CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 3, 2000

H.R. 1349
Federal Prisoner Health Care Copayment Act of 2000

As reported by the House Committee on the Judiciary on July 19, 1999

SUMMARY

Enacting H.R. 1349 would permit the Bureau of Prisons (BOP) to assess and collect a copayment fee of at least $1 for each health care visit initiated by a prisoner (excluding those for preventative health care services, emergency services, prenatal care, treatment of chronic infectious diseases, mental health, or substance abuse services). Fees collected from prisoners who are subject to an order of restitution would be paid to victims. Of the remaining fees, 75 percent would be deposited into the Crime Victims Fund and 25 percent would be available to the Attorney General for spending on administrative expenses incurred in carrying out the copayment program.

CBO expects that imposing such fees would reduce the demand for health care services from federal prisoners. We estimate that the reduction in demand would result in net savings of less than $5 million annually over the 2001-2005 period, assuming that future appropriations are reduced to reflect the lower health care costs. Also, we estimate that the proposed health care copayment would generate about $2 million in offsetting receipts (a credit against direct spending) over the 2001-2005 period. Those collections would be available for spending without appropriation action. CBO expects that there would be a lag between the collection and the spending of such receipts, but we estimate that the net change in direct spending would be less than $500,000 a year. Because enacting this bill would affect direct spending, pay-as-you-go procedures would apply.

H.R. 1349 contains no intergovernmental mandates as defined in that Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. H.R. 1349 would impose a new private sector-mandate, but CBO estimates that the direct cost of the mandate would fall well below the annual threshold established in UMRA ($109 million in 2000, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Collecting and spending the copayment fees under H.R. 1349 would constitute direct spending, but have no significant net budgetary impact. The reduction in demand for health care services that would likely stem from imposing those copayments would in turn reduce the need for discretionary appropriations. CBO estimates that potential savings would be less than $5 million a year.

Direct Spending

Based on information from the BOP, CBO estimates that under this bill, about 400,000 health care visits by prisoners in federal prisons would be subject to a $1 fee in fiscal year 2001. We estimate some indigent prisoners could not pay the fee, and that assessing such a fee would deter some prisoners from initiating some visits, but we also expect that the overall prison population will continue to increase each year. Assuming that the bill would reduce nonpreventative health care visits by between 10 percent and 25 percent, and that the prison population will increase by about 10 percent annually, CBO estimates that about $350,000 in copayments would be collected each year. Most or all such amounts would be spent, resulting in little or no net budgetary impact.

Spending Subject to Appropriation

Based on the results of programs in some states that require health care copayments from prisoners, CBO expects that the copayment program would reduce the number of health care visits initiated by prisoners. As a result, the BOP would realize some savings in health care costs. Savings would not be directly proportionate to the reduction in the number of visits because much of the BOP's $350 million annual spending on health services would not be affected by this reduction. In addition, CBO estimates that the BOP would spend about $170,000 a year to administer the copayment program and only about half of such costs would be offset by the portion of collections made available to the Attorney General.

CBO estimates that net savings of about $1 million could be realized in fiscal year 2001. Savings could be as high as $5 million annually in subsequent years because some costs that are fixed in the near term might be eliminated in future years. Savings in health care services would be realized only to the extent that appropriations were reduced accordingly.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending and receipts. H.R. 1349 would affect direct spending, but CBO estimates that the net changes in direct spending (accounting for some lag between collections and spending) would be less than $500,000 a year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1349 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. Under certain circumstances, the bill would allow state and local correctional institutions to charge federal prisoners in their facilities a copayment for certain health care services. While the fees charged by these institutions vary, CBO estimates that total receipts to state and local governments would increase by less than $400,000 per year.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 1349 would create a new private-sector mandate by requiring federal prisoners to make copayments for some health care visits. Based on data from the Bureau of Prisons, CBO estimates that prisoners in federal facilities would pay about $350,000 annually in such fees. Federal prisoners housed in state or local institutions would also be required to pay fees in cases where those institutions choose to charge them; such fees would amount to less than $400,000 annually over the next five years. CBO therefore expects that the direct cost of the federal mandate would be well below the annual threshold established in UMRA ($109 million in 2000, adjusted for inflation) for any of the first five years that the mandate is in effect.

PREVIOUS CBO ESTIMATE

On May 25, 1999, CBO transmitted a cost estimate for S. 704, the Federal Prisoner Health Care Copayment Act of 1999, as reported by the Senate Committee on the Judiciary on April 29, 1999. S. 704 would set the minimum copay charge for health services in federal prisons at $2 per visit. H.R. 1349 would set the minimum charge at $1 per visit, and our cost estimates reflect this difference.

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