



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 27, 2018

S. 2597
Children's Hospital GME Support Reauthorization Act of 2018

*As reported by the Senate Committee on Health, Education, Labor, and Pensions
on April 25, 2018*

SUMMARY

S. 2597 would amend the Public Health Service Act to authorize payments to children's hospitals for operating training programs that provide graduate medical education (GME). S. 2597 would authorize the appropriation of \$330 million per year for each of fiscal years 2019 through 2023 for those payments. CBO estimates that implementing the bill would cost about \$1.6 billion over the 2019-2023 period, assuming the appropriation of the authorized amounts.

Enacting the bill would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting S. 2597 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 2597 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 effect of S. 2597 is shown in the following table. The costs of the legislation fall within budget function 550 (health). For this estimate, CBO assumes that S. 2597 will be enacted near the start of 2019 and that the authorized amount will be appropriated for each year.

	By Fiscal Year, in Millions of Dollars						2019- 2023
	2018	2019	2020	2021	2022	2023	
INCREASES IN SPENDING SUBJECT TO APPROPRIATION							
Authorization Level	0	330	330	330	330	330	1,650
Estimated Outlays	0	248	330	330	330	330	1,568

BASIS OF ESTIMATE

The Health Resources and Services Administration carries out a program that provides payments to children’s hospitals that operate graduate medical education programs. Under the bill, 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. The Congress appropriated about \$315 million for such activities for fiscal year 2018, the final year in which the program is authorized under current law.

S. 2597 would authorize the appropriation of \$110 million a year for 2019 through 2023 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 2019 through 2023 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 \$1.6 billion over the 2019-2023 period, assuming appropriation of the specified amounts.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting S. 2597 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

S. 2597 contains no intergovernmental or private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On July 27, 2018, CBO transmitted a cost estimate for H.R. 5385 as ordered reported by the House Committee on Energy and Commerce on July 12, 2018. H.R. 5385 would authorize the appropriation of \$325 million per year for each of fiscal years 2019 through 2023, whereas S. 2597 would authorize the appropriation of \$330 million per year for each of fiscal years 2019 through 2023.

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