CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 20, 2017

H.R. 3263
A bill to amend title XVIII of the Social Security Act to extend the Medicare Independence at Home Medical Practice Demonstration program

As ordered reported by the House Committee on Energy and Commerce on October 4, 2017

SUMMARY

H.R. 3263 would extend the Independence at Home (IAH) program for two years, through late fiscal year 2019, and would increase the aggregate cap on the number of Medicare beneficiaries served by participating providers from 10,000 to 15,000. CBO estimates that enacting H.R. 3263 would increase direct spending by $16 million over the 2018-2027 period.

Enacting H.R. 3263 would affect direct spending; therefore, pay-as-you-go procedures apply. The legislation would not affect revenues.

CBO estimates that enacting H.R. 3263 would not increase net direct spending or on-budget deficits by more than $5 billion in one or more of the four consecutive 10-year periods beginning in 2028.

H.R. 3263 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. 3263 is shown in the following table. The costs of this legislation fall within budget function 570 (Medicare).

	By Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2022	2018-2027
INCREASES IN DIRECT SPENDING												
Estimated Budget Authority	0	2	7	7	0	0	0	0	0	0	16	16
Estimated Outlays	0	2	7	7	0	0	0	0	0	0	16	16

BASIS OF ESTIMATE

Primary care services provided in a number of settings, including a patient's home, are covered by the Medicare program. The IAH program was established to test whether providing a financial incentive—bonus payments—for providers to deliver primary care services in a patient's home would reduce Medicare spending and improve the quality of care. Providers participating in the IAH program receive a bonus payment if their practice meets quality standards and the average cost of Medicare benefits for its patients is less than 95 percent of the average cost of such benefits for similar patients in the community.[1]

Those bonus payments would add to federal costs. The ultimate budgetary effect would depend on whether they resulted in offsetting reductions in Medicare spending. However, determining that the patients served by participating providers have Medicare costs that, on average, are below that 95 percent level does not necessarily indicate that the IAH program reduces Medicare spending, because it does not indicate that the program has changed Medicare's costs for beneficiaries served by participating providers. Expanding the use of home-based services through the IAH program would probably increase the use of certain services, but would ultimately reduce Medicare spending if the resulting change in practice patterns lowered health care costs or if the IAH program shifted market share from higher-cost to lower-cost providers, as long as the resulting savings amounted to more than the bonuses paid through the program. To date, interim evaluations of the IAH program have not assessed whether such changes have occurred. In the absence of such information, CBO has no basis for concluding whether the bonus payments offered through the IAH program have spurred participating providers to make changes affecting Medicare spending.

1. Measuring the cost of similar patients in the community has proved to be a very difficult technical challenge. As a result, each time the evaluators have analyzed the data for a performance year, they have recommended making substantial changes to how those costs will be estimated for a subsequent performance year. Participating providers have been given the choice of continuing to use the existing method or switching to the newly developed method.

Further, the bonus payments, as designed, are not targeted exclusively at inducing changes to reduce spending. Instead, providers with relatively low costs would qualify for bonuses whether they make any changes in the way they provide care or not. Similarly, providers who do make changes, but do not lower spending by enough to qualify for a bonus would not receive one. On the basis of the bonus payments made to date, CBO estimates that Medicare would make annual bonus payments to participating providers that average about $5 million per 10,000 beneficiaries for each additional year of the demonstration. Taking into account both the 5,000 increase in the cap on the number of participating beneficiaries and the effect of interactions between changes in spending in the fee-for-service sector and payment rates in the Medicare Advantage (MA) program, CBO estimates that the bill's changes to the IAH program would increase Medicare spending by $16 million over the 2018-2027 period.

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. 3263, as ordered reported by the House Committee on Energy and Commerce on October 4, 2017

	By Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2022	2018-2027
NET INCREASE IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	2	7	7	0	0	0	0	0	0	16	16

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. 3263 contains no intergovernmental or private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On August 1, 2017, CBO produced an estimate for S. 870, the Creating High-Quality Results and Outcomes Necessary to Improve Chronic (CHRONIC) Care Act of 2017, as ordered reported by the Senate Committee on Finance on May 18, 2017. The provisions in S. 870 extending the Independence at Home program are identical to H.R. 3263 and CBO's estimate of their budgetary effects is the same.

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