CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 15, 2015

H.R. 2580
LTCH Technical Correction Act of 2015

As ordered reported by the House Committee on Ways and Means on June 2, 2015

SUMMARY

H.R. 2580 would lift a moratorium in current law that prohibits existing long-term care hospitals (LTCHs) from increasing the number of beds in their facilities. The bill would also reduce the total amount of payments made to LTCHs by modifying the current payment system for patients with very high costs.

Over the 2016-2025 period, CBO estimates that lifting the moratorium would increase Medicare spending by $47 million and that modifying the payment system for high-cost outliers in LTCHs would reduce Medicare spending by $48 million; the net reduction in direct spending would total $1 million.

H.R. 2580 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 2580 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 (OUTLAYS[a])												
Technical Change to Medicare Long-Term Care Hospital Moratorium Exception	6	27	12	2	0	0	0	0	0	0	47	47
Modification to Medicare Long-Term Care Hospital Outlier Payments	0	-4	-4	-5	-5	-5	-6	-6	-6	-7	-18	-48
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING												
Impact on Deficit	6	23	8	-3	-5	-5	-6	-6	-6	-7	29	-1

a. Budget authority equals outlays.

BASIS OF ESTIMATE

Under current law, existing LTCHs are prohibited from increasing the number of beds in their facilities until October 1, 2017. H.R. 2580 would lift that moratorium. The bill would also reduce payments to LTCHs for patients for whom the hospital incurs extremely high costs. Assuming enactment near the beginning of fiscal year 2016, CBO estimates that enacting H.R. 2580 would reduce net direct spending for Medicare by $1 million over the 2016-2025 period.

CBO estimates that lifting the moratorium on expansion would enable some LTCHs to admit more patients who, under current law, will be treated in other acute and post-acute settings. Analyses by the Medicare Payment Advisory Commission (MedPAC) have found that Medicare's payment rates for services furnished in an LTCH are higher than its payment rates for substitute services furnished by short-stay hospitals, skilled nursing facilities, or home health agencies.[1] CBO estimates that paying the higher LTCH rates for some services would increase Medicare spending by $47 million over the 2016-2025 period.

H.R. 2580 would also modify how payment rates for patients with very high costs are determined. Under current law, CMS has the authority to make a payment adjustment for LTCH cases that are high-cost outliers. That adjustment is designed to be budget neutral:

[1] See, for example, Medicare Payment Advisory Commission, *March 2014 Report to the Congress: Medicare Payment Policy, Chapter 11: Long-Term Care Hospitals*, (March 2014), http://medpac.gov/documents/reports/mar14_ch11.pdf?sfvrsn=0.

Payment rates for all LTCH cases are reduced by a specified percentage, and the Secretary adjusts the criteria for identifying outlier cases so that the full amount of that payment reduction is expected to be distributed to LTCHs in the form of outlier payments. For fiscal year 2015, the Secretary reduced the payment rates for all LTCH cases by 8 percent and established outlier criteria that she estimated would distribute the full 8 percent to LTCHs for outlier cases.

The bill would require the Secretary to reduce the payment rate for all LTCH cases by 8 percent, but would require the Secretary to set outlier criteria that she expects would result in no more than 7.925 percentage points of that reduction being paid for high-cost cases. CBO estimates that provision would reduce Medicare spending by $48 million over the 2016-2025 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 direct spending 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. 2580, as ordered reported by the House Committee on Ways and Means on June 2, 2015

	By Fiscal Year, in Millions of Dollars												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
	NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	6	23	8	-3	-5	-5	-6	-6	-6	-7	29	-1

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2580 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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