



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

September 17, 2008

S. 1577

Patient Safety and Abuse Prevention Act

As ordered reported by the Senate Committee on Finance on September 10, 2008

SUMMARY

S. 1577 would direct the Secretary of Health and Human Services (HHS) to provide funding to states that participate in a program to enforce a requirement that long-term care facilities and providers conduct criminal background checks on employees who have direct access to patients. The bill also would require that state Medicaid programs adopt systems to identify, and deny payment for, claims for inappropriate services and claims that are incorrectly coded. In addition, S. 1577 would provide funding for the Secretary to make improvements in Medicare Part A and Part B benefits during fiscal years 2014 through 2017.

In total, CBO estimates that the net impact on direct spending of enacting S. 1577 would be negligible over both the 2009-2013 and 2009-2018 periods. Enacting the bill would not affect federal revenues or spending subject to appropriation.

S. 1577 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would place new requirements on state Medicaid programs that would reduce state spending for the program by about \$80 million over the 2009-2013 period.

The estimated budgetary impact of S. 1577 is shown in the following table. The costs of this legislation fall within budget functions 550 (health) and 570 (Medicare).

Outlays, by Fiscal Year, in Millions of Dollars

2009- 2009-
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2013 2018

CHANGES IN DIRECT SPENDING

Background Checks on Employees of Long-Term Care Facilities

Estimated Budget Authority	0	50	45	5	0	0	0	0	0	0	100	100
Estimated Outlays	0	50	45	5	0	0	0	0	0	0	100	100

National Correct Coding Initiative

Estimated Budget Authority	0	-10	-20	-30	-40	-50	-60	-75	-85	-90	-100	-460
Estimated Outlays	0	-10	-20	-30	-40	-50	-60	-75	-85	-90	-100	-460

Medicare Improvement Fund

Estimated Budget Authority	0	0	0	0	0	90	90	90	90	0	0	360
Estimated Outlays	0	0	0	0	0	90	90	90	90	0	0	360

Total Changes

Estimated Budget Authority	0	40	25	-25	-40	40	30	15	5	-90	0	0
Estimated Outlays	0	40	25	-25	-40	40	30	15	5	-90	0	0

BASIS OF ESTIMATE

The bill contains provisions that would both increase and decrease direct spending. CBO estimates the net budgetary impact of the legislation would be negligible over both the 2009-2013 and 2009-2018 periods.

Background Checks on Employees of Long-Term Care Facilities

S. 1577 would expand a pilot program created by the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Public Law 108-173) for background checks on certain employees of long-term care facilities or providers. The expanded pilot program would be available to any state that did not implement a statewide program under the previous authority. In the states that decide to participate under the expanded pilot program, long-term care providers that participate in Medicare or Medicaid would be required to obtain state and national criminal histories on all prospective employees. Participating states also would be required to monitor compliance with these requirements. Newly participating states would be eligible to receive up to \$3 million for these activities; previously participating states would be eligible to receive \$1.5 million.

S. 1577 would appropriate the amount necessary to operate this program during fiscal years 2009 through 2011, up to a limit of \$160 million over those three years. Based on spending under the original pilot program, CBO estimates that provision would increase direct spending by \$100 million over the 2009-2013 and 2009-2018 periods.

National Correct Coding Initiative

The National Correct Coding Initiative (NCCI) consists of automated procedures to identify Medicare claims that are inaccurately coded or seek payment for inappropriate services. Although the use of NCCI procedures to check claims is mandatory in the Medicare program, state Medicaid agencies are not required to use those edits in processing Medicaid claims. S. 1577 would require that state Medicaid programs adopt certain NCCI procedures by October 1, 2009. CBO estimates that use of the NCCI checks would lead to the denial of certain Medicaid claims and therefore save Medicaid \$100 million over the 2009-2013 period and \$460 million over the 2009-2018 period.

Medicare Improvement Fund

The Medicare Improvement Fund was created by the Medicare Improvements for Patients and Providers Act of 2008 (Public Law 110-275). The fund is available to the Secretary of HHS to make improvements in Part A and Part B benefits. S. 1577 would increase the amounts available in the fund for the 2014-2017 period. CBO estimates that those changes in funding would increase outlays by \$360 million over that period.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1577 contains no intergovernmental mandates as defined in UMRA. To reduce inappropriate payments in the Medicaid program, the bill would require states to incorporate the National Correct Coding Initiative when processing provider claims. The requirement to comply with the initiative, however, would not impose an intergovernmental mandate as defined in UMRA because the Medicaid program provides states with significant flexibility to make programmatic adjustments to accommodate the changes. Incorporating the initiative would ultimately reduce state spending in the program by about \$80 million over the 2009-2013 period.

States also would benefit from funding provided by the bill for background checks of prospective employees of long-term care facilities or providers. Any costs states incur, including matching funds, would be incurred voluntarily.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 1577 contains no private-sector mandates as defined in UMRA.

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