



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

May 17, 2016

**H.R. 4111
Rural Health Care Connectivity Act of 2015**

As ordered reported by the House Committee on Energy and Commerce on April 28, 2016

SUMMARY

H.R. 4111 would make certain skilled nursing facilities (SNFs) eligible for grants under the Universal Service Fund's Rural Health Care (RHC) program. The Universal Service program is administered by the Federal Communications Commission (FCC) and is intended to promote the availability of telecommunications services at affordable rates. The cash flows of the fund appear in the budget as direct spending (for amounts distributed from the fund) and as revenues (for fund collections).

CBO estimates that enacting H.R. 4111 would increase direct spending by \$193 million and revenues by \$212 million over the 2017-2026 period, resulting in an estimated net reduction in the deficit of \$19 million. CBO estimates that implementing the bill would have no significant discretionary costs. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 4111 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

Because CBO expects the FCC would increase fee collections associated with the Universal Service Fund, the bill would increase the cost of an existing mandate on private entities required to pay those fees. Based on information from the FCC, CBO estimates that the incremental cost of the mandate would amount to no more than \$25 million in any of the next five years. Thus, the aggregate cost of the mandate would fall below the annual threshold established in UMRA for private-sector mandates (\$154 million in 2016, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 4111 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars											2017-	2017-	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026		
INCREASE IN DIRECT SPENDING														
Estimated Budget Authority	2	10	15	20	25	25	25	30	30	30	72	212		
Estimated Outlays	1	6	11	17	22	24	25	28	29	30	57	193		
INCREASE IN REVENUES														
Estimated Revenues	2	10	15	20	25	25	25	30	30	30	72	212		
NET DECREASE IN THE DEFICIT														
Impact on Deficit	-1	-4	-4	-3	-3	-1	0	-2	-1	0	-15	-19		

BASIS OF ESTIMATE

Current law authorizes the FCC to collect and spend up to \$400 million a year for RHC programs, which provide reduced rates for telecommunications services for certain rural public and nonprofit health care providers. Expanding the eligibility criteria to include SNFs would increase both direct spending and revenues because the RHC programs currently operate below the statutory cap on total spending.

CBO estimates that enacting the program would increase direct spending and revenues by \$193 million and \$212 million, respectively, over the 2017-2026 period. CBO also estimates that an average of 1,650 public and nonprofit SNFs in rural areas would be eligible for grants during that period and that participation rates and grant awards would be similar to those for existing RHC programs. Based on information from the FCC, CBO estimates that participation rates would reach 75 percent over a period of several years and that certain nonrural entities affiliated with those participants also would receive funding. Grant awards would vary in size depending on the recipient's location and choice of benefits. In 2015, most RHC grantees received an average of about \$14,000 for telecommunications services. CBO estimates that grants would average about \$18,000 a year over the next 10 years, reflecting the historical growth in payments for other RHC programs.

Finally, based on information from the FCC, CBO estimates that the administrative activities needed to implement the new program would significantly increase the agency’s operating costs. Moreover, under current law, the FCC is authorized to collect fees sufficient to offset the cost of its regulatory activities each year.

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 and revenues 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. 4111, as ordered reported by the House Committee on Energy and Commerce on April 28, 2015

	By Fiscal Year, in Millions of Dollars												2016-	2016-
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026	
DECREASE IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	-1	-4	-4	-3	-3	-1	0	-2	-1	0	-15	-19	
Memorandum:														
Changes in Outlays	0	1	6	11	17	22	24	25	28	29	30	57	193	
Changes in Revenues	0	2	10	15	20	25	25	25	30	30	30	72	212	

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4111 contains no intergovernmental mandates as defined in UMRA.

ESTIMATED IMPACT ON THE PRIVATE-SECTOR

CBO expects the FCC to increase fee collections to offset the costs associated with expanding the RHC program to cover skilled nursing facilities. As a result, the bill would increase the cost of an existing mandate on some telecommunications companies required to pay those fees. Based on information from the FCC, CBO estimates that the additional fees collected would amount to about \$2 million in 2017, increasing to about \$25 million in 2021. Therefore, the incremental cost of the mandate would fall below the annual threshold established in UMRA for private-sector mandates (\$154 million in 2016, adjusted annually for inflation). CBO expects that telecommunications companies would generally pass most of the cost of the fee increase on to consumers.

PREVIOUS ESTIMATE

On March 24, 2016, CBO transmitted a cost estimate for S. 1916, the Rural Health Care Connectivity Act of 2015, as ordered reported by the Senate Committee on Commerce, Science, and Transportation on November 18, 2015. The differences between the estimates reflect the effect of a provision in H.R. 4111 that would delay the implementation of the program by six months.

ESTIMATE PREPARED BY:

Federal Costs: Kathleen Gramp
Impact on State, Local, and Tribal Governments: Rachel Austin
Impact on the Private Sector: Logan Smith

ESTIMATE APPROVED BY:

H. Samuel Papenfuss
Deputy Assistant Director for Budget Analysis