Congressional Budget Office
Cost Estimate

September 16, 2019

At a Glance

H.R. 3414, Opioid Workforce Act of 2019

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	220	1,070
Revenues	0	0	0
Deficit Effect	0	220	1,070
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?	> $5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

The bill would

- Increase the limit on residency positions in hospitals that are eligible for Medicare payments

Estimated budgetary effects would primarily stem from

- Increased Medicare payments for graduate medical education

Areas of significant uncertainty include

- The number of specialty positions versus sub-specialty positions
- The time needed to fill 1,000 new full-time equivalent residency positions

Detailed estimate begins on the next page.

Bill Summary

H.R. 3414 would increase by up to 1,000 the number of full-time equivalent (FTE) residency positions eligible for Medicare payments. Those 1,000 additional positions would be for programs in addiction medicine, addiction psychiatry, and pain medicine, or for associated pre-requisite programs. The first 500 of those positions would become available in fiscal year 2022. The next 500 positions would become available during fiscal years 2023 through 2026.

Estimated Federal Cost

The estimated budgetary effect of H.R. 3414 is shown in Table 1. The costs of the legislation fall within budget function 570 (Medicare).

Table 1.
Estimated Budgetary Effects of H.R. 3414

	By Fiscal Year, Millions of Dollars												
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2019-2024	2019-2029
Net Increases in the Deficit From Changes in Direct Spending													
Estimated Budget Authority	0	0	0	15	80	125	150	160	170	180	190	220	1,070
Estimated Outlays	0	0	0	15	80	125	150	160	170	180	190	220	1,070

Basis of Estimate

For this estimate, CBO assumes H.R. 3414 will be enacted near the end of 2019.

CBO estimates that enacting H.R. 3414 would increase Medicare spending by increasing the number of FTE residency positions for which Medicare will pay. Currently, Medicare pays certain hospitals for some of the costs associated with medical education through two types of payments: direct graduate medical education (DGME) and indirect medical education (IME) payments. DGME is the amount Medicare pays for costs directly associated with internships and residency training (like salaries). The amount of DGME payment varies based on whether the position involves training for a specialty or a sub-specialty. Sub-specialty positions are paid at half the rate of specialty positions. IME payments cover additional costs for patient care related to internship and residency training and do not vary by specialty or sub-specialty. DGME and IME payments are calculated separately for each hospital. For fiscal year 2022, CBO estimates the average DGME payment to be about $40,000 per FTE and the average IME payment to be about $100,000 per FTE.

Developing and expanding a graduate medical education (GME) program can take time and be expensive; therefore, CBO expects that the number of residency positions would increase gradually between fiscal years 2022 and 2026. CBO estimates that all 1,000 residency positions would be filled in fiscal year 2026, with 500 positions in sub-specialty programs in addiction medicine, addiction psychiatry, and pain medicine, and 500 positions in pre-requisite residency programs (such as internal medicine). Based on projected DGME and IME payments per resident, CBO estimates that enacting H.R. 3414 would increase direct spending by $1.1 billion over the 2020-2029 period.

Two key factors of this estimate are subject to uncertainty: the number of specialty versus sub-specialty positions that would be created and the length of the ramp-up period for creating them. Because the size of DGME payments varies by type of position, a change in the percentage allocated to each type could result in higher or lower spending than estimated here. Furthermore, if GME programs respond to this legislation by increasing the number of available positions at a faster or slower rate than CBO estimates, spending could also vary.

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

Increase in Long-Term Deficits:

CBO estimates that enacting H.R. 3414 would increase on-budget deficits by more than $5 billion beginning in the second or third of the four consecutive 10-year periods beginning in 2030.

Mandates: None.

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