



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 19, 2018

H.R. 5306 **Ensuring Medicaid Provides Opportunities for Widespread Equity, Resources, and Care Act**

*As ordered reported by the House Committee on Energy and Commerce
on September 13, 2018*

SUMMARY

H.R. 5306 would reauthorize and amend the Money Follows the Person (MFP) demonstration which provides states with an enhanced reimbursement for Medicaid services that promote the use of home and community-based health care services in place of institutional, long-term care services. CBO estimates that enacting H.R. 5306 would increase direct spending by \$882 million over the 2019-2028 period. Because H.R. 5306 would affect direct spending pay-as-you-go procedures apply. H.R. 5306 would not affect revenues.

The bill also would require the department of Health and Human Services (HHS) and the Medicaid and Children's Health Insurance Program Payment and Access Commission (MACPAC) to produce reports related to the demonstration. CBO estimates that producing the reports would cost about \$1 million over the 2019-2023 period, assuming availability of appropriated funds.

CBO estimates that enacting H.R. 5306 would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2029.

H.R. 5306 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. 5306 is shown in the following table. The costs of the legislation fall within budget function 550 (health).

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | 2019- | 2019- |
|-------------------------------------|--|------|------|------|------|------|------|------|------|------|-------|-------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2023 | 2028 |
| INCREASES IN DIRECT SPENDING | | | | | | | | | | | | |
| Budget Authority | 900 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 900 | 900 |
| Estimated Outlays | 0 | 13 | 171 | 360 | 270 | 68 | 0 | 0 | 0 | 0 | 814 | 882 |

H.R. 5306 would provide \$450 million in each of fiscal years 2018 and 2019. Those amounts are shown in fiscal year 2019. In addition, the bill would increase spending subject to appropriation by about \$1 million, assuming appropriation of the estimated amount.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5306 will be enacted late in 2018 and that estimated outlays will follow historical spending patterns for the authorized program.

Direct Spending

The MFP demonstration helps states transition Medicaid beneficiaries from institutional settings to home and community-based settings. First authorized in 2006 and extended in 2010, appropriations for the demonstration ended in 2016. Under current law, states can continue to claim enhanced reimbursement through fiscal year 2020 from any unused funds and continue to transition beneficiaries through the end of 2018. However, several states have already ended enrollment in their demonstrations.

H.R. 5306 would extend the MFP demonstration through 2019 and appropriate a total of \$900 million to be available until expended. The bill also would require states to provide additional information to HHS and expand who would be eligible for MFP services. The bill would expand eligibility by allowing people who live in an institution for more than 60 consecutive days (instead of 90) to participate. Stays in an institution for purposes of receiving short-term rehabilitative services also would count toward meeting that 60-day threshold.

CBO expects that HHS would obligate all funds in 2019. Based on the historical spending pattern of the demonstration program, CBO estimates that the bill would increase direct spending by \$882 million over the 2019-2028 period.

Spending Subject to Appropriation

H.R. 5306 also would require HHS to produce reports that evaluate the demonstration and discuss the best practices carried out by states operating the demonstration. The bill would authorize HHS to use up to \$2.5 million of the funds appropriated in the bill for

such purposes. However, based on information from HHS, CBO estimates that the Department would require more than \$3 million to complete those reports. As a result, CBO estimates that the additional funding required would total about \$1 million over the 2019-2023 period. Such spending would be subject to the availability of appropriated funds.

The bill also would direct MACPAC to produce a report on services provided under MFP that qualify as home and community-based settings as defined under a federal regulation issued in 2014 and to provide recommendations for aligning MFP services with that regulation. Based on information from the MACPAC, CBO estimates that producing the report and developing recommendations would cost less than \$500,000 over the 2019-2023 period; that spending also would be subject to the availability of appropriated funds.

UNCERTAINTY

Total outlays and the rate at which outlays would occur for the MFP demonstration could be higher or lower than CBO estimated for two reasons. First, states that have already ended enrollment in their demonstrations may choose to not participate in the extension; in that case outlays could be lower than CBO estimated. By contrast, changes in the bill that expand who is eligible to participate in the demonstration could significantly increase the rate and total amount of outlays that could occur under the demonstration. Also, direct spending budget authority would be lower by \$450 million if funds appropriated by the bill for 2018 were not made available.

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 are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 5306, as ordered reported by the House Committee on Energy and Commerce on September 13, 2018.

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | 2019- 2023 | 2019- 2028 |
|------------------------------------|--|------|------|------|------|------|------|------|------|------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | | |
| NET INCREASE IN THE DEFICIT | | | | | | | | | | | | |
| Statutory Pay-As-You-Go Effect | 0 | 13 | 171 | 360 | 270 | 68 | 0 | 0 | 0 | 0 | 814 | 882 |

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 5306 would not increase net direct spending by more than \$5 billion or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

H.R. 5306 contains no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY

Federal Costs: Lisa Ramirez-Branum
Mandates: Andrew Laughlin

ESTIMATE REVIEWED BY

Chad Chirico
Chief, Low-Income Health Programs and Prescription Drugs Cost Estimates Unit

Leo Lex
Deputy Assistant Director for Budget Analysis