CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 9, 2012

H.R. 1063
Strengthening Medicare and Repaying Taxpayers Act of 2011

As ordered reported by the House Committee on Energy and Commerce on September 20, 2012

SUMMARY

H.R. 1063 would modify the process through which the Medicare program is reimbursed when another payer (for example, a liability insurer) is responsible for a beneficiary's medical costs. In general, the provisions of H.R. 1063 would make it easier for other payers to repay Medicare, thus reducing program costs.

CBO estimates that enacting H.R. 1063 would reduce Medicare spending by $45 million over the 2013-2022 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending.

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 impact of H.R. 1063 is shown in the following table. The costs of this legislation fall within budget function 570 (Medicare).

	By Fiscal Year, in Millions of Dollars											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	-2	-4	-4	-4	-4	-5	-5	-5	-6	-6	-18	-45
Estimated Outlays	-2	-4	-4	-4	-4	-5	-5	-5	-6	-6	-18	-45

BASIS OF ESTIMATE

The estimate assumes that the bill would be enacted late in calendar year 2012 and that its provisions would take effect by the end of fiscal year 2013. Medicare is the "secondary payer" when another insurer has an obligation to pay for certain health spending by beneficiaries. For example, if a Medicare beneficiary is injured in a car accident, auto liability insurance is usually responsible for any resulting medical bills. Because establishing an insurer's obligation to pay can be time-consuming, the Medicare program will often pay for a beneficiary's medical costs until it can be determined which payer is liable for the costs. In such cases, Medicare makes "conditional" payments and seeks reimbursement from the other insurer.

Section 2 of H.R. 1063 would modify the process through which beneficiaries and responsible insurers determine how much the Medicare program is owed for conditional payments. Beneficiaries, or their representatives, would be able to query a secure Web site and receive an estimate of Medicare's conditional payments. That amount would be factored into the settlement between the beneficiary and the insurer, allowing certainty about the amount that will be paid to Medicare out of the settlement funds for conditional payments made to that point.

CBO analyzed data from stakeholders with respect to the difference in settlement timeliness between Medicare and non-Medicare cases and the dollar value of settlements for Medicare beneficiaries. CBO estimates that section 2 would allow some settlements to occur more quickly and hasten repayment to Medicare. With respect to the number of settlements that occur, CBO estimates that section 2 will have two opposing effects: some cases would settle that otherwise would not, because of the easier access to information about the amount of the conditional payment, and some settlements would include a payment amount that is lower than it would be under current law because of the timing of the determination of the conditional payment. CBO estimates that the net effect of those two opposing effects would result in a slight reduction in outlays over the 2013-2022 period.

Section 3 would exempt insurers from repaying Medicare for certain small claims. Based on information from the Medicare Secondary Payer Contractor, CBO believes that section 3 would codify current practice and thus would have no budgetary impact.

H.R. 1063 would change current law with respect to civil monetary penalties, which may be levied on insurers that do not report on a timely basis their obligation to pay for medical expenses incurred by Medicare beneficiaries. Under Section 1862 (b)(8) of the Social Security Act, there is a daily $1,000 penalty for failure to report. Section 4 of the legislation would allow penalties at the discretion of the Secretary of the Department of Health and Human Services and also require notice-and-comment rulemaking to establish the conditions under which penalties will be assessed. CBO expects that this provision could reduce the penalties levied on insurers, but estimates that the amount of the change in penalty collections would not be significant.

Section 5 would direct the Secretary to modify the reporting requirements under the Medicare Secondary Payer (MSP) statute to make optional the use of beneficiaries' Social Security Numbers or Health Insurance Claim Numbers. H.R. 1063 would require the Secretary to change reporting requirements within 18 months of the legislation's enactment, but allows multiple one-year extensions if the Secretary notifies the relevant Congressional committees that such an extension is necessary to ensure beneficiary privacy or the efficient operation of the MSP system. CBO expects that the Secretary would receive multiple extensions of the deadline for this new requirement. As a result, CBO estimates that provision would have no significant budgetary effect over the 2013-2022 period.

Section 6 would shorten the statute of limitations with respect to the federal government's ability to bring a complaint against an insurer or other third party for failure to comply with the MSP statute. CBO estimates that this provision would have no significant budgetary impact.

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. 1063, as ordered reported by the House Committee on Energy and Commerce on September 20, 2012

	By Fiscal Year, in Millions of Dollars											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	-2	-4	-4	-4	-4	-5	-5	-5	-6	-6	-18	-45

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1063 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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