



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

January 26, 2012

### **S. 1855**

#### **Pandemic and All-Hazards Preparedness Act Reauthorization of 2011**

*As ordered reported by the Senate Committee on Health, Education, Labor, and Pensions  
on December 16, 2011*

#### **SUMMARY**

S. 1855 would amend the Public Health Service Act and the United States Code to authorize funding for certain activities carried out by the Departments of Health and Human Services (HHS) and Veterans Affairs (VA) that would support the readiness of the public health system to address public health and medical emergencies.

Based on information provided by HHS, VA, and other outside experts, CBO estimates that implementing the bill would cost about \$10 billion over the 2012-2017 period, assuming the appropriation of the authorized amounts. The Congress recently cleared the Consolidated Appropriations Act, 2012, including funding totaling about \$2 billion in the current year for activities similar to those that would be authorized by this bill. Therefore, the estimated net authorizations for S. 1855 reflect the additional amounts needed above the amounts provided in those 2012 appropriations.

Enacting the bill also would decrease direct spending by \$127 million over the 2012-2017 period and by \$77 million over the 2012-2022 period; therefore, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

S. 1855 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 1855 is shown in the following table. The costs of this legislation fall within budget functions 550 (health) and 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars						2012- 2017
	2012	2013	2014	2015	2016	2017	
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION<sup>a</sup></b>							
<b>Department of Health and Human Services</b>							
<b>Centers for Disease Control and Prevention</b>							
State and Local Public Health Security							
Authorization Level	0	633	633	633	633	0	2,532
Estimated Outlays	0	125	445	540	600	485	2,195
Strategic National Stockpile							
Authorization Level	13	522	522	522	522	0	2,101
Estimated Outlays	1	110	380	455	495	405	1,846
Public Health Threats							
Authorization Level	25	160	160	160	160	0	665
Estimated Outlays	5	70	125	145	155	100	600
Vaccine Tracking and Distribution							
Authorization Level	0	31	31	31	31	0	124
Estimated Outlays	0	15	25	30	30	15	115
<b>Food and Drug Administration</b>							
Countermeasure Development and Review							
Estimated Authorization Level	2	20	30	30	30	30	142
Estimated Outlays	1	15	25	30	30	30	131
<b>Office of the Assistant Secretary for Health</b>							
Medical Reserve Corps							
Authorization Level	1	12	12	12	12	0	49
Estimated Outlays	*	5	10	10	10	5	40
<b>Office of the Assistant Secretary for Preparedness and Response</b>							
Procurement of Countermeasures							
Authorization Level	2,800	0	0	0	0	0	2,800
Estimated Outlays	0	0	280	280	280	280	1,120

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	By Fiscal Year, in Millions of Dollars						2012-
	2012	2013	2014	2015	2016	2017	2017
Advance Research and Development of Countermeasures							
Authorization Level	0	415	415	415	415	0	1,660
Estimated Outlays	0	85	315	380	405	330	1,515
Hospital Preparedness							
Authorization Level	3	378	378	378	378	0	1,515
Estimated Outlays	*	80	265	320	360	290	1,315
National Disaster Medical System							
Authorization Level	4	56	56	56	56	0	228
Estimated Outlays	1	15	45	50	55	45	211
Emergency Volunteer Registration							
Estimated Authorization Level	1	6	6	6	6	0	25
Estimated Outlays	*	5	5	5	5	5	25
National Committee on Children and Disasters							
Authorization Level	1	1	1	1	1	1	6
Estimated Outlays	*	1	1	1	1	1	5
<b>Department of Veterans Affairs</b>							
Veterans Affairs Medical Centers							
Authorization Level	0	0	157	157	157	0	471
Estimated Outlays	0	0	140	155	155	15	465
<b>Total Changes in Spending Subject to Appropriation</b>							
Estimated Authorization Level	2,852	2,234	2,401	2,401	2,401	31	12,320
Estimated Outlays	9	526	2,061	2,401	2,581	2,006	9,584
<b>CHANGES IN DIRECT SPENDING</b>							
Project Bioshield							
Estimated Budget Authority	0	0	-30	-30	-30	-37	-127
Estimated Outlays	0	0	-30	-30	-30	-37	-127

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Note: \* = less than \$500,000; components may not sum to totals because of rounding.

a. The authorization levels shown for 2012 reflect the amounts needed above the funding provided in the Consolidated Appropriation Act, 2012.

b. CBO estimates that reductions in direct spending under S. 1855 would total \$77 million over the 2012-2022 period.

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## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that S. 1855 will be enacted in the spring of 2012, that Congress will appropriate the authorized amounts, and that spending will follow historical patterns for existing and similar programs.

The bill contains provisions that would authorize funding for activities administered by HHS and the VA to improve the coordination of preparedness activities and to increase medical system capacity in the event of a public health emergency.

### **Spending Subject to Appropriation for the Department of Health and Human Services**

The majority of HHS activities would be carried out by the Centers for Disease Control (CDC), the Food and Drug Administration (FDA), the Office of the Assistant Secretary of Health, and the Office of the Assistant Secretary for Preparedness and Response.

**Centers for Disease Control and Prevention.** S. 1855 would authorize funding through 2016 for activities related to preparing for a public health emergency at levels similar to the appropriations for recent years.

*State and Local Public Health Security.* S. 1855 would allow CDC to continue to administer cooperative agreements with state and local governments to help prepare for public health emergencies. S. 1855 would require entities receiving funding through those cooperative agreements to include planning for pandemic influenza as part of their all-hazards public health emergency preparedness and response plan. The bill would authorize the appropriation of \$633 million each fiscal year for 2012 through 2016 for CDC to administer those cooperative agreements. Based on preliminary information on the allocation of amounts appropriated for 2012, CBO estimates about \$660 million was allocated to those activities for fiscal year 2012. Thus, CBO expects no additional amounts would be necessary for such activities in 2012. Over the 2013-2017 period, CBO estimates that implementing this provision would cost \$2.2 billion, assuming appropriation of the authorized amounts.

*Strategic National Stockpile.* The Strategic National Stockpile is a national repository of pharmaceuticals, medical supplies, and other equipment for the rapid delivery of medical countermeasures in response to a catastrophic health event. S. 1855 would authorize the continuation of the Strategic National Stockpile and would authorize the appropriation of about \$522 million a year for fiscal years 2012 through 2016. The Consolidated Appropriations Act, 2012, provided \$509 million for the Strategic National Stockpile for 2012. Based on historical spending patterns, CBO estimates that implementing the

provision would cost about \$1.8 billion over the 2012-2017 period, assuming appropriation of the authorized amounts.

*Public Health Threats.* S. 1855 would authorize funding for the Secretary to continue to expand, enhance, and improve the capacity for CDC to respond effectively to bioterrorism and other public health emergencies. S. 1855 would also authorize funding to establish and maintain surveillance programs and networks that enhance coordinated efforts in response to outbreaks of infectious diseases and public health emergencies. The bill would authorize the appropriation of \$160 million a year for fiscal years 2012 through 2016. Out of appropriations provided thus far, CBO estimates that the amount allocated to these activities will be about \$135 million for fiscal year 2012. Based on historical spending patterns, CBO estimates that implementing this provision would cost \$600 million over the 2012-2017 period, assuming appropriation of the authorized amounts (net of the amounts already provided in 2012).

*Vaccine Tracking and Distribution.* CDC collaborates with officials in state, local, and tribal governments as well as private entities, such as vaccine manufacturers, wholesalers, and distributors, to track the distribution of vaccines for pandemic flu and to promote effective distribution of vaccines for the seasonal flu. S. 1855 would authorize the Secretary to continue those activities and would authorize the appropriation of \$31 million for each fiscal year over the 2012-2016 period. CBO expects that the fiscal year 2012 allocation from the Consolidated Appropriations Act, 2012, is similar to the estimated 2011 allocation of \$31 million; therefore, no additional funds would be necessary for those activities for fiscal year 2012. Assuming appropriation of authorized amounts for subsequent years, CBO estimates that implementing that provision would cost \$115 million over the 2013-2017 period, based on historical spending patterns.

**Food and Drug Administration.** S. 1855 would expand the role of FDA personnel in supporting the development, stockpiling, approval, and licensure of medical countermeasures (such as diagnostic tests, drugs, vaccines, and other treatments for response to chemical, biological, radiological, and nuclear threats) as well as medical responses to pandemics and epidemics. The bill would require FDA to provide technical assistance and feedback to manufacturers of those products. S. 1855 would also amend the Best Pharmaceuticals for Children Act (Public Law 107-109) by expanding the duties of the Pediatric Advisory Committee to advise the FDA Commissioner on the development of countermeasures for pediatric populations. Under current law, FDA engages in certain activities relating to medical countermeasures. The bill would authorize and expand on such activities. CBO estimates such activities would require funding of an additional \$142 million over the 2012-2017 period for such activities. Assuming the appropriation of those amounts, CBO estimates those provisions would cost \$131 million over that period.

**Office of the Assistant Secretary of Health.** The Medical Reserve Corps (MRC) is a community-based program that coordinates medical and public health volunteers to support public health activities, including emergency preparedness and response efforts. The bill would authorize funding for the MRC, which is operated by the HHS Office of the Surgeon General. The bill would authorize the appropriation of \$12 million a year for fiscal years 2012 through 2016. Out of appropriations provided thus far for fiscal year 2012, CBO estimates that about \$11 million will be allocated to the MRC. Based on historical spending patterns for similar programs, CBO estimates that implementing that provision would cost \$40 million over the 2012-2017 period, assuming appropriation of authorized amounts.

**Office of the Assistant Secretary for Preparedness and Response.** S. 1855 would authorize funding for the following activities related to medical system capacity and countermeasure development and procurement.

*Procurement of Countermeasures.* Project Bioshield, a fund established for the procurement of biodefense countermeasures, is funded by an appropriation of almost \$5.6 billion for fiscal years 2004 through 2013. S. 1855 would authorize an additional appropriation to the fund of \$2.8 billion for fiscal years 2014 through 2018 for continuing those activities. Based on historical spending patterns, CBO estimates that implementing the provision would cost \$1.1 billion over the 2012-2017 period, assuming appropriation of the authorized amount.

*Advance Development of Countermeasures.* The Biomedical Advance Research and Development Authority (BARDA) office supports the advance development of medical countermeasures to respond to bioterrorism and other public health emergencies. BARDA is funded by the Biodefense Medical Countermeasure Development Fund. S. 1855 would authorize the appropriation of \$415 million for the fund in each year for fiscal years 2012 through 2016. The Consolidated Appropriations Act, 2012, appropriated \$415 million to the fund for fiscal year 2012; therefore, no additional appropriations would be required for 2012. Based on historical spending patterns, CBO estimates that implementing this provision would cost \$1.5 billion over the 2013-2017 period, assuming appropriation of the authorized amounts for the next four years.

*Hospital Preparedness.* The bill would authorize a grant program that provides funding to entities such as states, localities, or health care facilities to enhance hospital capacity to handle a surge of patients in the event of a public health emergency. The bill would authorize the appropriation of \$378 million annually for fiscal years 2012 through 2016. Based on preliminary information on the allocation of amounts appropriated for 2012, CBO estimates that the amount allocated to these activities will be about \$375 million this year, leaving a remaining authorization level of \$3 million in 2012. Assuming appropriation of authorized amounts, CBO estimates that implementing that provision

would generate additional costs of \$1.3 billion over the 2012-2017 period, based on historical spending patterns.

*National Disaster Medical System (NDMS).* The bill would authorize funding for the NDMS, which is a partnership between HHS, VA, and the Departments of Defense and Homeland Security. It provides for medical assistance to states and localities when responding to a large-scale public health emergency. The bill would authorize funding of \$56 million in each fiscal year over the 2012-2016 period. Based on preliminary information on the allocation of amounts appropriated for 2012, CBO estimates that the NDMS will receive approximately \$52 million for this year, leaving a remaining authorization level of \$4 million in 2012. Based on historical spending patterns, CBO estimates that implementing the provision would cost \$211 million over the 2012-2017 period, assuming appropriation of the authorized amounts (net of the funding already provided for 2012).

*Emergency Volunteer Registration.* The Emergency System for Advance Registration of Volunteer Health Professionals (ESAR-VHP) is a national database that links state credential verification systems in order to streamline the pre-registration of volunteer health professionals who are willing to respond in the event of a public health emergency. The bill would authorize the appropriation of \$6 million for the ESAR-VHP in each fiscal year over the 2012-2016 period. Based on preliminary information on the allocation of amounts appropriated for 2012, CBO estimates that the ESAR-VHP will receive approximately \$5 million this year, leaving a remaining authorization level of \$1 million in 2012. Assuming appropriation of authorized amounts, CBO estimates that implementing that provision would cost about \$25 million over the 2012-2017 period, based on historical spending patterns.

*National Advisory Committee on Children and Disasters.* S. 1855 would establish a National Advisory Committee on Children and Disasters. This committee would provide advice regarding the needs of children in relation to the preparation for and response to hazards and emergencies. The committee would contain as many as 15 people, most drawn from federal agencies. The remainder of the committee's members would be drawn from other occupations such as state and local governments or the medical profession. A similar commission operated through the Administration for Children and Families just ended its activities in the spring of 2011. Assuming appropriation of authorized amounts, CBO estimates that implementing this provision would cost about \$5 million over the 2012-2017 period, based on historical spending patterns.

### **Spending Subject to Appropriation for the Department of Veterans Affairs**

S. 1855 would authorize the appropriation of \$157 million for each year over the 2012-2016 period for emergency preparedness activities at medical centers operated by

VA. Funding for emergency preparedness activities in 2012 and 2013 were provided in advance appropriations. Those funding levels are largely consistent with both the 2011 appropriation of \$155 million and the proposed authorization levels in S. 1855; therefore, CBO estimates that no additional funding would be required for 2012 or 2013. Assuming appropriation of authorized amounts for years after 2013, CBO estimates that implementing this provision would cost \$465 million over the 2014-2017 period.

### Direct Spending

Project Bioshield, a special reserve fund established for the procurement of biodefense countermeasures, is funded by an appropriation of approximately \$5.6 billion for fiscal years 2004-2013. S. 1855 would change the contract terms for Project Bioshield procurements from a maximum of eight years to a maximum of 10 years. As the length of new contracts for biodefense countermeasures funded through the original appropriation are extended, there would be a decrease in direct spending of \$127 million for fiscal years 2012 through 2017 and of \$77 million for fiscal years 2012 through 2022, CBO estimates. However, there would be no net change in spending over the 2012-2023 period because we expect that the remaining funds would be spent in 2023.

### PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table. (Enacting the legislation would not affect revenues.)

**CBO Estimate of Pay-As-You-Go Effects for S. 1855, as ordered reported by the Senate Committee on Health, Education, and Labor on December 16, 2011**

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b>													
Statutory Pay-As-You-Go Impact	0	0	-30	-30	-30	-37	-37	4	3	3	77	-127	-77

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 1855 contains no intergovernmental or private-sector mandates as defined in UMRA. Programs and activities authorized in the bill would benefit state, local, and tribal agencies that prepare for and respond to public health emergencies.

## **PREVIOUS CBO ESTIMATE**

On September 26, 2011, CBO transmitted a cost estimate for H.R. 2405, the Pandemic and All-Hazards Preparedness Reauthorization Act of 2011, as ordered reported by the House Committee on Energy and Commerce on July 28, 2011. Both H.R. 2405 and S. 1855 would authorize funding for similar activities carried out by HHS related to preparing for public health emergencies. However, S. 1855 would change the contract terms for biomedical countermeasures procured with Project Bioshield funds, which in turn would result in a change in direct spending over the next 10 years, but no net change in direct spending over the 2012-2023 period. Additionally, S. 1855 would authorize funding for preparedness activities carried out by the VA that was not included in H.R. 2405.

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