

At a Glance

H.R. 3439, PATIENTS Act

As ordered reported by the House Committee on Ways and Means on June 26, 2019

By Fiscal Year, Millions of Dollars	2019	2019-2024	2019-2029
Direct Spending (Outlays)	0	3,680	5,410
Revenues	0	0	0
Deficit Effect	0	3,680	5,410
Spending Subject to Appropriation (Outlays)	0	0	0
Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Over Threshold

The bill would

- Extend funding for the Patient-Centered Outcomes Research Trust Fund through 2026
- Impose a private-sector mandate by authorizing fees on health insurance policies

Estimated budgetary effects would primarily stem from

- Increased direct spending for the Patient-Centered Outcomes Research Trust Fund

Detailed estimate begins on the next page.

Bill Summary

H.R. 3439 would reauthorize transfers to the Patient Center Outcomes Research (PCOR) Trust Fund and collection of certain excise taxes charged to health insurance plans.

Estimated Federal Cost

The estimated budgetary effect of H.R. 3439 is shown in Table 1. The costs of the legislation fall within budget functions 550 (health) and 570 (Medicare).

Table 1.
Estimated Budgetary Effects of H.R. 3439

	By Fiscal Year, Millions of Dollars											2019-2024	2019-2029
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
	Increases or Decreases (-) in Direct Spending^a												
Estimated Budget Authority	0	670	700	740	770	800	840	890	0	0	0	3,680	5,410
Estimated Outlays	0	670	700	740	770	800	840	890	0	0	0	3,680	5,410

a. H.R. 3439 also would extend authority to collect certain revenues that are already assumed to be collected in CBO's baseline.

Basis of Estimate

CBO's estimate of the budgetary impact of H.R. 3439 is based on the amounts historically received by the PCOR Trust Fund and disbursed to the Patient-Centered Outcomes Research Institute (PCORI, a private entity) and the Secretary of Health and Human Services (HHS). For this estimate, CBO assumes H.R. 3439 will be enacted near the end of fiscal year 2019.

Background

Under current law, the PCOR Trust Fund is authorized to spend amounts transferred to the account each year; however, that transfer authority will, along with the authority to collect one of the sources of funding, expire on September 30, 2019. H.R. 3439 would extend through 2026 the authority to transfer funds from the Medicare trust funds and other specified mandatory appropriations. The bill also would extend authority to collect excise taxes on certain health insurance policies and to transfer those collections to the fund. The trust fund disburses those funds to PCORI and to the Secretary of HHS; those entities disseminate the funds to support related healthcare research including comparative clinical effectiveness research.

Direct Spending

CBO estimates that enacting H.R. 3439 would increase amounts transferred to the PCOR trust fund and subsequently spent by PCORI and HHS by \$5.4 billion dollars over the 2019-2029 period.

Transfers from the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medicare Insurance Trust Fund are calculated by taking a per-enrollee amount (set at \$2.00 in FY 2014), indexing it by the percentage increase in the projected-per-capita amount of the National Health Expenditures (\$2.57 in FY 2020), and then multiplying it by the average number of individuals entitled to benefits under Medicare Part A or enrolled under Medicare Part B during a given fiscal year (about 62 million in FY 2020).

CBO estimates that the amount transferred to the fund and subsequently spent would total \$160 million in fiscal year 2020 and \$1.4 billion over the 2020-2029 period. That spending would be partially offset by an increase totaling about \$0.2 billion in Part B premiums paid by Medicare enrollees. Part B premiums are set to maintain a contingency reserve of the trust funds, so changes in Part B spending trigger a partially offsetting adjustment in premiums.

The fund also would receive transfers of other mandatory appropriations totaling \$150 million annually. CBO estimates the amount disbursed from those appropriated funds would total about \$1.1 billion over the 2020-2029 period.

Finally, the fund would spend revenues from an excise tax imposed on health insurance policies. (See discussion below on collections of those revenues) CBO estimates that spending would total \$3.2 billion over the 2020-2029 period.

Revenues

H.R. 3439 would extend, through 2026, the authority to collect certain excise taxes on health insurance policies that are currently scheduled to expire in 2019. CBO projects that those collections would total \$4 billion over the 2020-2029 period. Only a portion of those amounts (\$3.2 billion) would be available for spending, however, because the Secretary of the Treasury is required to transfer to the PCOR trust fund only those amounts estimated to exceed reductions in income taxes that would result from the excise tax's collection. (When certain types of taxes and fees are imposed on goods and services, taxable income for workers and business owners decline.¹)

Furthermore, because the excise taxes collected under H.R. 3439 would be dedicated to a trust fund, they are already included in CBO's baseline and are thus not credited to this bill. (The Balanced Budget and Emergency Deficit Control Act of 1985 requires CBO to assume in its baseline projections that excise taxes dedicated to trust funds, if expiring, are extended.)

1. For further information on how indirect taxes and fees may reduce collections for other taxes, See Congressional Budget Office, *The Role of the 25 Percent Revenue Offset in Estimating the Budgetary Effects of Legislation* (January 2009), www.cbo.gov/publication/20110.

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 subject to those pay-as-you-go procedures are shown in Table 1.

Increase in Long-Term Deficits:

CBO estimates that enacting H.R. 3439 would not increase on-budget deficits in any of the four consecutive 10-year periods beginning in 2030.

Mandates:

JCT has determined that the tax provisions of H.R. 3439 would impose a private-sector mandate by extending fees on health insurance policies to fund transfers to the PCOR trust fund. The revenue from those fees are part of the CBO baseline because current law requires CBO to assume that excise taxes dedicated to a trust fund, if expiring, are extended. For private entities, however, paying the fees would extend an expiring duty, which is a mandate as defined in the Unfunded Mandates Reform Act (UMRA). Based on information from JCT, CBO estimates that the cost of the mandate would average \$530 million annually and would exceed the private sector threshold established in UMRA (\$164 million in 2019, adjusted annually for inflation) in each of the first five years that the mandate is in effect.

CBO has determined that the non-tax provisions of H.R. 3439 would not impose a private-sector mandate as defined in UMRA. Neither the tax nor the non-tax provisions of the bill would impose intergovernmental mandates as defined in UMRA.

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