Congressional Budget Office
Cost Estimate

March 25, 2022

At a Glance

H.R. 1916, Ensuring Lasting Smiles Act

As introduced in the House of Representatives on March 16, 2021

By Fiscal Year, Millions of Dollars	2022	2022-2026	2022-2031
Direct Spending (Outlays)	0	93	255
Revenues	0	-769	-2,290
Increase or Decrease (-) in the Deficit	0	862	2,545
Spending Subject to Appropriation (Outlays)	0	0	not estimated

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 2032?	> $5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Over Threshold

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

The bill would

- Require private health insurance plans to cover the diagnosis and treatment of congenital anomalies

Estimated budgetary effects would mainly stem from

- Increased federal subsidies for health insurance purchased through the marketplaces established under the Affordable Care Act
- Reduced revenues as a result of higher premiums for employment-based plans

Areas of significant uncertainty include

- Estimating the incidence of covered conditions and average costs of treatment and identifying the procedures and services that would be considered medically necessary
- Determining the extent to which treatment is covered by insurers under current law
- Projecting how insurers would respond to increased costs

Detailed estimate begins on the next page.

Bill Summary

H.R. 1916 would amend the Public Health Service Act, the Employee Retirement and Income Security Act, and the Internal Revenue Code to require group and nongroup health insurance plans to provide coverage for the diagnosis and treatment of congenital anomalies. Under the bill, required coverage would be expanded to include medical services that are necessary to improve, repair, or restore any body part to achieve normal function or appearance. The bill stipulates that coverage limits and cost-sharing requirements could be no more restrictive than those applied to a plan's other medical and surgical benefits.

Estimated Federal Cost

The estimated budgetary effect of H.R. 1916 is shown in Table 1. The costs of the legislation fall within budget function 550 (health).

Table 1.
Estimated Budgetary Effects of H.R. 1916

	By Fiscal Year, Millions of Dollars											
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
Increases in Direct Spending												
Estimated Budget Authority	0	10	24	29	30	30	31	32	34	35	93	255
Estimated Outlays	0	10	24	29	30	30	31	32	34	35	93	255
Decreases in Revenues												
Estimated Revenues	0	-79	-194	-234	-262	-280	-292	-304	-316	-329	-769	-2,290
On-Budget	*0*	*-56*	*-137*	*-166*	*-191*	*-206*	*-215*	*-224*	*-233*	*-243*	*-550*	*-1,671*
Off-Budget	*0*	*-23*	*-57*	*-68*	*-71*	*-74*	*-77*	*-80*	*-83*	*-86*	*-219*	*-619*
Net Increase in the Deficit From Changes in Direct Spending and Revenues												
Effect on the Deficit	0	89	218	263	292	310	323	336	350	364	862	2,545
On-Budget	*0*	*66*	*161*	*195*	*221*	*236*	*246*	*256*	*267*	*278*	*643*	*1,926*
Off-Budget	*0*	*23*	*57*	*68*	*71*	*74*	*77*	*80*	*83*	*86*	*219*	*619*

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.
Components may not sum to totals because of rounding.

Basis of Estimate

For this estimate, CBO assumes that the legislation will be enacted by June 1, 2022, and that insurers would respond by changing premiums beginning on January 1, 2023.

Direct Spending and Revenues

CBO estimates that enacting H.R. 1916 would increase direct spending by $255 million and decrease revenues by $2.3 billion over the 2022-2031 period, resulting in a net increase in the deficit of about $2.5 billion.

New Benefits. Under current law, insurers in the employment-based and nongroup markets provide benefits for treating many but not all congenital anomalies. If enacted, H.R. 1916 would require those insurers to cover all anomalies. On the basis of information from insurers and from state insurance regulations, CBO expects that H.R. 1916 would expand coverage for congenital anomalies that include cleft lip, cleft palate, and ectodermal dysplasia. CBO estimates that under current law approximately 30 percent of adults and 60 percent of children with those conditions have coverage that is at or above the bill's requirements. Under H.R. 1916, CBO estimates, about 200,000 adults and 30,000 children would gain coverage under their current insurance. CBO estimates that 90 percent of those people are enrolled in employment-based insurance and 10 percent are covered by nongroup insurance and receive subsidies through the marketplaces established under the Affordable Care Act.

Cost of New Benefits. On the basis of a literature review, CBO estimates that, on average, the treatments newly covered by H.R. 1916 are at least five times more expensive for children than adults. After accounting for those greater treatment costs and for the bill's larger effects on adult coverage, CBO estimates that treatment costs would total roughly $4,000 per person, on average, in 2023. CBO estimates that the new coverage requirement would lead to an increase in costs for both employment-based and nongroup insurers of $6 per person.

Effects on Premiums. On the basis of information from insurers and actuaries, CBO anticipates that insurers would respond to the bill's requirements by raising premiums. CBO estimates that premiums for employment-based and nongroup insurance would increase by less than 0.1 percent in each year beginning in 2023, compared with rates under current law. The estimated budgetary effects of H.R. 1916 would stem directly from those increases. In the case of employment-based insurance, CBO estimates that the change would result in a reduction of taxable wages and, therefore, in a reduction in federal revenues. For insurance purchased through the marketplaces, the increases would result in larger federal subsidies, thus increasing direct spending and reducing revenues.

Uncertainty

CBO's estimates of the budgetary effects of H.R. 1916 over the 2022-2031 period entail a significant amount of uncertainty. The bill's ultimate costs could differ significantly from CBO's estimates because the conditions actually covered as well as insurers' responses could be different:

- H.R. 1916 does not specify the conditions or procedures to be newly covered. In addition to identifying likely conditions, CBO estimated the prevalence of those conditions, the extent to which treatment would be considered either medically necessary or cosmetic, and the average costs of treatment.
- CBO analyzed state laws and regulations related to required coverage by insurers for the treatment of congenital anomalies, but the extent to which insurers already cover services beyond the current requirements is unclear.
- The coverage requirements introduced in H.R. 1916 impose costs on insurers. CBO attempted to identify how insurers might respond—either by raising premiums or by modifying other parts of a plan, such as curtailing coverage in other areas or increasing copayments or deductibles.

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 Table 2. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 1916

	By Fiscal Year, Millions of Dollars											
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
	Net Increase in the On-Budget Deficit											
Pay-As-You-Go Effect	0	66	161	195	221	236	246	256	267	278	643	1,926
Memorandum:												
Changes in Outlays	0	10	24	29	30	30	31	32	34	35	93	255
Changes in Revenues	0	-56	-137	-166	-191	-206	-215	-224	-233	-243	-550	-1,671

Increase in Long-Term Deficits

CBO estimates that enacting H.R. 1916 would increase on-budget deficits by more than $5 billion in at least one of the four consecutive 10-year periods beginning in 2032.

Mandates

H.R. 1916 would impose a private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA) by requiring employment-based and nongroup health plans to cover costs associated with the diagnosis and treatment of additional congenital anomalies. The

cost of the mandate would include the aggregate additional cost to plans of providing the new mandatory coverage. Although CBO expects that insurance plans would raise premiums to cover that duty, such an action would not offset the cost of the mandate under UMRA. Based on the estimated change in insurance premiums, CBO expects that the cost of the mandate would average more than $700 million annually and therefore would exceed the annual private-sector threshold established in UMRA ($170 million in 2021, adjusted annually for inflation).

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