CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 15, 2017

H.R. 2465
Steve Gleason Enduring Voices Act of 2017

As ordered reported by the House Committee on Energy and Commerce on October 4, 2017

SUMMARY

H.R. 2465 would modify Medicare coverage and payment rules for speech-generating devices (SGDs). CBO estimates that enacting H.R. 2465 would increase direct spending by $12 million over the 2018-2027 period.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. The legislation would not affect revenues.

CBO estimates that enacting H.R. 2465 would not increase net direct spending or on-budget deficits by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2028.

H.R. 2465 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 H.R. 2465 is shown in the following table. The costs of this legislation fall within budget function 570 (Medicare).

	By Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2022	2018-2027
INCREASES IN DIRECT SPENDING												
Estimated Budget Authority	0	1	1	1	1	1	1	2	2	2	4	12
Estimated Outlays	0	1	1	1	1	1	1	2	2	2	4	12

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2465 will be enacted late in calendar year 2017.

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. In general, Medicare pays for DME like SGDs on a capped-rental basis; that is, Medicare makes a monthly payment for a set period (13 months). At the end of the capped rental period, the beneficiary may choose to own the item or return it. 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.

Since enactment of the Steve Gleason Act of 2015 (Public Law 114-40), Medicare beneficiaries who need SGDs have had the option of purchasing them immediately, rather than assuming ownership at the end of the rental period. That legislation made the purchase option available from October 1, 2015, through September 30, 2018. H.R. 2465 would make the purchase option permanent.

CBO estimates that about 5,000 beneficiaries annually could need an SGD and expects many beneficiaries would choose immediate purchase, rather than opting for rental, to ensure continuous access to the device. Although the total rental cost of 13 monthly payments (about $9,800 in 2017) exceeds the up-front purchase price (about $7,500 in 2017) for SGDs, many beneficiaries do not use the device for the full 13 months. CBO estimates that, on average, Medicare makes rental payments for SGD for about eight months. Thus average payments for SGDs under the capped-rental approach are lower than under the purchase option. On that basis, CBO estimates that Medicare's payments for SGDs would be higher on average under H.R. 2465, raising federal spending over the 2018-2027 period.

In its analysis of the 2015 legislation, CBO estimated that the bill would increase spending after 2018, even with a temporary change in the statute, because the Centers for Medicare and Medicaid Services (CMS), which administers the Medicare program, might continue to allow direct purchase after 2018—instead of reverting to capped rental. Thus, CBO's baseline projections reflect the possibility that the direct-purchase option for SGDs will continue beyond 2018. Accordingly, this estimate includes only the incremental costs beyond those already included in CBO's baseline projections. CBO estimates that by providing a permanent option to purchase SGDs, H.R. 2465 would increase federal spending by $12 million over the 2018-2027 period, less than half of the amount in baseline.[1]

1. For more information on CBO's prior estimate, see Congressional Budget Office, Cost Estimate for S. 984, June 22, 2015, www.cbo.gov/publication/50340

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 H.R. 2465, as ordered reported by the House Committee on Energy and Commerce on October 4, 2017

	By Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2022	2018-2027
NET INCREASE IN THE [ON-BUDGET] DEFICIT												
Statutory Pay-As-You-Go Impact	0	1	1	1	1	1	1	2	2	2	4	12

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2028.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2465 contains no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY:

Federal Costs: Lara Robillard
Mandates: Amy Petz

ESTIMATE APPROVED BY:

Theresa Gullo
Assistant Director for Budget Analysis