



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 9, 2015

### **S. 1349**

#### **Notice of Observation Treatment and Implication for Care Eligibility Act**

*As ordered reported by the Senate Committee on Finance on June 24, 2015*

S. 1349 would require hospitals to notify Medicare beneficiaries receiving observation services for more than 24 hours of their status as an outpatient under observation. The written notification would have to explain that, because the beneficiary is receiving outpatient—rather than inpatient—services:

- The beneficiary will be subject to cost-sharing requirements that apply to outpatient services, and
- The beneficiary's outpatient stay will not count toward the three-day inpatient stay required for a beneficiary to be eligible for Medicare coverage of subsequent skilled nursing facility services.

Enacting S. 1349 could affect direct spending; therefore, pay-as-you-go procedures apply. CBO expects that some beneficiaries would decide to receive a different set of medical services after being notified of their observation status than they would under current law. Those decisions could either increase or decrease costs, depending on each beneficiary's particular needs and preferences. However, CBO estimates those effects would not be significant over the 2015-2025 period. Enacting the bill would not affect revenues.

S. 1349 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

On March 13, 2015, CBO provided a cost estimate for H.R. 876, as ordered reported by the House Ways and Means Committee on February 26, 2015. The bills are the same, as are the estimated budgetary effects.

The CBO staff contacts for this estimate are Jamease Kowalczyk and Kevin McNellis. The estimate was approved by Holly Harvey, Deputy Assistant Director for Budget Analysis.