CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 15, 2015

S. 861
Preventing and Reducing Improper Medicare and Medicaid Expenditures Act of 2015

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

SUMMARY

S. 861 would aim to reduce improper payments in the Medicare and Medicaid programs. CBO estimates that enacting the bill would increase revenues by $20 million over the 2016-2025 period. Because the legislation would affect revenues, pay-as-you-go procedures apply. Enacting the legislation would not affect direct spending.

S. 861 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 effects of S. 861 are shown in the following table.

	By Fiscal Year, in Millions of Dollars											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
CHANGES IN REVENUES												
Estimated Revenues	2	2	2	2	2	2	2	2	2	2	10	20

BASIS OF ESTIMATE

CBO assumes that S. 861 will be enacted by the end of fiscal year 2015.

S. 861 would direct the Secretary of Health and Human Services (HHS) to establish incentives for Medicare administrative contractors (MACs), which process and pay claims, to reduce the improper payment rate in that program.[1] Funding for MACs is subject to appropriation. The Secretary would be allowed to make bonus payments to MACs with low improper payment rates and reduce payments to those MACs with high improper payment rates. CBO expects the Secretary would set the payment reductions and bonus payments so that they would leave total spending unchanged. Therefore, CBO estimates that implementing this provision would not have a significant effect on discretionary costs.

The bill also would provide the Secretary with additional flexibility to administer the Medicaid Integrity Program by removing a limit on the number and type of staff that the Secretary may hire to conduct integrity activities under the program. In addition, S. 861 would require the Secretary to establish a plan to encourage and facilitate the participation of states in the Medicare-Medicaid Data Match Program. Funding for both the Medicaid Integrity Program and the Data Match Program is mandatory, the amounts available ($83 million and $60 million, respectively, for fiscal year 2015) are specified in statute, and CBO expects those amounts would all be spent under current law. CBO estimates that while these provisions would increase flexibility, total spending would not change.

S. 861 would permit HHS to impose financial penalties for misuse of personally identifiable data of individuals who receive health care through Medicare, Medicaid, or the Children's Health Insurance Program. The same penalties could be levied on individuals who misuse provider billing information. The bill also would allow violators to be incarcerated for not more than 10 years for those offenses. Based on information about the frequency of such crimes, CBO estimates that $2 million in penalties would be assessed annually, thus increasing federal revenues by $20 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 revenues that are subject to those pay-as-you-go procedures are shown in the following table.

1. In general, improper payments are any payments in an incorrect amount (whether an under- or overpayment) or to the wrong person or entity. Some improper payments may be fraudulent, but others arise from human error, mistakes in documentation, waste, or abuse. Federal agencies are required to calculate improper payment rates for programs within their jurisdiction.

CBO Estimate of Pay-As-You-Go Effects for S. 861 as ordered reported by the Senate Committee on Finance on June 24, 2015

	By Fiscal Year, in Millions of Dollars												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015-2020	2015-2025
NET DECREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	2	2	2	2	2	2	2	2	2	2	10	20

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 861contains 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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