

CBO'S COST ESTIMATES EXPLAINED



Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

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The Congress uses CBO's cost estimates to help it implement rules and procedures related to budget enforcement. CBO's cost estimates provide information about how a bill would affect major components of the federal budget and details about CBO's analysis—the reasoning, analytical methods, and sources of data used to develop the estimate, as well as any sources of uncertainty.

At a Glance

The first page summarizes CBO's estimate of the bill's effects on major components of the federal budget.

Budgetary Information.

Components of the federal budget (explained more fully on the next page) include direct spending, revenues, the deficit, and spending subject to appropriation. Totals for the bill's estimated effects on each component are provided for the current year and subsequent years in the budget window.

General Information. The bill number, title, and legislative status are shown. Most estimates are for bills that have been ordered reported by a full committee. The same bill number may appear on different estimates when a bill is considered by more than one committee or when CBO provides an estimate for legislation that has been passed by one chamber and is awaiting action in the other. The date in the upper right corner shows when CBO published the estimate.



Congressional Budget Office
Cost Estimate

September 18, 2019

At a Glance

H.R. 2328, Reauthorizing and Extending America's Community Health Act As ordered reported by the House Committee on Energy and Commerce on July 17, 2019

By Fiscal Year, Millions of Dollars	2019	2019-2024	2019-2029
Direct Spending (Outlays)	0	40,394	41,027
Revenues	0	6,631	20,938
Increase or Decrease (-) in the Deficit	0	33,764	20,090
Spending Subject to Appropriation (Outlays)	0	67	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 2030?	No	Contains intergovernmental mandate?	Yes, Over Threshold
		Contains private-sector mandate?	Yes, Over Threshold

The bill would

- Extend funding for public health programs including those that support health centers and health education
- Extend funding for several programs financed through the Medicare trust funds, change some other aspects of Medicare, and change supplemental coverage for some military retirees
- Reduce scheduled funding cuts to state allotments to hospitals that treat a disproportionate share of uninsured and Medicaid patients
- Protect patients from surprise medical billing and reduce payments to some health care providers working in facilities where surprise bills are likely
- Increase funding for Medicaid in the U.S. territories
- Impose intergovernmental and private-sector mandates by prohibiting surprise medical billing

Estimated budgetary effects would primarily stem from

- Increased funding for public health programs
- Changes to Medicare coverage and payment rules
- Increased Medicaid spending on payments to hospitals and to the U.S. territories
- Reduced federal subsidies for health care and health insurance

Areas of significant uncertainty include

- Estimating coverage choices for military retirees and trends in prostate cancer testing and treatment
- Accurately projecting how states would respond to scheduled reductions in funding for hospital payments
- Accurately anticipating the nature and effects of provider and insurer responses to the bill's provisions that address surprise bills
- Estimating what the U.S. territories would spend on Medicaid

Detailed estimate begins on the next page.

See also CBO's *Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Procedural Information.

The following questions are answered:

- Do procedures specified under the Statutory Pay-As-You-Go (PAYGO) Act of 2010 apply?
- Will the bill increase long-term on-budget deficits?
- Does the bill contain any mandates as defined in the Unfunded Mandates Reform Act (UMRA)?

Highlights. Key points are noted, including the ways that the bill would affect the federal budget and any uncertainties that might result in outcomes that are higher or lower than CBO's estimates.

Direct Spending.

CBO's estimates are shown for increases or decreases in budget authority (authority for agencies to incur financial obligations) and outlays that would occur if the legislation was enacted. The benchmark is CBO's 10-year baseline, which generally reflects current law. Positive numbers represent costs; negative numbers indicate savings.

Estimated Federal Cost

This section notes which of the 20 broad budget functions (such as national defense, agriculture, health, and income security) would be affected by the bill. A table summarizes the bill's estimated effects on major components of the federal budget.

Revenues.

Estimated increases or decreases in revenues are shown. The staff of the Joint Committee on Taxation provides estimates for proposed changes to the Internal Revenue Code, and CBO estimates the changes in other governmental receipts. Positive numbers indicate increases in revenues; negative numbers represent losses.

The Deficit.

The estimated effects on deficits reflect the net total of estimated changes to direct spending and revenues. Positive numbers represent deficit increases; negative numbers indicate deficit reductions.

Totals.

The totals are for estimated budgetary effects over periods that are relevant for Congressional budget enforcement procedures. Estimates of changes in direct spending and revenues generally cover the current year and the subsequent 10 years; estimates of changes in authorized spending subject to appropriation often cover only the subsequent 5 years, as specified in the Congressional Budget Act of 1974.

Estimated Federal Cost

The estimated budgetary effect of H.R. 2328 is shown in Table 1. The costs of the legislation fall within budget functions 500 (education, training, employment, and social services), 550 (health), and 570 (Medicare).

Table 1.
Estimated Budgetary Effects of H.R. 2328

	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															
Title I, Public Health Extenders															
Budget Authority	0	4,887	4,887	4,887	4,887	0	0	0	0	0	0	0	19,546	19,546	
Estimated Outlays	0	1,892	3,887	4,833	4,868	2,981	985	40	6	0	0	0	18,461	19,491	
Title II, Medicare Extenders															
Estimated Budget Authority	0	1,005	1,402	1,476	240	-6	-14	-7	9	11	21	0	4,117	4,137	
Estimated Outlays	0	1,004	1,402	1,476	241	-6	-14	-7	9	11	21	0	4,117	4,137	
Title III, Medicaid Provisions															
Estimated Budget Authority	0	1,385	3,201	1,790	0	0	0	0	0	0	0	0	6,375	6,375	
Estimated Outlays	0	1,385	3,201	1,790	0	0	0	0	0	0	0	0	6,375	6,375	
Title IV, No Surprises Act															
Estimated Budget Authority	0	1	-45	-91	-103	-106	-114	-122	-126	-131	-137	0	-345	-976	
Estimated Outlays	0	1	-45	-91	-103	-106	-114	-122	-126	-131	-137	0	-345	-976	
Title V, Territories Health Care Improvement Act															
Estimated Budget Authority	0	2,759	2,829	2,896	2,981	321	214	0	0	0	0	0	11,786	12,000	
Estimated Outlays	0	2,759	2,829	2,896	2,981	321	214	0	0	0	0	0	11,786	12,000	
Total Changes in Direct Spending															
Estimated Budget Authority	0	10,036	12,273	10,958	8,004	209	86	-129	-117	-120	-116	0	41,480	41,082	
Estimated Outlays	0	7,040	11,274	10,904	7,986	3,190	1,071	-89	-112	-120	-116	0	40,394	41,027	
Increases or Decreases (-) in Revenues															
Title IV, No Surprises Act															
Estimated Change in Revenues	0	-2	849	1,675	1,972	2,137	2,300	2,651	2,903	3,110	3,342	0	6,631	20,938	
On-budget revenues	0	-1	603	1,189	1,399	1,521	1,639	1,942	2,146	2,303	2,477	0	4,711	15,218	
Off-budget revenues	0	-1	246	486	572	616	661	709	757	807	865	0	1,920	5,719	
Net Increase or Decrease (-) in the Deficit from Changes in Direct Spending and Revenues															
Total Effect on the Deficit	0	7,042	10,425	9,230	6,015	1,052	-1,230	-2,741	-3,015	-3,230	-3,459	0	33,764	20,090	
On-budget deficits	0	7,042	10,671	9,716	6,587	1,688	-569	-2,031	-2,258	-2,423	-2,594	0	35,683	25,809	
Off-budget deficits	0	1	-246	-486	-572	-616	-661	-709	-757	-807	-865	0	-1,920	-5,719	
Increases in Spending Subject to Appropriation															
Estimated Authorization	0	58	8	2	1	1	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.	70	n.e.	
Estimated Outlays	0	14	28	20	4	1	n.e.	n.e.	n.e.	n.e.	n.e.	n.e.	67	n.e.	

For section-by-section estimates, see Supplemental Table 1.

Components may not sum to totals because of rounding; n.e. = not estimated.

Spending Subject to Appropriation.

The estimates reflect potential changes in discretionary spending that would result if the legislation was enacted and if future appropriations were provided consistent with the legislation's provisions. The benchmark is based on current authorization law (under which many programs are not authorized beyond the current year) and thus differs from CBO's 10-year baseline.

Basis of Estimate

This section describes CBO's assumption about the timing of the bill's enactment and provides the following details about the basis of the agency's estimates:

- Provisions that would have budgetary effects,
- Sources of data and information that CBO considered,
- The reasoning and analytical methods that the agency used to develop its estimates, and
- Significant sources of uncertainty surrounding the estimates.

The section typically mirrors the organization of the table summarizing the estimated budgetary effects (shown on the previous page) and includes subsections on direct spending, revenues, spending subject to appropriation, and uncertainty. For complicated legislation, additional tables may provide more details on the estimated effects of particular provisions.

Pay-As-You-Go Considerations

The PAYGO Act established budget-reporting and enforcement procedures for legislation that affects direct spending or revenues. That act can trigger across-the-board cuts (or sequestration) in mandatory budget authority. Because the act excludes certain changes in direct spending and revenues from budget enforcement procedures, the amounts shown in this section can differ from the estimated net changes in deficits presented in the summary table.

Basis of Estimate

For this estimate, CBO assumes that the bill will be enacted near the end of 2019 and that the specified and estimated authorization of appropriations will be provided each year. Outlay estimates are based mainly on historical spending patterns for affected programs.

Direct Spending and Revenues

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting H.R. 2328 would increase direct spending by about \$41.0 billion and increase revenues by \$20.9 billion over the 2019-2029 period, for a net increase in the deficit of \$20.1 billion.

Title I, Public Health Extenders. Title I would extend funding for several federal health care programs. CBO estimates that over the 2019-2029 period, title I would increase direct spending by \$19.5 billion.

Section 101, Extension for Community Health Centers, the National Health Service Corps, and Teaching Health Centers That Operate Graduate Medical Education Programs. For each fiscal year from 2020 through 2023, section 101 would appropriate \$4.0 billion for community health centers, \$310 million for the National Health Service Corps, and \$126.5 million for Teaching Health Centers that operate graduate medical education programs. CBO estimates that enacting section 101 would increase direct spending by \$17.7 billion over the 2019-2029 period.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting on-budget 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 3.

Table 3.
CBO's Estimate of Pay-As-You-Go Effects of H.R. 2328

	By Fiscal Year, Millions of Dollars											2019-2024	2019-2029
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
Net Increase or Decrease (-) in the On-Budget Deficit													
Statutory Pay-As-You-Go Effect	0	7,042	10,671	9,716	6,587	1,668	-569	-2,031	-2,258	-2,423	-2,594	35,683	25,809
Memorandum:													
Changes in Outlays	0	7,040	11,274	10,904	7,986	3,190	1,071	-89	-112	-120	-116	40,394	41,027
Changes in Revenues	0	-1	603	1,189	1,399	1,521	1,639	1,942	2,146	2,303	2,477	4,711	15,218

Increase in Long-Term Deficits

CBO estimates that enacting H.R. 2328 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2030.

Increase in Long-Term Deficits

To help the House and Senate Budget Committees determine whether certain budgetary procedures apply to the legislation, this section states whether the bill is estimated to increase on-budget deficits in any of the four decades after the period covered by the cost estimate that exceed a specified threshold.

Mandates

Any mandates (as defined in the Unfunded Mandates Reform Act) that the legislation would impose on state, local, or tribal governments or on private entities are noted, as is the basis of CBO's estimate of whether the aggregate cost of complying with mandates in the bill would exceed the thresholds specified in UMRA (which are adjusted annually for inflation).

Mandates

H.R. 2328 would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

CBO estimates that the cost of the bill's intergovernmental mandates would average about \$90 million annually and that, in at least two of the first five years the mandates are in effect, those costs would exceed the intergovernmental threshold established in UMRA (\$82 million in 2019, adjusted annually for inflation).

CBO estimates that the cost of the bill's private-sector mandates would average \$7.2 billion annually and that, in each of the first five years the mandates are in effect, those costs would far exceed the private sector-threshold established in UMRA (\$164 million in 2019, adjusted annually for inflation).

Previous CBO Estimates

S. 1895, the Lower Health Care Costs Act. On July 16, 2019, CBO transmitted a cost estimate for S. 1895 as ordered reported by the Senate Committee on Health, Education, Labor, and Pensions on June 26, 2019.

- Section 101 of H.R. 2328 is similar to section 411 of S. 1895: Both bills would extend funding for community health centers, the National Health Service Corps, and Teaching Health Centers that operate graduate medical education programs. The Senate bill would appropriate an additional year of funding for each program; the House bill would not.
- Section 102 of H.R. 2328 is similar to section 412 of S. 1895. Both bills would extend funding for the special diabetes programs. The Senate bill would appropriate an additional year of funding for each program; the House bill would not.
- Title IV of H.R. 2328 is similar to title I of S. 1895: Each aims to address surprise medical billing and includes the same protections for patients. Both would set the out-of-network payment rate to equal the median in-network payment rate.

Previous CBO Estimates

CBO compares its current estimate with any earlier cost estimates that it prepared for similar legislation during the same Congress.

Contributors. The CBO analysts who prepared the cost estimate are listed, and if the staff of the Joint Committee on Taxation contributed to the estimate, that is indicated. The managers who reviewed the estimate also are named.

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Cost estimates are published on CBO's website at www.cbo.gov/cost-estimates, where they are searchable by several variables. Estimates vary in length and may not include all the sections shown in this example, but they contain the same basic information.

See these related publications:

- *How CBO Prepares Cost Estimates*, www.cbo.gov/publication/53519;
- "Frequently Asked Questions About CBO Cost Estimates," www.cbo.gov/about/products/ce-faq; and
- *Glossary*, www.cbo.gov/publication/42904.