



To: Tom Van Coverden, National Association of Community Health Centers (NACHC)

From: Avalere Health

Date: October 2, 2009

Re: Budget Scorekeeping Rules and Funding for CHCs

At your request, we have prepared this short memorandum that summarizes the budget scoring rules that currently apply to funding for community health centers (CHCs) and the implications of increasing funding for CHCs through a direct appropriation.

Current Treatment of CHCs

The federal budget divides all programs into two broad categories: discretionary and mandatory. Discretionary programs are those that Congress funds through the annual appropriations process (in the case of CHCs, the Labor-Health and Human Services appropriations bill). Unless Congress regularly appropriates additional funding, those programs will eventually run out of money. Mandatory programs, on the other hand, do not depend on the appropriations process. They are funded through permanent provisions in federal law (in the case of Medicare and Medicaid, the Social Security Act) and continue to operate as specified unless Congress amends the underlying law that authorizes them.

Congress often treats the two types of spending quite differently. For example, efforts to control spending have typically been more stringent for discretionary spending; Congress directly controls the level of discretionary spending through the appropriations process, while spending for mandatory programs can change for many reasons that are outside of Congress's control (such as the state of the economy). In addition, Congress has developed rules for scoring the budgetary effects of legislation that direct the Congressional Budget Office (CBO) and the Budget Committees to ignore the effects that changes in discretionary spending may have on mandatory spending, and vice versa. As a result, CBO has not considered the impact that discretionary funding for CHCs has on Medicare or Medicaid spending, even though a significant number of beneficiaries in those programs use CHCs.

To date, the efforts to expand funding for CHCs as part of health reform have followed this pattern. Both the Senate Health, Education, Labor, and Pensions Committee's bill and the House bill would authorize significant additional funding for grants to CHCs, but the bills don't provide the additional funds themselves – that would be determined through the appropriations process. As a result, CBO's scores for the bills, which focus only on their impact on mandatory spending, show no effect from the CHC provisions.

Implications of Mandatory Funding for CHCs

Congress could depart from the traditional approach to funding CHCs and make some or all of the funding for CHCs mandatory rather than discretionary. For example, health reform legislation could directly appropriate funds for CHCs instead of leaving funding decisions to the traditional appropriators. In that case, CBO would include the cost of the additional funding in its score for health reform legislation.

CBO would also likely consider the impact – which could be either savings or costs – that the mandatory funding for CHCs would have on other mandatory programs, such as Medicare and Medicaid. CBO's assessment would no doubt be limited to the portion of the mandatory funding that actually constitutes an increase over the funding levels for CHCs that CBO already includes in its baseline spending projections. (Simply changing the existing funding for CHCs from discretionary to mandatory would have no incremental effect on Medicare or Medicaid spending.) That additional funding could be used to increase the number of CHCs, expand the scope of existing CHCs, or both.

CBO would have to assess the extent to which additional funding for CHCs would shift existing care from other providers to CHCs. One such effect could be to expand the use of primary care and reduce unnecessary use of other services such as hospitalizations or emergency room visits. Alternatively, streaming additional funding to CHCs could simply expand access to all types of care. These impacts could either increase or decrease overall health spending.

Our recent review of the literature that focused on the association between CHC use and healthcare costs, commissioned by NACHC, would be a useful resource for a CBO scoring exercise. Nearly all of the studies we examined found that the use of CHCs was associated with lower healthcare spending or less acute care utilization. Some studies attributed the cost savings, in part, to a reduction in emergency room visits, fewer inpatient hospital admissions, or shortened length of hospital stays.

The literature we reviewed did not examine the degree to which CHC expansion might increase primary care utilization, and as a result health spending for that facet of care. However, the body of evidence published to date shows that CHCs have the potential to offset both utilization and spending for other types of care, and that factor should be considered.

The table on the next page summarizes our assessment of the scoring ramifications of providing additional funding to CHCs through a mandatory appropriation.

Scoring Treatment of Mandatory Funding of CHCs

Scoring Element	Treatment
Incremental mandatory funding for CHCs	Definite costs
Shifting care from other provider modalities to CHCs	Uncertain: Could be cost or savings
Increased use of primary care limits avoidable hospitalizations and emergency room visits	Likely savings
Expanded access to care for Medicare and Medicaid beneficiaries	Likely costs