



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

September 10, 2018

H.R. 6690
Fighting Fraud to Protect Care for Seniors Act of 2018
As ordered reported by the House Committee on Ways and Means on September 5, 2018

SUMMARY

H.R. 6690 would direct the Secretary of Health and Human Services (HHS) to implement a pilot program for smart cards in the Medicare program. CBO estimates that enacting H.R. 6690 would cost \$40 million over the 2019-2023 period, assuming the availability of appropriated funds.

Enacting the bill would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 6690 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 6690 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. 6690 is shown in the following table. The costs of the legislation fall within budget function 570 (Medicare).

	By Fiscal Year, in Millions of Dollars						2019-2023
	2018	2019	2020	2021	2022	2023	
INCREASES OR DECREASES (-) IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Authorization Level	0	40	0	0	0	0	40
Estimated Outlays	0	5	5	10	10	10	40

BASIS OF ESTIMATE

Cards that include integrated computer circuitry are called smart cards and have many uses, including banking, identification, and data storage. Smart cards also can be used for health care coverage and payment purposes. In France, for example, the *carte vitale* includes information about coverage and benefits under the country's social insurance system and a photo of the covered individual.

When individuals begin Medicare coverage, whether through age or disability, they receive an identification card, which is presented when receiving medical services and has an identification number unique to the beneficiary. Medicare cards are not smart cards and do not have any sort of technology, like a computer chip, to furnish additional information about the beneficiary, such as identity verification or previous medical care.

H.R. 6690 would direct the Secretary of HHS to conduct a pilot project for smart cards within the Medicare program. Within 36 months, the Secretary would be required to select at least three geographic areas in which to conduct the test. The pilot would include no more than 2,000 suppliers and providers, who would be selected partly because the category of services provided is at high risk of fraud, waste, or abuse. Providers could apply for a hardship exemption if participation was not feasible—because, for example, they lack internet access. All beneficiaries in the designated geographic areas would receive a smart card, but could continue to receive services from providers and suppliers not enrolled in the demonstration.

Based on discussions with and data from representatives of the smart-card industry, CBO estimates that the demonstration would cost about \$40 million over the 2019-2023 period, assuming the availability of appropriated funds. That estimated cost includes a contract with a private-sector entity to implement the demonstration, as well as costs for cards and card readers, software, and other technical components. Among the elements of the demonstration, CBO estimates that each card would cost around \$2.50 and card readers would cost around \$1 million in total.

H.R. 6690 would give the Secretary considerable latitude in implementing the demonstration within a relatively short timeframe. CBO anticipates that the demonstration would be designed in a way to allow implementation within 36 months and to minimize any burden on providers or beneficiaries. CBO also expects that the pilot program would focus on providers who have a face-to-face interaction with beneficiaries for primary or routine care—for example, general practitioners and internists who see beneficiaries for scheduled office visits.

CBO aims to produce estimates that generally reflect the middle of a range of the most likely budgetary outcomes that would result if the legislation was enacted. Because

H.R. 6690 gives the HHS Secretary considerable flexibility in designing the smart card pilot program, it is possible that implementation—and therefore costs—could be different from what CBO estimates.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 6690 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

H.R. 6690 contains no intergovernmental or private-sector mandates as defined in UMRA.

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