



CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE

July 9, 2015

**S. 1362**  
**PACE Innovation Act of 2015**

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

S. 1362 would authorize the Secretary of Health and Human Services (HHS) to waive requirements under section 1934 of the Social Security Act when designing and testing models under the Center for Medicare and Medicaid Innovation (CMMI). Section 1934 authorizes the Program of All-Inclusive Care for the Elderly (PACE), and establishes features of the program including payment rates and conditions of participation. Under current law, CMMI lacks authority to waive those features included in section 1934, and has limited flexibility to test changes to administering the PACE program. The legislation would give the Secretary authority to change features of PACE for the purposes of testing whether they improve the program.

Under current law, CMMI has broad authority to conduct other demonstration projects under the Medicare and Medicaid programs (outside of PACE). CBO expects that some of those projects will succeed in reducing federal spending without reducing quality of care, and others will not, but CBO is unable to predict which projects will succeed.

It is uncertain whether the Secretary would decide to exercise the new authority provided under the legislation to pursue projects through CMMI that differ from those she would have tested using existing authority. However, if the Secretary decided to test a different project under the legislation than she otherwise would have, then in CBO's judgment that project would have roughly the same chances of success or failure. Thus, the decision to use the new authority to test a PACE model instead of some other model would result in no significant change in direct spending, CBO estimates. Because enacting the bill could affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

S. 1362 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contact for this estimate is Paul Masi. The estimate was approved by Holly Harvey, Deputy Assistant Director for Budget Analysis.