



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

July 10, 2015

S. 704

Community Based Independence for Seniors Act

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

SUMMARY

S. 704 would establish a demonstration program in the Medicare Advantage (MA) program to test the effectiveness of granting MA plans flexibility to use part of their existing payments to provide for certain long-term care services and supports. The legislation would appropriate \$3.5 million for the demonstration program and its evaluation.

CBO estimates that enacting S. 704 would increase direct spending by about \$4 million over the 2016-2025 period. Pay-as-you-go procedures apply because the bill would affect direct spending. Enacting the bill would not affect revenues.

S. 704 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 S. 704 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- | 2016- |
|-----------------------------------|--|------|------|------|------|------|------|------|------|------|-------|-------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2020 | 2025 |
| CHANGES IN DIRECT SPENDING | | | | | | | | | | | | |
| Budget Authority | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 4 |
| Estimated Outlays | * | * | 1 | 1 | 1 | * | * | * | 0 | 0 | 3 | 4 |

* = Less than \$500,000.

BASIS OF ESTIMATE

S. 704 would require the Secretary of Health and Human Services to conduct a demonstration program to test the effectiveness of granting MA plans flexibility to use part of their existing payments to provide certain long-term care services and supports to beneficiaries participating in the demonstration.

Community-Based Institutional Special Needs Plan Demonstration

Under current law, MA plans submit a bid indicating the per capita payment they are willing to accept for providing Part A and Part B benefits to a beneficiary of average health. That bid is compared with a benchmark that is set according to a statutory formula, and represents the maximum amount that Medicare will pay an MA plan for providing Part A and Part B benefits in a given region. In most cases, MA plans submit bids that are below the benchmarks in the areas that they serve. When this happens, the federal government returns a percentage of the difference to the MA plan as a rebate. Plans must return the rebate to their beneficiaries in the form of reduced cost sharing or additional approved benefits.

S. 704 would require the Secretary of Health and Human services to establish a demonstration program called the Community-Based Institutional Special Needs Plan (CBI-SNP) beginning January 1, 2018, for a period of five years. Under the demonstration, the Secretary would be required to contract with up to five MA plans that each could enroll up to 1,000 beneficiaries to participate in the demonstration. In order to participate in the demonstration, both plans and beneficiaries would have to meet certain eligibility criteria. The demonstration project would not change the amount of payments made to MA plans. However, participating plans would have flexibility to use their existing rebate dollars to provide certain long-term care services and supports, including homemaker services, home-delivered meals, and other services as the Secretary determines appropriate. The demonstration program and its evaluation would be financed through a transfer of

\$3.5 million from the Hospital Insurance and Supplemental Medical Insurance Trust Funds; CBO estimates that those funds would be spent 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 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. 704, as ordered reported by the Senate Committee on Finance on June 24, 2015

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | | 2016- | 2016- |
|--|--|------|------|------|------|------|------|------|------|------|------|-------|-------|
| | 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 | 0 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 3 | 4 |

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 704 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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