CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 16, 2005

S. 288
State High Risk Pool Funding Extension Act of 2005

As reported by the Senate Committee on Health, Education, Labor, and Pensions on February 10, 2005

SUMMARY

S. 288 would amend the Public Health Service Act to extend the funding for the creation and operation of a state high-risk health insurance pool. The high-risk pools offer health insurance to individuals who cannot obtain coverage in the marketplace. Under an authorization that expired in 2004, the Department of Health and Human Services (HHS) provided seed grants to states to create a high-risk health insurance pool and operational grants for the losses incurred in connection with the operation of a pool. S. 288 would extend the funding for the seed grants through 2006 and would increase and extend the funding for the operational grants through 2009. In addition, the bill would alter how grants are allotted to states. CBO estimates that enacting S. 288 would increase direct spending by $14 million in 2005 and $355 million over the 2005-2010 period. Enacting S. 288 would not affect revenues.

S. 288 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would extend and expand appropriations for grants to states that operate high-risk insurance pools. Any costs associated with the requirements of those grants would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 288 is shown in the following table. The costs of this legislation fall within budget function 550 (health).

	By Fiscal Year, in Millions of Dollars					
	2005	2006	2007	2008	2009	2010
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	90	75	75	75	75	0
Estimated Outlays	14	53	75	75	75	63

BASIS OF ESTIMATE

S. 288 would amend the Public Health Service Act to reauthorize a program that provided grants to states that establish a qualifying health insurance pool for high-risk individuals. The bill would appropriate $15 million in 2005 and 2006 for seed grants to states to establish qualified high-risk health insurance pools, and would appropriate $75 million a year for fiscal years 2005 through 2009 for grants to states to defray the cost of operating high-risk pools. The original program appropriated funds for seed grants during 2003 and for grants to defray operating costs during 2003 and 2004. CBO estimates that enacting S. 228 would increase direct spending by $14 million in 2005 and $355 million over the 2005-2010 period.

The seed grant program would provide grants of up to $1 million to each state that establishes a qualified high-risk insurance program. Based on the experience of the original seed grant program, and on information from HHS regarding the number of states likely to qualify for seed grants in 2005, CBO estimates that direct spending for seed grants would total $2 million in 2005 and $5 million over the 2005-2010 period.

S. 288 would eliminate both the original requirement that each state match the amount of the federal grant to defray the cost of operating a high-risk pool and the corresponding limit on the federal contribution to no more than half of the operating loss of the pool. The bill would require that a portion of the funds for operational grants be used for grants to provide supplemental benefits, such as premium subsidies for low-income individuals, a reduction in premiums or other cost-sharing requirements, an expansion or broadening of the pool of individuals eligible for coverage, or increased benefits to enrollees or potential enrollees in a qualified high-risk pool. However, on June 30 of each fiscal year, unspent funds allocated to grants for supplemental benefits would be distributed to the states receiving operational grants that cover incurred losses.

The bill also would modify the formula for allocating funds to states to give half of the funds to eligible states equally and apportion the other half based on the number of uninsured individuals in each state and the number of enrollees in the state's qualified high-risk pool. Previously, all funds were allotted based solely on the number of uninsured individuals in the state. Based on the operating losses of the existing pools (in 31 states), CBO expects that all of the appropriated funds would be spent, with direct spending of $14 million in 2005 and $355 million over the 2005-2010 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 288 contains no intergovernmental or private-sector mandates as defined in UMRA and would expand appropriations for grants to states that operate high-risk insurance pools. Any costs associated with the requirements of those grants would be incurred voluntarily This bill contains no private-sector mandates as defined in UMRA.

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