



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 2, 2001

H.R. 1511

A bill to amend title 10, United States Code, to eliminate the requirement that covered beneficiaries under chapter 55 of such title obtain a nonavailability-of-health-care statement with respect to obstetrics and gynecological care related to a pregnancy

As introduced on April 4, 2001

SUMMARY

H.R. 1511 would allow users of military health care who are pregnant to seek care outside of a military treatment facility (MTF) without first receiving permission from the MTF via a non-availability-of-health-care statement. Under current law, the Department of Defense (DoD) requires that all beneficiaries who live within 40 miles of an MTF obtain a statement that the MTF is not able to perform the required services before seeking care outside of an MTF. Without that statement, DoD's insurance program, Tricare, will not pay for services received outside of an MTF.

CBO estimates that implementing H.R. 1511 would cost \$14 million in 2002 and \$84 million over the 2002-2006 period, assuming appropriation of the estimated amounts. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

H.R. 1511 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1511 is shown in the following table. This estimate assumes that H.R. 1511 will be enacted by October 1, 2001, and that the necessary amounts will be appropriated for each year. The costs of this legislation fall within budget function 050 (national defense).

| | By Fiscal Year, in Millions of Dollars | | | | | |
|---|--|--------|--------|--------|--------|--------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| SPENDING SUBJECT TO APPROPRIATION | | | | | | |
| Spending Under Current Law for Defense Health Care | | | | | | |
| Estimate Authorization Level ^a | 17,673 | 18,209 | 18,653 | 19,153 | 19,526 | 19,975 |
| Estimated Outlays | 18,250 | 18,481 | 18,597 | 18,938 | 19,572 | 19,810 |
| Proposed Changes | | | | | | |
| Estimated Authorization Level | 0 | 16 | 17 | 17 | 18 | 19 |
| Estimated Outlays | 0 | 14 | 16 | 17 | 18 | 19 |
| Spending Under H.R. 1511 for Defense Health Care | | | | | | |
| Estimated Authorization Level ^a | 17,673 | 18,225 | 18,670 | 19,170 | 19,544 | 19,994 |
| Estimated Outlays | 18,250 | 18,495 | 18,613 | 18,955 | 19,590 | 19,829 |

a. The 2001 level is the estimated amount appropriated for that year including amounts from the military personnel and military construction accounts that are used to provide defense health care. The current-law amounts for the 2002-2006 period assume that appropriations continue at the 2001 level with adjustments for anticipated inflation.

BASIS OF ESTIMATE

Under current law, users of military health care have the option of enrolling in Tricare Prime, an HMO-like plan which centers its provision of services around MTFs. If the MTF is not capable of providing a particular service, the beneficiary is given a referral to a nonmilitary provider and DoD pays the bill. Users who do not enroll in Tricare Prime have the option of using Tricare Extra, a preferred provider network, or Tricare Standard, a traditional fee-for-service insurance plan. Dependents of members on active duty face almost no cost sharing when using Tricare Standard or Extra, but all other beneficiaries have a \$150 deductible (\$300 for families) and must pay 25 percent of the allowed charges. Beneficiaries who live within 40 miles of a military hospital must get a statement from the hospital that it cannot provide the requested care before the beneficiary may use Tricare Standard or Extra. Absent that statement, Tricare does not have to pay for the care received at a nonmilitary facility.

According to DoD, MTFs performed about 4,800 deliveries in 2000 where the beneficiary was not enrolled in Tricare Prime and did not receive a non-availability-of-health-care statement, because the local military hospital indicated it could provide the necessary medical care. CBO estimates that about 3,500 of those deliveries were for dependents of

members on active duty. The remaining deliveries were for dependents of retirees. Because the number of deliveries affected by H.R. 1511 would be small relative to the overall number of pregnancies handled by DoD, allowing some of those pregnancies to be treated outside of an MTF would not significantly reduce MTF costs. CBO estimates that the net cost to DoD of paying for an outside delivery would be about \$5,400 for dependents of active-duty service personnel in 2002. Tricare would be liable for the overwhelming majority of these costs because dependents of members on active duty face almost no cost-sharing requirements. CBO estimates that about 80 percent of the affected dependents would choose to deliver their babies in a civilian hospital, because they face little cost in so choosing, resulting in the need for about \$15 million in additional appropriations for 2002, and slightly higher amounts in subsequent years.

Dependents of retirees have higher cost-sharing requirements than dependents of members on active duty, when they seek medical care outside of an MTF. While having a baby at an MTF would cost the mother nothing, CBO estimates that the out-of-pocket costs of using Tricare Standard or Extra would be about \$1,600 in 2002. Accordingly, CBO estimates that only about 20 percent of retiree dependents would choose to have their baby delivered outside of an MTF. CBO estimates that the net cost to DoD of an outside delivery for dependents of retirees would be about \$3,700 in 2002, resulting in the need for about \$1 million in additional appropriations for that year.

Taking into account a slight lag between obligations and outlays for the new benefit, CBO estimates that implementing H.R. 1511 would increase discretionary spending by \$14 million in 2002 and by \$84 million over the 2002-2006 period, assuming appropriation of the estimated amounts.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1511 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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