CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 2, 2016

H.R. 3716
Ensuring Removal of Terminated Providers from Medicaid and CHIP Act

As ordered reported by the House Committee on Energy and Commerce on November 18, 2015

SUMMARY

H.R. 3716 would assist states in identifying health care providers who are ineligible to participate in their state Medicaid or Children's Health Insurance Program (CHIP) programs because the provider was terminated from participating in another state's programs or in the Medicare program.

CBO estimates that the bill would reduce direct spending by $28 million over the 2016-2026 period. Because the legislation would affect direct spending; pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

CBO estimates that enacting H.R. 3716 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 3716 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 effects of H.R. 3716 are shown in the following table. The costs of this legislation fall within budget function 550 (health).

	By Fiscal Year, in Millions of Dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
CHANGES IN DIRECT SPENDING													
Medicaid													
Estimated Budget Authority	0	0	-1	-2	-3	-3	-3	-4	-4	-4	-4	-9	-28
Estimated Outlays	0	0	-1	-2	-3	-3	-3	-4	-4	-4	-4	-9	-28
CHIP													
Estimated Budget Authority	0	0	*	*	*	*	*	*	*	*	*	*	*
Estimated Outlays	0	0	*	*	*	*	*	*	*	*	*	*	*
Total Changes													
Estimated Budget Authority	0	0	-1	-2	-3	-3	-3	-4	-4	-4	-4	-9	-28
Estimated Outlays	0	0	-1	-2	-3	-3	-3	-4	-4	-4	-4	-9	-28

Notes: Components may not add to totals because of rounding; CHIP = Children's Health Insurance Program; * = between $0 and -$500,000.

BASIS OF ESTIMATE

The Affordable Care Act required states to terminate the participation of health care providers under Medicaid if they have been terminated under the Medicare program or another state Medicaid program. The Secretary of Health and Human Services (HHS), under regulatory authority, required states to comply with similar standards in CHIP. H.R. 3716 would codify the requirements in CHIP and also require states and managed care organizations that participate in Medicaid or CHIP to collect information about all participating health care providers and report information about terminated providers to the Secretary. The Secretary would be required to review the termination and, if the Secretary determines appropriate, include such information in any database intended for sharing data on terminated providers among states. The bill would also require the Secretary to issue regulations that establish uniform terminology to document the reasons for terminating a health care provider's eligibility to participate in Medicaid or CHIP.

CBO expects the additional requirements in H.R. 3716 for states and managed care organizations to collect and report information regarding terminated health care providers will reduce the likelihood of such providers receiving federal payments under Medicaid and CHIP. Based on information from a 2015 report from the HHS Office of Inspector General, CBO estimates that providers operating under managed care contracts receive, on average, $3 million per year in federal payments from Medicaid and CHIP even though they have been terminated from the Medicare program or Medicaid programs in other states. Once fully implemented, CBO estimates that the bill would reduce improper payments by $3 million to $4 million annually and reduce direct spending by $28 million over the 2016-2026 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. 3716, as ordered reported by the House Committee on Energy and Commerce on November 18, 2015

	By Fiscal Year, in Millions of Dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	-1	-2	-3	-3	-3	-4	-4	-4	-4	-9	-28

INCREASE IN LONG TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 3716 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 2027.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3716 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. CBO estimates that provisions in the bill that would decrease federal spending in Medicaid and CHIP would similarly result in a reduction of $18 million in state spending for Medicaid and CHIP (combined) over the 2016-2026 period.

The bill also would place new conditions on states. It would require them to provide information about Medicaid and CHIP providers who are terminated for cause and to prevent terminated providers from receiving payments by updating their contracts with managed care providers. For large entitlement programs like Medicaid and CHIP, UMRA defines an increase in the stringency of conditions or a cap on federal funding as an intergovernmental mandate if the affected governments lack authority to offset those costs while continuing to provide required services. Because states have flexibility within the Medicaid and CHIP programs to offset their financial and programmatic responsibilities to reduce costs, the costs of complying with the new conditions would not result from an intergovernmental mandate.

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