CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 28, 2017

H.R. 3168
Special Needs Plans Reauthorization Act of 2017

As ordered reported by the House Committee on Ways and Means
on July 13, 2017

SUMMARY

H.R. 3168 would permanently authorize insurers to offer special needs plans (SNPs) for institutionalized beneficiaries through the Medicare Advantage program and would extend the authorization for SNPs that enroll certain other beneficiaries until January 1, 2024. The bill also would require the Government Accountability Office (GAO) to issue several reports on SNPs and their enrollees.

CBO estimates that enacting H.R. 3168 would increase direct spending by $119 million over the 2017-2027 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. H.R. 3168 would not affect revenues.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2028.

H.R. 3168 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 effect of H.R. 3168 is shown in the following table. The costs of this legislation fall primarily within 550 (health).

	By Fiscal Year, in Millions of Dollars												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2022	2017-2027
CHANGES IN DIRECT SPENDING[a]													
Estimated Budget Authority	0	0	6	13	13	14	14	14	15	15	15	46	119
Estimated Outlays	0	0	6	13	13	14	14	14	15	15	15	46	119

a. H.R. 3168 also would require the Government Accountability Office to issue several studies about SNPs and their enrollees, which would cost about $2 million 2018-2022 period, assuming availability of appropriated funds.

BASIS OF ESTIMATE

Special needs plans (SNPs) are private health insurance plans in the Medicare Advantage (MA) program that limit enrollment to beneficiaries who require an institutional level of care, have certain chronic conditions, or are enrolled in both Medicare and Medicaid (dual eligibles). Under current law, the authority for an MA plan to operate as a SNP will expire at the end of calendar year 2018.

H.R. 3168 would permanently authorize SNPs for institutionalized beneficiaries and would extend until January 1, 2024, the authorization for SNPs that enroll beneficiaries with certain chronic conditions or that enroll dual eligibles, if certain requirements are met. In particular, SNPs that limit enrollment to dual eligibles (D-SNPs) would be required to establish formal agreements with state Medicaid programs by January 1, 2021, to coordinate the provision of Medicaid-covered long-term services and supports (LTSS) or behavioral health services. Feedback from stakeholders indicates that state Medicaid programs find that D-SNPs offer an attractive option for identifying and contracting with private insurers to provide LTSS. Therefore, CBO expects that authorizing D-SNPs beyond 2018 would increase the number and the scope of managed LTSS programs covered by state Medicaid programs.

Based on analysis of information from stakeholders, CBO concludes that managed LTSS plans enroll a small number of individuals who otherwise would receive informal, nonfederally financed care in the community. Once those individuals are enrolled in a managed LTSS plan, they would receive Medicaid-financed LTSS for the first time. Compared to current law, CBO estimates that the number of people who would receive Medicaid-financed LTSS under H.R. 3168 would grow over time. That increase would rise to about 1,200 by 2027. CBO estimates that expansion of participation in Medicaid-financed LTSS would increase federal Medicaid outlays by $119 million over the 2017-2027 period. Reauthorizing SNPs would not have a significant effect on Medicare spending, CBO estimates, because Medicare payments to SNPs, on average, are

comparable to Medicare's payments to other MA plans or to providers in the fee-for-service sector.

H.R. 3168 also would require GAO to prepare three reports on the MA program, with particular focus on SNP benefits and enrollees. Based on the scope of the reports and the cost of similar activities, CBO estimates that implementing those provisions would cost about $2 million over the 2018-2022 period. Such spending would be subject to the availability of appropriated funds.

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.

CBO Estimate of Pay-As-You-Go Effects for H.R. 3168 as ordered reported by the House Committee on Ways and Means on July 13, 2017

	By Fiscal Year, in Millions of Dollars												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2022	2017-2027
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	6	13	13	14	14	14	15	15	15	46	119

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2028.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3168 contains no intergovernmental or private-sector mandates as defined in UMRA. CBO estimates that the state share of increased Medicaid spending for extended enrollment in certain SNPs would total $90 million over the 2017-2027 period. Because states have significant flexibility in Medicaid to adjust their financial and programmatic responsibilities, such additional expenditures would not result from an intergovernmental mandate as defined in UMRA.

PREVIOUS ESTIMATE

On August 1, 2017, CBO provided a cost estimate for S. 870 as ordered reported by the Senate Committee on Finance on May 18, 2017. Section 201 of S. 870 is similar to H.R. 3168, except that it would permanently authorize D-SNPs and SNPs that enroll beneficiaries with certain chronic conditions. CBO estimates that permanently authorizing D-SNPs would increase the number of people who would receive Medicaid-financed LTSS relative to the temporary extension of the authority included in H.R. 3168. As a result, section 201 of S. 870 would increase federal Medicaid outlays by $4 million more over the 2017-2027 period than H.R. 3168.

ESTIMATE PREPARED BY:

Federal Costs: Alice Burns and Andrea Noda
Impact on State, Local, and Tribal Governments: Zach Byrum
Impact on the Private Sector: Amy Petz

ESTIMATE APPROVED BY:

Holly Harvey
Deputy Assistant Director for Budget Analysis