



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

November 6, 2013

**S. 1557  
Children's Hospital GME Support Reauthorization Act of 2013**

*As ordered reported by the Senate Committee on Health, Education, Labor, and Pensions  
on October 30, 2013*

**SUMMARY**

S. 1557 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.

S. 1557 would authorize the appropriation of \$300 million a year for each of fiscal years 2014 through 2018 for payments to children's hospitals. CBO estimates that implementing the bill would cost about \$1.4 billion over the 2014-2018 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 S. 1557 is shown in the following table. The costs of this legislation fall within budget function 550 (health).

	By Fiscal Year, in Millions of Dollars					2014-2018
	2014	2015	2016	2017	2018	
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Authorization Level <sup>a</sup>	300	300	300	300	300	1,500
Estimated Outlays	218	308	300	300	300	1,425

a. Thus far in fiscal year 2014, the Congress has provided funding through January 15, 2014, at an annualized level of about \$255 million in the Continuing Appropriations Resolution, 2014.

## **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. The Congress appropriated about \$270 million for such activities for fiscal year 2013. Sequestration under the Budget Control Act of 2011 reduced the 2013 funding to about \$255 million. That reduced funding level has been continued in fiscal year 2014 through January 15, 2014.

S. 1557 would authorize annual appropriations of \$300 million for the program for 2014 through 2018. For this estimate, CBO assumes that S. 1557 will be enacted near the start of 2014 and that the authorized amount will be appropriated for each year.

S. 1557 would authorize the appropriation of \$100 million a year for 2014 through 2018 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 \$200 million a year for 2014 through 2018 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 about \$1.4 billion over the 2014-2018 period, assuming appropriation of the specified amounts.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 1557 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 4, 2013, CBO transmitted a revised 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. To provide payments to children's hospitals, H.R. 297 would authorize the appropriation of \$330 million a year for each of fiscal years 2013 through 2017, whereas S. 1557 would authorize the appropriation of \$300 million a year for each of fiscal years 2014 through 2018.

## **ESTIMATE PREPARED BY:**

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