



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

Revised February 4, 2013

**H.R. 297
Children's Hospital GME Support Reauthorization Act of 2013**

*As ordered reported by the House Committee on Energy and Commerce
on January 22, 2013*

SUMMARY

H.R. 297 would amend the Public Health Service Act to authorize payments to children's hospitals for operating training programs that provide graduate medical education. Payments would be made to such hospitals for both direct and indirect costs related to graduate medical education. Direct costs are those related to operating a medical education program, such as the salaries of medical students, while indirect costs are those intended to compensate hospitals for patient care costs that are expected to be higher in teaching hospitals than in non-teaching hospitals.

H.R. 297 would authorize the appropriation of \$330 million a year for each of fiscal years 2013 through 2017 for payments to children's hospitals. CBO estimates that implementing the bill would cost \$45 million in 2013 and about \$1.4 billion over the 2013-2018 period, assuming the appropriation of the authorized amounts. Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

The bill 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. 297 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- 2018
	2013	2014	2015	2016	2017	2018	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Authorization Level	60	330	330	330	330	0	1,380
Estimated Outlays	45	263	330	330	330	83	1,380

BASIS OF ESTIMATE

The Health Resources and Services Administration administers a program that provides payments to children’s hospitals that operate graduate medical education programs. Authorization for that program expired in 2011. However, the program has continued to receive funding through appropriations. For example, in the Continuing Appropriations Resolution, 2013, the Congress appropriated \$270 million (on an annualized basis) through March 27, 2013.

H.R. 297 would authorize annual appropriations of \$330 million for the program for the 2013 through 2017 period. Because the Congress has already appropriated \$270 million for fiscal year 2013, CBO estimates that implementing H.R. 297 would increase the funding for fiscal year 2013 by \$60 million to a total of \$330 million. For this estimate, CBO assumes that H.R. 297 will be enacted in fiscal year 2013 and that the authorized amount will be appropriated for each year.

H.R. 297 would authorize the appropriation of \$110 million a year for 2013 through 2017 for payment toward the direct costs of graduate medical education in children’s hospitals. Those funds would be awarded to eligible hospitals according to a formula that takes into account the number of residents each hospital employs and its cost per resident.

The bill also would authorize the appropriation of \$220 million a year for 2013 through 2017 for payment toward the indirect costs of graduate medical education programs. Those payments would be made to hospitals on the basis of a formula that takes into account the hospital’s number of discharges, the relative costliness of those discharges, the number of residents at the hospital, and the number of inpatient beds in the hospital complex.

Based on historical patterns of spending for the graduate medical education program, CBO estimates that implementing the bill would cost \$45 million in 2013 and about \$1.4 billion over the 2013-2018 period, assuming appropriation of the specified amounts. The low

estimated cost for 2013 reflects the fact that the agency already has a current-year funding level of \$270 million (on an annualized basis, through March 27, 2013).

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 297 contains no intergovernmental or private-sector mandates as defined in UMRA. Children's hospitals that are operated by governmental entities could benefit from grant funds authorized by the bill for graduate medical training.

PREVIOUS CBO ESTIMATE

On February 1, 2013, CBO transmitted a cost estimate for H.R. 297, the Children's Hospital GME Support Reauthorization Act of 2013, as ordered reported by the House Committee on Energy and Commerce on January 22, 2013. That previous estimate incorrectly stated that the legislation authorized the appropriation of \$300 million a year for each of fiscal years 2013 through 2017. This revised estimate corrects the amounts authorized to be equal to \$330 million a year for each of fiscal years 2013 through 2017.

ESTIMATE PREPARED BY:

Federal Costs: Lisa Ramirez-Branum

Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum

Impact on the Private Sector: Alexia Diorio

ESTIMATE APPROVED BY:

Holly Harvey

Deputy Assistant Director for Budget Analysis