

June 13, 2001

Honorable Bill Frist
United States Senate
Washington, DC 20510

Dear Senator:

The Congressional Budget Office has estimated the budgetary impact of S. 889, the Bipartisan Patients' Bill of Rights Act, as introduced on May 15, 2001. CBO estimates that, over the 2002-2011 period, enacting S. 889 would reduce federal revenues by \$14.6 billion and would increase direct spending by \$100 million. Because this bill would affect revenues and direct spending, pay-as-you-go procedures would apply.

The Bill's Major Provisions

S. 889 would impose new requirements on the structure and operation of group health plans and issuers of health insurance and would provide members of health plans and insured individuals with new rights to obtain certain health care services. Those new rights include coverage of routine patient-care costs in clinical trials funded by the National Institutes of Health; access to out-of-network providers, including hospital emergency departments; and access to specialists, including obstetricians, gynecologists, and pediatricians.

The bill would require both internal and external review processes for members to appeal claims denied by health plans and insurers. It would also amend the Employee Retirement Income Security Act to allow individuals to sue health plans and insurers for personal injury or wrongful death in federal court for negligence in denial of a claim for benefits. The estimate assumes these provisions would take effect January 1, 2004.

Estimated Impact on Federal Revenues

CBO estimates that S. 889, if enacted, would ultimately increase the premiums for employer-sponsored health plans by an average of 2.9 percent, before

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accounting for the responses of plans, employers, and workers to the higher prices (see Table 1). CBO assumes that 60 percent of that increase would be offset by changes in profits and by purchasers switching to less expensive plans, cutting back on benefits, or dropping coverage. The remaining 40 percent, or about 1.2 percent of private health insurance costs, would be passed through to workers as lower taxable compensation. Reductions in such compensation would lead to lower federal and state tax revenues. CBO estimates that federal tax revenues would fall by \$15 million in 2002 and by \$14.6 billion over the 2002-2011 period if S. 889 were enacted. Social Security payroll taxes, which are off-budget, account for about 30 percent of those totals (see Table 2).

Estimated Impact on Direct Spending

CBO estimates that the bill would increase direct spending for annuitants participating in the Federal Employees Health Benefits program by \$100 million over the 2002-2011 period.

Because the bill would affect federal revenues and direct spending, pay-as-you-go procedures would apply. The on-budget effects on revenue and direct spending are shown in Table 3. For pay-as-you-go purposes, only the on-budget effects in the current year, the budget year, and the succeeding four years are counted.

I hope this information is helpful to you. The CBO staff contact is Tom Bradley.

Sincerely,

Dan L. Crippen
Director

Attachments

cc: Honorable Edward M. Kennedy
Chairman, Committee on Health, Education,
Labor, and Pensions

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Honorable Judd Gregg
Ranking Member

Honorable Kent Conrad
Chairman, Senate Committee on the Budget

Honorable Pete V. Domenici
Ranking Member

Identical letters sent to Honorable John B. Breaux and Honorable James M.
Jeffords

Table 1. Estimated Ultimate Effect of S. 889, The Bipartisan Patients’ Bill of Rights Act of 2001, on Premiums for Employer-Sponsored Health Insurance (In Percent)

Provision	Increase in Premiums
Subtitle A—Right to Advice and Care	
Access to emergency medical care	0.4
Offering of choice of coverage options	0.1
Limited scope plans	a
Patient access to obstetric and gynecological care	0.1
Access to pediatric care	a
Timely access to specialists	0.1
Continuity of care	0.3
Protection of patient-provider communications	a
Patient’s right to prescription drugs	a
Coverage for individuals participating in approved clinical trials	0.5
Minimum hospital stay for mastectomy and secondary consults for cancer	0.2
Prohibition of discrimination against providers based on licensure	a
Subtitle B—Right to Information about Plans and Providers	0.1
Subtitle C—Right to Hold Health Plans Accountable	0.8
Subtitle D—Remedies	<u>0.4</u>
Total	2.9

SOURCE: Congressional Budget Office.

a. Less than 0.05 percent

Table 2. Estimated Effect on Revenues and Direct Spending of S. 889, the Bipartisan Patients' Bill of Rights Act of 2001

	By Fiscal Year, in Millions of Dollars									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CHANGES IN REVENUES										
Income and HI Payroll Taxes (on-budget)	-10	-30	-290	-705	-1,095	-1,315	-1,480	-1,605	1,725	1,850
Social Security Payroll Taxes (off-budget)	<u>-5</u>	<u>-15</u>	<u>-130</u>	<u>-310</u>	<u>-480</u>	<u>-580</u>	<u>-655</u>	<u>-710</u>	<u>-760</u>	<u>-815</u>
Total	-15	-45	-420	-1,015	-1,575	-1,895	-2,135	-2,315	-2,485	-2,665
CHANGES IN DIRECT SPENDING										
Increased FEHB Costs for Annuitants	0	0	0	5	10	10	15	20	20	20

NOTE: HI = Hospital Insurance; FEHB = Federal Employees Health Benefits program

Table 3. Estimated Effects of S. 889, the Bipartisan Patients' Bill of Rights Act, on On-Budget Revenues and Direct Spending

	By Fiscal Year, in Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in Revenues (on-budget)	0	-10	-30	-290	-705	-1,095	-1,315	1,480	-1,605	-1,725	-1,850
Change in Outlays (on-budget)	0	0	0	0	5	10	10	15	20	20	20