) for fiscal years 2013 through 2016 to help carry out a program that provides temporary health insurance for qualified individuals with pre-existing health conditions.

Based on the historical spending patterns of both the PPHF and the Pre-Existing Condition Insurance Plan (PCIP), CBO estimates that enacting the legislation would result in a decrease in net direct spending of $840 million over the 2013-2023 period; therefore, pay-as-you-go procedures apply. Enacting H.R. 1549 would not affect revenues.

H.R. 1549 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 H.R. 1549 is shown in the following table. The costs of this legislation fall within budget function 550 (health).

	By Fiscal Year, in Millions of Dollars												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013-2018	2013-2023
CHANGES IN DIRECT SPENDING													
Prevention and Public Health Funds													
Estimated Budget Authority	-840	-930	-930	-930	0	0	0	0	0	0	0	-3,630	-3,630
Estimated Outlays	-180	-430	-740	-900	-720	-470	-160	-10	0	0	0	-3,440	-3,610
Pre-Existing Insurance Program													
Estimated Budget Authority	3,630	0	0	0	0	0	0	0	0	0	0	3,630	3,630
Estimated Outlays	2,350	430	0	0	0	0	0	0	0	0	0	2,780	2,780
Net Impact													
Estimated Budget Authority	2,780	-930	-930	-930	0	0	0	0	0	0	0	0	0
Estimated Outlays	2,160	0	-740	-900	-720	-470	-160	-10	0	0	0	-670	-840

Note: Components may not sum to total because of rounding.

BASIS OF ESTIMATE

Under current law, $1 billion per year has been provided to the PPHF for fiscal years 2013 through 2017. (In later years, that amount increases gradually to $2 billion per year.) H.R. 1549 would direct the Secretary of HHS to transfer any unobligated amounts from that fund for fiscal years 2013 through 2016 to help carry out the PCIP program. CBO estimates that about $3.7 billion of those funds would be available after accounting for the effects of sequestration under the Budget Control Act of 2011. (Following procedures under that act, $51 million of the funds for the PPHF were cancelled in 2013, and CBO estimates that an additional $210 million will be cancelled in fiscal years 2014 through 2016.) In addition, assuming enactment of H.R. 1549 in the spring of 2013, an estimated $0.1 billion of 2013 funds will already be obligated before such enactment.[1] Thus, CBO estimates that enacting the legislation would transfer a total of $3.6 billion out of the fund, and thus decrease direct spending under the PPHF by $3.6 billion over the 2013-2023 period.

1. If H.R. 1549 were to be enacted later in fiscal year 2013, CBO would expect that more of the balance of funds in the PPHF for 2013 would be obligated and thereby unavailable to transfer to the PCIP program. In addition, enacting the bill later in the year would reduce the number of months remaining between that enactment date and before January 1, 2014, when the PCIP program is set to expire. As a result, it would cost less to fund that program. Therefore, a later enactment could result in lower estimated savings.

CBO estimates that the availability of an additional $3.6 billion for the PCIP program would result in an increase in direct spending for that program of about $2.8 billion; that amount is less than the amount of transferred funds in part because the authority for PCIP terminates in early 2014. Combining the decreased spending from the PPHF and the increased spending in the PCIP program, CBO estimates that enacting H.R. 1549 would, on net, reduce direct spending by $840 million over the 2013-2023 period.

Prevention and Public Health Fund

As established, the PPHF provides grant assistance to entities to carry out prevention, wellness, and public health activities. Taking into account the expected reductions in the PPHF due to the sequestration under the Budget Control Act (about $260 million over the 2013-2016 period), CBO estimates that $3.7 billion would be available for such grants over the 2013-2016 period. Historically, several agencies within the Department of Health and Human Services award those grants in the last quarter of each fiscal year. CBO estimates that approximately $100 million will be obligated via grant and contract agreements and thus will be unavailable to transfer to the PCIP program by the time H.R. 1549 is assumed to be enacted. As a result, CBO estimates that enacting H.R. 1549 would reduce direct spending under the PPHF by $3.6 billion over the 2013-2023 period.

Pre-Existing Condition Insurance Plan

The Patient Protection and Affordable Care Act (ACA) appropriated $5 billion for the creation of the PCIP program to provide access to health insurance to qualified individuals who were unable to acquire coverage because of a pre-existing condition. The temporary program is set to end on January 1, 2014, when broader reforms enacted under the ACA go into effect. The ACA also required the Secretary of HHS to make adjustments to the PCIP program if in any fiscal year the estimated aggregate spending would exceed the amount appropriated. To ensure that aggregate spending would not exceed those amounts, the Secretary announced in February that the PCIP program would suspend enrollment.

H.R. 1549 would provide funding to re-open enrollment for the PCIP program. In addition, the bill would remove a provision of the ACA that requires qualified individuals to be uninsured for six months prior to the date on which such individuals apply for coverage through PCIP. Based on enrollment trends and reported denial rates due to prior insurance coverage, CBO estimates that H.R. 1549 would increase direct spending under the PCIP program by $2.8 billion over the 2013-2023 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 1549, as ordered reported by the House Committee on Energy and Commerce on April 17, 2013

	By Fiscal Year, in Millions of Dollars												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013-2018	2013-2023
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	2,160	0	-740	-900	-720	-470	-160	-10	0	0	0	-670	-840

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1549 contains no intergovernmental or private-sector mandates as defined in UMRA. By transferring funds from PPHF to the PCIP program, the bill would provide additional funds to the 27 states that chose to operate the PCIP program. Nonetheless, the bill would decrease the amount of resources that state, local, and tribal governments receive to conduct prevention, wellness, and public health activities.

ESTIMATE PREPARED BY:

Federal Costs: Lisa Ramirez-Branum
Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum
Impact on the Private Sector: Michael Levine

ESTIMATE APPROVED BY:

Peter H. Fontaine
Assistant Director for Budget Analysis