CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 15, 1999

H.R. 3070
Ticket to Work and Work Incentives Improvement Act of 1999

As ordered reported by the Committee on Ways and Means on October 14, 1999

SUMMARY

H.R. 3070 would alter cash and health-care benefits for people with disabilities. Title I would revamp the system under which people collecting benefits from Disability Insurance (DI) and Supplemental Security Income (SSI) receive vocational rehabilitation (VR) services and would make it easier for working beneficiaries to retain or regain cash benefits. Title II would provide states with options to extend Medicaid coverage to certain disabled workers, enhance Medicare coverage for people who leave the DI rolls because of work, and authorize grants and demonstration projects (subject to future appropriation) for states to assist disabled workers. Title III would require several demonstration projects affecting DI recipients. To offset the costs of the bill, title IV would tighten restrictions on the payment of Social Security benefits to prisoners, give certain members of the clergy another opportunity to enroll in the Social Security system, levy a processing charge on attorneys who represent DI claimants, and reduce some Medicare and Medicaid costs.

CBO estimates that the bill's effects on direct spending and revenues would add to the total federal surplus by $18 million over the 2000-2004 period; of that amount, $168 million would represent an increase in the off-budget Social Security surplus, offset by a $150 million reduction in the on-budget surplus. The bill's effects on direct spending and revenues would reduce the total federal surplus over the 2000-2009 period. Because H.R. 3070 would affect receipts and direct spending, pay-as-you-go procedures would apply. Furthermore, assuming appropriation of the necessary sums, additional discretionary spending under this bill would total about $565 million over the 2000-2004 period.

Section 4 of the Unfunded Mandates Reform Act (UMRA) excludes from the application of that act any legislative provisions that relate to the Old-Age, Survivors, and Disability Insurance program under title II of the Social Security Act, including tax provisions in the

Internal Revenue Code. CBO has determined that the provisions of H.R. 3070 either fall within that exclusion or contain no intergovernmental mandates. Provisions of the bill that are not excluded from the application of UMRA contain one private-sector mandate; CBO estimates that its cost would be well below the threshold specified in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3070 on direct spending and revenues is summarized in Table 1. This legislation would affect budget functions 550 (Health), 570 (Medicare), 600 (Income Security), and 650 (Social Security).

BASIS OF ESTIMATE

For purposes of estimating the budgetary effects of H.R. 3070, CBO assumes enactment by December 1, 1999. Most provisions of H.R. 3070 as reported by the Committee on Ways and Means are the same as those in S. 331, a bill that was passed by the Senate in July. Differences between the two bills are summarized in Table 2. The major differences that affect CBO's estimate are:

- Both bills would stop continuing disability reviews (CDRs) that are triggered by a report of earnings. The people affected would still be subject to periodic CDRs, which generally occur every three years. In S. 331, this provision would be effective immediately, whereas H.R. 3070 would delay it until January 2003. As a result, costs would be smaller over the 2000-2005 period.

- Both bills would provide extended Medicare coverage for people who leave the DI rolls because of work. Under current law, those people already get three years of Medicare coverage (a period commonly called the extended period of eligibility, or EPE) after their cash benefits are suspended. The Senate bill would grant indefinite Medicare coverage to people who graduate from the EPE in the next six years, then revert to current law for later graduates. The Ways and Means bill would grant six years of extra coverage for all people who complete the EPE after September 2000. Consequently, the Ways and Means approach is less costly at first but more expensive beginning in 2007.

TABLE 1. ESTIMATED DIRECT SPENDING AND REVENUE EFFECTS OF H.R. 3070, BY PROVISION

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Title I										
Establishment of the Ticket to Work and Self-Sufficiency Program										
Disability Insurance	a	a	2	3	-5	-21	-45	-51	-52	-53
Medicare	a	a	a	a	1	1	1	-3	-11	-25
Supplemental Security Income	a	a	1	1	-2	-7	-16	-22	-27	-32
Subtotal (effect on outlays)	a	a	3	4	-7	-27	-60	-75	-90	-110
Bar on Work CDRs for Certain DI Beneficiaries With Earnings										
Disability Insurance	0	0	0	5	15	20	25	25	25	25
Medicare	0	0	0	2	5	8	9	10	10	11
Subtotal (effect on outlays)	0	0	0	7	20	28	34	35	35	36
Expedited Reinstatement of DI Benefits Within 60 Months of Termination										
Disability Insurance	0	1	1	1	2	3	3	4	5	6
Medicare	0	a	a	a	1	1	1	2	2	3
Subtotal (effect on outlays)	0	1	1	1	3	4	4	6	7	9
Title II										
State Option to Eliminate Income, Resource, and Asset Limitations for Medicaid Buy-in										
Medicaid	15	16	18	20	22	24	26	29	32	35
State Option to Continue Medicaid Buy-in for Participants Whose DI or SSI Benefits Are Terminated After a CDR										
Medicaid	1	2	3	4	5	6	8	9	11	13
Six-Year Extension of Medicare for Former DI Beneficiaries Who Exhaust Their Current Law EPE, effective October 2000										
Medicare	0	10	29	48	74	104	141	161	186	219
Title III										
Five-Year Extension of DI Demonstration Project Authority										
Disability Insurance	3	5	5	5	5	3	a	a	a	a
$1-for-$2 Demonstration Projects										
DI Benefit Costs	0	0	3	8	13	18	19	18	18	18
Medicare Costs	0	0	0	0	2	4	7	9	9	9
Subtotal (effect on outlays)	0	0	3	8	15	22	26	27	28	27

Continued

TABLE 1. Continued

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Title IV										
Provisions Affecting Prisoners										
Payments to Prison Officials (OASDI)	2	7	8	9	9	10	10	10	10	10
Payments to Prison Officials (SSI)	a	1	1	1	1	1	1	1	1	1
Savings in Benefits (OASDI)	-5	-24	-28	-31	-35	-35	-35	-35	-35	-35
Savings in Benefits (SSI)	-2	-7	-8	-9	-11	-11	-11	-11	-11	-11
Subtotal (effect on outlays)	-5	-24	-27	-31	-36	-35	-35	-35	-35	-35
Open Season for Clergy to Enroll in Social Security										
Off-Budget (OASDI) Revenues	2	7	9	9	9	10	10	10	10	11
On-Budget (HI) Revenues	1	2	2	2	2	2	2	2	2	2
Other On-Budget Revenues	a	-1	-1	-1	-1	-1	-1	-1	-1	-1
OASDI Benefits	a	a	a	a	a	a	1	1	1	1
Subtotal (effect on total surplus)	3	8	10	10	10	10	10	10	11	11
Collection of Processing Fees from Attorneys Who Represent Successful DI Claimants										
Disability Insurance	-15	-25	-25	-25	-25	-25	-25	-25	-25	-25
Expansion of Certain Anti-Fraud Provisions in Medicaid										
Medicare	0	-3	-5	-5	-5	-5	-5	-5	-5	-5
Restriction on Medicaid Payments for School-Based Services										
Medicaid	-3	-11	-16	-18	-22	-27	-32	-38	-45	-52
Total										
Outlays										
On-Budget	12	7	22	43	70	99	130	143	152	166
Off-Budget	-16	-36	-33	-25	-21	-27	-47	-53	-53	-53
Total	-4	-28	-11	18	49	72	82	90	99	113
Revenues										
On-Budget	1	1	1	1	1	1	1	1	1	1
Off-Budget	2	7	9	9	9	10	10	10	10	11
Total	3	8	10	10	10	11	11	11	11	12
Deficit (-) or Surplus (+)										
On-Budget	-11	-6	-21	-42	-69	-98	-129	-142	-151	-165
Off-Budget	18	43	42	34	30	36	57	63	64	64
Total	7	37	21	-8	-39	-61	-72	-79	-88	-102

Notes: Components may not sum to totals due to rounding.

OASDI= Old-Age, Survivors, and Disability Insurance, DI=Disability Insurance, SSI=Supplemental Security Income, CDR=Continuing Disability Review, EPE=extended period of eligibility, HI=Hospital Insurance (Medicare Part A).

a. Less than $500,000.

TABLE 2. DIFFERENCES BETWEEN CBO ESTIMATES OF S. 331 AS PASSED BY THE SENATE AND H.R. 3070 AS REPORTED BY THE COMMITTEE ON WAYS AND MEANS

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CBO estimate of S. 331 as Passed										
Outlays	50	117	174	201	227	193	176	167	166	162
Revenues	3	8	10	10	10	11	11	11	11	12
Surplus	-47	-108	-164	-191	-217	-182	-165	-156	-155	-150
Changes from S. 331 as Passed										
Outlays										
Bar on Work CDRs for Certain DI Beneficiaries										
Disability Insurance	-5	-15	-20	-15	-5	-5	0	0	0	0
Medicare (net)	-2	-6	-7	-5	-3	a	0	0	0	0
Extension of Medicare for Former DI Beneficiaries Who Exhaust Their Current-Law EPE										
Medicare (net)	-10	-19	-19	-20	-21	-21	-6	17	35	62
Grants to States to Provide Infrastructure to Support Working Individuals with Disabilities										
HHS Outlays	-6	-7	-7	-8	-9	-10	-11	-12	-13	-14
Demonstration Project for States Covering Workers with Potentially Severe Disabilities										
HHS Outlays	-11	-51	-76	-76	-76	-15	0	0	0	0
Extension of DI Demonstration Project Authority										
Disability Insurance	0	0	0	0	0	-3	-5	-5	-5	-5
Provisions Affecting Prisoners										
OASDI	-2	-9	-10	-10	-10	-10	-10	-10	-10	-10
Attorney fee provision										
Disability Insurance	-15	-25	-25	-25	-25	-25	-25	-25	-25	-25
Expansion of Medicaid Anti-fraud Authority	0	-3	-5	-5	-5	-5	-5	-5	-5	-5
Restrict School-based Medicaid	-3	-11	-16	-18	-22	-27	-32	-38	-45	-52
Total	-54	-146	-185	-182	-176	-121	-94	-78	-68	-49
H.R. 3070, as Reported										
Outlays	-4	-28	-11	18	49	72	82	90	99	113
Revenues	3	8	10	10	10	11	11	11	11	12
Surplus	7	37	21	-8	-39	-61	-72	-79	-88	-102

Notes: Components may not sum to totals due to rounding.
OASDI = Old-Age, Survivors, and Disability Insurance, DI=Disability Insurance, CDR= Continuing Disability Review, EPE=extended period of eligibility, HHS=Department of Health and Human Services
a. Less than $500,000.

- Both measures would establish two new grant programs to be administered by the Department of Health and Human Services: one that would encourage states, along with the Social Security Administration (SSA), to publicize information about the work incentives and vocational rehabilitation services available under law, and another that would temporarily permit states to grant Medicaid-like benefits to people with serious medical conditions who are not yet sufficiently disabled to qualify for cash benefits. In the Senate's bill, these grants would occur automatically, without any further Congressional action; in the Ways and Means version, they would be subject to future appropriation.

- Both bills would extend SSA's demonstration authority, which sometimes requires the agency to waive certain provisions of law. The Senate bill would extend it permanently, the Ways and Means bill for the next five years.

- The two bills contain a subtle difference in their provisions affecting prisoners. The Senate bill would require suspension of Social Security benefits for convicted criminals who are incarcerated throughout a month. The Ways and Means bill would suspend benefits if the prisoner were confined during a month and thus would result in larger savings. For example, a felon whose six-month sentence ran from January 15 to July 15 would be subject to a longer suspension in the Ways and Means bill. H.R. 3070 contains an exemption for prisoners whose entire sentence is less than 30 days.

- The Ways and Means bill adds a provision that would require SSA to collect a processing charge from attorneys who represent successful DI claimants at the appeals level. Currently, in cases where the attorney and client have consented, SSA withholds the attorney's fee from the beneficiary's initial lump-sum check and remits it to the attorney. The provision would require that SSA withhold 6.3 percent of the attorney fee, or about $165 on average, to cover its processing costs.

- The Ways and Means bill adds a provision that would expand the authority of state Medicaid Fraud Control Units (MFCUs) in two ways. First, it would explicitly allow MFCUs to investigate and prosecute fraud in federal health care programs other than Medicaid if the suspected fraud is primarily related to Medicaid and the MFCU receives approval from the relevant federal agency. Funds collected as the result of such investigations would be credited to the relevant federal health care program. Second, the provision would give states the option to review complaints of abuse or neglect of patients who reside in board and care facilities.

CBO estimates that the provision would result in savings to Medicare of $5 million a year once it is fully phased in because MFCUs would recover somewhat larger amounts of restitution for Medicare fraud than they do under current law. Other federal health programs would also receive higher restitution, but CBO estimates these amounts to be less than $500,000 each year. To the extent that states choose to investigate abuse and neglect in board and care facilities, MFCU expenses could be higher, but CBO expects that most of these investigations would be undertaken with current resources so that increased costs to Medicaid would be negligible.

- Finally, the Ways and Means bill adds a series of provisions that would introduce new requirements as to how school districts may bill Medicaid when they provide health services to Medicaid beneficiaries. CBO estimates that those provisions would lower net federal Medicaid outlays by $70 million over the 2000-2004 period and by $264 million over the 2000-2009 period.

  Under current law, states can receive federal Medicaid reimbursement for school-based services provided to Medicaid beneficiaries and related administrative costs. There have been recent concerns that some of the reimbursement practices may be inappropriate. H.R. 3070 would: strengthen reporting requirements for school-based services; narrow the circumstances under which transportation could be reimbursed; require the Health Care Financing Administration to develop and implement a uniform methodology for states to file claims for payment of school-based medical assistance and administration; constrain the arrangements that states may enter into with contractors; and limit the amount of federal reimbursement that may be retained by the state.

  CBO expects that those provisions would lead to lower Medicaid claims in the future as some of the controversial practices are deterred. The savings would be partially offset by increased administrative costs in the short term as states implement new procedures, and by new claims from states that begin to file claims under a new uniform methodology.

H.R. 3070 would authorize several new grant programs and other activities, subject to future appropriation action.

Title I would establish a Work Incentives Advisory Panel, authorize a new outreach program to be funded by grants to community-based organizations that work with the disabled, and authorize grants to each state's protection and advocacy program. Title II would establish two new grant programs to encourage states to provide better health care coverage to people with disabilities. (These two are identical to grant programs that would be established under S. 331, except that in the Senate-passed bill they would not be subject to future appropriation action.) Altogether, the new programs would be authorized to receive about $0.6 billion in budget authority over the 2000-2004 period.

SSA would also incur greater administrative expenses to implement the new vocational rehabilitation program and other activities under the bill. CBO judges that those extra expenses would cost the agency between $15 million and $40 million a year.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in Table 3. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

TABLE 3. SUMMARY OF THE PAY-AS-YOU-GO EFFECTS OF H.R. 3070

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	12	7	22	43	70	99	130	143	152	166
Changes in receipts	1	1	1	1	1	1	1	1	1	1

ESTIMATED IMPACT ON THE PRIVATE SECTOR

Provisions of the bill not excluded from consideration by UMRA include one private-sector mandate on insurers who provide medigap coverage to Medicare beneficiaries who are eligible because of disability. It would require such insurers to reinstate coverage that disabled beneficiaries had previously suspended because they had group health plan coverage, if the beneficiaries lose that group coverage and request reinstatement within 90 days of that loss. Because of restrictions on the premiums that could be charged for reinstated coverage, this provision could impose costs that insurers might not immediately recover from premiums. However, because of the small number of beneficiaries this provision would affect, the costs that might be imposed on medigap insurers would be well below the threshold specified in UMRA ($100 million in 1996, adjusted annually for inflation).

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

Section 4 of the Unfunded Mandates Reform Act excludes from the application of that act any legislative provisions that relate to the Old-Age, Survivors, and Disability Insurance programs under title II of the Social Security Act, including tax provisions in the Internal Revenue Code. CBO has determined that the provisions of H.R. 3070 either fall within that exclusion or contain no intergovernmental mandates.

The bill includes optional programs for states that would result in greater state spending if they chose to participate as well as additional grants to states for specific programs. While the bill includes a number of optional expansions for Medicaid, additional requirements on how school districts bill Medicaid for health services would result in a cut in Medicaid funding for those purposes.

Title II contains a number of optional programs for states to expand their Medicaid program to cover workers with disabilities who want to buy into Medicaid and to continue Medicaid coverage for individuals who lose their eligibility for DI or SSI following a continuing disability review. CBO estimates that state costs attributable to these optional expansions during the first five years would total about $70 million for the first option and about $10 million for the second. States would also have the option of charging participants premiums or other fees to offset a portion of those costs. States that implement the first of these Medicaid options would be eligible for grants to develop and operate programs to support working individuals with disabilities. CBO estimates that states would receive a total of about $40 million during the first five years the program is in effect.

Title II would also allow states to establish demonstration projects that would provide health services equal to those available under Medicaid to working individuals with physical or mental impairments who, without such services, could become blind or disabled. CBO estimates that state costs attributable to this optional coverage would total $215 million over the first five years of implementation. Federal funding for these demonstration projects would be subject to annual appropriation.

Finally, new requirements on how school districts may bill Medicaid for health services would result in a decrease in federal Medicaid funding of $70 million over the 2000-2004 period, as described in the Basis of Estimates section.

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