



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

September 22, 2017

H.R. 3727
Increasing Telehealth Access in Medicare Act
As ordered reported by the Committee on Ways and Means on September 13, 2017

SUMMARY

H.R. 3727 would allow Medicare Advantage (MA) plans to include the cost of providing telehealth services in their bids and increase funding in the Medicare Improvement Fund. CBO estimates that enacting H.R. 3727 would increase direct spending by \$46 million over the 2018-2022 period and decrease direct spending by \$4 million over the 2018-2027 period. Pay-as-you-go procedures apply because enacting H.R. 3727 would affect direct spending. Enacting the bill 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. The bill 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. 3727 is shown in the following table. The effects of this legislation fall within budget function 570 (Medicare).

	By Fiscal Year, in Millions of Dollars												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2022	2017-2027
INCREASES OR DECREASES (-) IN DIRECT SPENDING OUTLAYS													
Telehealth Costs in													
Medicare Advantage Bids	0	0	0	-10	-10	-10	-10	-10	-10	-10	-10	-30	-80
Medicare Improvement Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>48</u>	<u>28</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>76</u>	<u>76</u>
Total Changes	0	0	0	-10	38	18	-10	-10	-10	-10	-10	46	-4

Note: Budget authority is equal to outlays.

BASIS OF ESTIMATE

Telehealth costs in Medicare Advantage bids

Under current law, MA plans may provide some telehealth services as part of the standard benefit, mirroring what is covered for beneficiaries enrolled in Medicare’s fee-for-service (FFS) program. However, if an MA plan wants to provide telehealth services that go beyond what is covered in the FFS program, the plan must receive approval to provide those services as supplemental benefits and use its “rebate” to pay for those services.¹ H.R. 3727 would allow MA plans to include the cost of additional telehealth services in their bids for contracts that cover 2020 or subsequent years. The costs included in the bid would not include capital or infrastructure expenses. Telehealth services would not count toward meeting network-adequacy requirements, and plans could not use the availability of telehealth services to limit access to in-person services.

Based on a review of the literature and discussions with experts, CBO concluded that coverage of telehealth services by private payers sometimes results in higher spending and sometimes results in savings; in either case, the effects on spending tend to be small. For MA plans that offer telehealth services as supplemental benefits, this provision would increase spending, because Medicare’s payment would reflect the full cost of those benefits instead of the 50 percent to 70 percent of the cost that is covered by the rebate. (The other 30 percent to 50 percent is covered by displacing other supplemental benefits that would be attractive to potential enrollees.)

In general, CBO expects that an MA plan that begins or expands coverage of telehealth benefits under H.R. 3727 would do so based on the plan’s expectation that it could manage telehealth services in a manner that would enable it to lower its bid. Because coverage of telehealth benefits as a supplemental benefit is very limited, CBO estimates that the savings from plans that begin or expand telehealth services would slightly exceed the increased cost for plans that already offer telehealth services as a supplemental benefit. On net, CBO estimates that enactment of this provision would reduce direct spending by \$80 million over the 2018-2027 period. CBO assumes that H.R. 3727 will be enacted near the end of fiscal year 2017.

1. The rebate is a portion of the amount by which the “benchmark” amount for the geographic area covered by the plan exceeds the MA plan’s bid for services it is required to cover. The benchmark is based on estimated spending per beneficiary in the fee-for-service sector in that geographic area. The rebate portion is between 50 percent and 70 percent, based on the plan’s score on certain measures of quality of care. MA plans are required to use the rebate to pay for benefits not covered in the fee-for-service sector.

Medicare Improvement Fund

H.R. 3727 would increase amounts earmarked for making improvements to the Medicare fee-for-service program during fiscal year 2021 by \$76 million.

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. 3727, as ordered reported by the Senate Committee on Finance on May 18, 2017

	By Fiscal Year, in Millions of Dollars												2017- 2022	2017- 2027
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027			
NET INCREASE OR DECREASE (-) IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	0	0	-10	38	18	-10	-10	-10	-10	-10	46	-4	

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. 3727 contains no intergovernmental or private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On August 1, 2017, CBO transmitted an estimate for the S. 870, Creating High-Quality Results and Outcomes Necessary to Improve Chronic (CHRONIC) Care Act of 2017. The telehealth provision of H.R. 3727 is similar to section 303 of S. 870, and the estimates for those provisions are identical.

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