



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

June 22, 2015

S. 984
Steve Gleason Act of 2015

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

SUMMARY

S. 984 would modify Medicare coverage and payment rules for speech-generating devices (SGDs). CBO estimates that enacting S. 984 would increase direct spending by \$28 million over the 2016-2025 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending.

S. 984 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 effect of S. 984 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-
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025	
CHANGES IN DIRECT SPENDING														
Estimated Budget Authority	0	5	5	4	-3	2	3	3	3	3	3	13	28	
Estimated Outlays	0	5	5	4	-3	2	3	3	3	3	3	13	28	

BASIS OF ESTIMATE

SGDs assist individuals who have lost the ability to speak because of diseases like amyotrophic lateral sclerosis (ALS) and Parkinson’s disease. Under current law, the Medicare program covers certain SGDs through the durable medical equipment (DME) benefit. Payments are made on a capped-rental basis; that is, Medicare makes a monthly

payment for a set period (of 13 months). At the end of the capped rental period, the beneficiary may choose to own the item or can return it if it is no longer needed. If the beneficiary enters institutional care during the rental period, Medicare does not make a payment, because the facility is responsible for all items and services needed for beneficiary care.¹

S. 984 would make two changes to Medicare coverage and payment rules. The first change would revise the definition of DME to include eye-tracking and gaze-interaction devices, which allow beneficiaries to use SGDs when they are unable to use their limbs to operate the devices. In CBO's judgment, that change would codify current Medicare practice and would have no budgetary impact.

The legislation would also modify the capped-rental designation for SGDs and allow beneficiaries to purchase them immediately, rather than assume ownership at the end of the rental period. The legislation would make this purchase option available from October 1, 2015 through September 30, 2018. CBO expects that many beneficiaries would choose immediate purchase, rather than opting for rental, to ensure continuous access to the device. Although the total cost of 13 monthly payments exceeds the up-front purchase price for SGDs, many beneficiaries do not use the device for the full 13 months, thus lowering average payments for SGDs under the capped-rental approach. On that basis, CBO estimates that Medicare's payments for SGDs would be higher on average under S. 984, raising federal spending in the 2016-2018 period.

CBO estimates that S. 984 would increase spending after 2018 because the Centers for Medicare and Medicaid Services (CMS), which administers the Medicare program, might not revert to the capped-rental system. If CMS does revert to the capped-rental system, spending in 2019 would be lower, as some beneficiaries would choose to purchase SGDs in 2018, thus eliminating spending for some rental months in 2019. If instead outright purchase is allowed to continue, CBO estimates that federal spending would increase for the reasons discussed above. The net effects of those two possibilities would be a decrease in spending in 2019 and increased federal spending in the years 2020 through 2025. In total, CBO estimates that by providing an option to purchase SGDs, S. 984 would increase federal spending by \$28 million over the 2016-2025 period.

For this estimate, CBO assumes that S. 984 will be enacted near the end of fiscal year 2015.

1. The beneficiary may retain the item during institutionalization or the supplier can take it back, returning it when the beneficiary is discharged. Time spent in an institutional setting generally does not count toward the 13-month rental period, because Medicare is not making a payment.

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. 984, as ordered reported by the House Committee on Ways and Means on June 2, 2015

	By Fiscal Year, in Millions of Dollars											2015-	2015-
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025
NET INCREASE OR DECREASE (-) IN THE [ON-BUDGET] DEFICIT													
Statutory Pay-As-You-Go Impact	0	5	5	4	-3	2	3	3	3	3	3	13	28

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 984 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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