



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

July 21, 2015

S. 1253
Patient Access to Disposable Medical Technology Act of 2015
As ordered reported by the Senate Committee on Finance June 24, 2015

SUMMARY

S. 1253 would modify Medicare coverage and payment rules for negative pressure wound therapy (NPWT) equipment that includes a disposable pump. CBO estimates that enacting S. 1253 would reduce direct spending by about \$21 million over the 2016-2025 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. Enacting the legislation would not affect revenues.

S. 1253 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 S. 1253 is shown in the following table. The costs of this legislation fall within budget function 570 (Medicare).

	By Fiscal Year, in Millions of Dollars											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
CHANGES IN DIRECT SPENDING^a												
Estimated Budget Authority	0	4	4	1	1	0	-5	-7	-8	-10	9	-21
Estimated Outlays	0	4	4	1	1	0	-5	-7	-8	-10	9	-21

a. Enacting S. 1253 would also affect spending subject to appropriation but CBO estimates that spending would total less than \$500,000 per year and over the 2016-2025 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1253 will be enacted near the end of fiscal year 2015.

Under current law, Medicare beneficiaries may receive NPWT, which uses a vacuum pump and special dressings to promote wound healing. NPWT equipment is available using either a durable pump or a disposable pump, which can be used at home, in a physician's office, or in a hospital. If a home health agency (HHA) furnishes a beneficiary with NPWT using a durable form of the pump, Medicare makes a payment to the home health agency for the home health visits and to the supplier of the durable medical equipment. If instead the HHA uses a disposable pump, Medicare does not make an additional payment for the NPWT equipment and the HHA absorbs that cost.¹

S. 1253 would establish a new add-on payment to HHAs that furnish disposable NPWT equipment to Medicare beneficiaries. In 2017, 2018, and 2019, that rate would be the greater of 150 percent of the amount paid in 2015 for the disposable NPWT equipment in the outpatient hospital setting or the actual amount paid in 2017 in that setting. After 2019, the payment would equal the rate paid in the hospital outpatient setting.

CBO estimates that, in 2017, the monthly payment for NPWT with a durable pump, including the associated dressings and equipment, will be about \$1,200. CBO projects that Medicare's payment for the disposable version and the necessary ancillaries would be about \$700 per month in 2017 and would be lower than the payment for the durable pump throughout the 2017-2025 period.

The availability of separate payments for disposable NPWT equipment in the home health setting under S. 1253 would have competing effects on spending. First, CBO expects that some beneficiaries who would have used durable NPWT equipment would instead use disposable NPWT equipment.² Because the price of disposable NPWT equipment would be lower than the price for durable equipment, that shift would reduce spending. CBO also projects that additional beneficiaries would use NPWT because the new payment rules under S. 1253 would make it more likely that home health agencies would offer beneficiaries the option of using the disposable version, which some people might find more convenient. In the first years of the policy, CBO expects that the effect of greater utilization would increase spending by more than would be saved by switching from

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1. Payments for durable NPWT equipment in the home setting are made on a monthly basis for up to 13 months of use. After 13 months, the beneficiary can take ownership of the NPWT equipment or return it to the supplier.
 2. NPWT is generally used for wounds like diabetic ulcers and bedsores. Some beneficiaries may not want to use durable NPWT equipment because the pump limits mobility. The disposable NPWT equipment is more portable and probably more convenient for beneficiaries.

durable to disposable NPWT equipment, resulting in an increase in federal spending. By 2022, however, CBO expects that savings from the lower price of the disposable NPWT equipment would exceed the costs from greater utilization. Over the 2017-2025 period, CBO estimates that enacting S. 1253 would reduce spending by \$21 million, out of total spending for NPWT equipment of about \$1.3 billion.

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 S. 1253, the Patient Access to Disposable Medical Technology Act of 2015, as ordered reported by the Senate Committee on Finance on June 24, 2015

	By Fiscal Year, in Millions of Dollars											2015-	2015-
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025
NET DECREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	4	4	1	1	0	-5	-7	-8	-10	9	-21

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1253 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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