

At a Glance

H.R. 3429, HEARTS and Rural Relief Act

As ordered reported by the House Committee on Ways and Means on June 26, 2019

By Fiscal Year, Millions of Dollars	2019	2019-2024	2019-2029
Direct Spending (Outlays)	0	23	43
Revenues	0	0	0
Deficit Effect	0	23	43
Spending Subject to Appropriation (Outlays)	0	*	0

Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = Between 0 and \$500,000

The bill would

- Modify the rules for coordinating coverage between Medicare and TRICARE, the military health benefits plan
- Make the DNA specimen provenance assay (DSPA) for prostate cancer screening a Medicare-covered service
- Make funding available to improve fee-for-service benefits in Medicare
- Prohibit Medicare payment adjustments for some durable medical equipment (DME)
- Change supervision requirements for some outpatient services

Estimated budgetary effects would primarily stem from

- Changing the rules for Medicare and TRICARE coordination
- Adding Medicare coverage for the DSPA
- Excluding Medicare payment adjustments for some DME
- Spending of funds deposited into the Medicare Improvement Fund

Areas of significant uncertainty include

- Projecting the number of military retirees who would forgo enrollment in Medicare Part B
- Anticipating trends in prostate cancer testing and treatment

Detailed estimate begins on the next page.



Bill Summary

H.R. 3429 would modify the rules under which TRICARE (the health benefits plan for members of the armed forces, their families, retirees, and some survivors and former spouses) coordinates with Medicare. The bill also would add the DNA provenance assay for prostate cancer to the list of Medicare-covered services, and provide for deposits into the Medicare Improvement Fund. Other provisions would change Medicare’s payments for some durable medical equipment and change supervision requirements for certain services.

Estimated Federal Cost

The estimated budgetary effect of H.R. 3429 is shown in Table 1. The costs of the legislation fall within budget functions 550 (health) and 570 (Medicare).

Table 1.
Estimated Budgetary Effects of H.R. 3429

	By Fiscal Year, Millions of Dollars											2019-2024	2019-2029
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
Increases or Decreases (-) in Direct Spending													
The HEARTS Act of 2019													
TRICARE and Medicare Part B Enrollment													
Estimated Budget Authority	0	0	0	0	0	*	1	1	1	1	1	*	4
Estimated Outlays	0	0	0	0	0	*	1	1	1	1	1	*	4
Coverage for the DNA Specimen Provenance Assay													
Estimated Budget Authority	0	*	-3	-14	-15	-17	-17	-8	-1	0	0	-48	-74
Estimated Outlays	0	*	-3	-14	-15	-17	-17	-8	-1	0	0	-48	-74
Medicare Improvement Fund													
Estimated Budget Authority	0	0	0	0	0	5	3	0	0	0	0	5	8
Estimated Outlays	0	0	0	0	0	5	3	0	0	0	0	5	8
Subtotal HEARTS Act													
Estimated Budget Authority	0	*	-3	-14	-15	-11	-14	-7	-1	1	1	-43	-62
Estimated Outlays	0	*	-3	-14	-15	-11	-14	-7	-1	1	1	-43	-62
Other Provisions													
Complex Rehabilitative Manual Wheelchairs and Accessories													
Estimated Budget Authority	0	30	30	0	0	0	5	5	5	10	15	60	100
Estimated Outlays	0	30	30	0	0	0	5	5	5	10	15	60	100
Supervision Requirements for Outpatient Therapeutic Services													
Estimated Budget Authority	0	1	3	1	0	0	0	0	0	0	0	5	5
Estimated Outlays	0	1	3	1	0	0	0	0	0	0	0	5	5
Total Changes													
Estimated Budget Authority	0	31	30	-12	-15	-11	-9	-2	4	11	16	23	43
Estimated Outlays	0	31	30	-12	-15	-11	-9	-2	4	11	16	23	43

Components may not sum to totals because of rounding; * = between -\$500,000 and \$500,000.



Basis of Estimate

For this estimate, CBO assumes that the bill will be enacted near the end of fiscal year 2019.

Direct Spending

Several provisions of section 2 (referred to in the bill as the Health Equity and Access for Returning Troops and Servicemembers, or HEARTS, Act of 2019) would decrease direct spending, on net, by \$62 million over the 2019-2029 period. Including the effects of other provisions, the bill would, on net, increase direct spending by \$43 million over the 2019-2029 period.

TRICARE and Medicare Part B Enrollment. The health care of most armed forces retirees and their family members is paid for by TRICARE. When those beneficiaries become eligible for Medicare, TRICARE provides supplemental health benefits: It pays for almost all of a beneficiary's physician and hospital charges that are not covered by Medicare. Eligible beneficiaries must enroll in Medicare Part B to receive those supplemental benefits. After 2023, disabled retirees who are eligible for Social Security Disability Insurance would be allowed to forgo enrollment in Medicare Part B if they return to the workforce. In those circumstances, Medicare would pay for hospital inpatient services and TRICARE would pay for most outpatient services.

CBO estimates that each year about 350 military retirees would choose not to enroll in Medicare Part B. The added cost to TRICARE would mostly be offset by a corresponding reduction in benefits paid by Medicare. However, the annual net cost to the government would be about \$2,000 per beneficiary, mainly from the forgone receipts of Medicare Part B premiums. In total, CBO estimates, enacting this provision would increase direct spending by about \$4 million over the 2024-2029 period.

Coverage for the DNA Specimen Provenance Assay. H.R. 3429 would establish Medicare coverage of and payment for the DSPA, which is used to test genetic material in prostate cancer biopsy specimens to ensure that the sample came from the beneficiary to whom it is attributed.

CBO estimates that, on average, the annual cost of treatment for prostate cancer is about \$29,000 per patient. Clinical data indicate that a prostate biopsy can yield a false positive if a sample is contaminated with material from a different patient, thus risking unnecessary medical intervention. CBO expects that the new provision requiring Medicare to cover the test would increase its use, reduce the number of false positives, and lower treatment costs.

Using clinical and other information, CBO estimates that about 1.5 percent of all assays would reveal a false positive and thus prevent unnecessary treatment; the number of men who did not undergo treatment would rise from about 60 in 2019 to 450 in 2029. The savings from averted treatment would more than offset the cost of DSPA testing. The net reduction in costs over the 2019-2029 period would be \$74 million, CBO estimates.



Medicare Improvement Fund. H.R. 3429 would provide \$5 million to make improvements to the Medicare fee-for-service program in fiscal year 2024 and increase fee-for-service spending. Such an increase will lead to higher payments to Medicare Advantage plans and collections of Part B premiums. Taking those effects into account, CBO estimates that this provision would increase direct spending for Medicare by \$8 million over the 2019-2029 period.

Coverage for Complex Rehabilitative Manual Wheelchairs and Wheelchair Accessories. Medicare's payments for some durable medical equipment, including wheelchairs, hospital beds, and diabetic-testing supplies, are based on bids submitted by suppliers. Not all DME is subject to competitive bidding, and bids are used only in some parts of the country.

The Centers for Medicare & Medicaid Services (CMS) can use comparable bids to adjust prices for items and geographic areas not currently included in the competitive-bidding program. This provision would prevent CMS from adjusting the Medicare payment rate for specific wheelchair accessories on the basis of the comparable bids it receives. The bill also would exclude certain types of wheelchairs from competitive bidding.

CBO compared current prices for the relevant DME with average discounts for items included in competitive bidding. On the basis of that price difference and the expected volume of use for those items, CBO estimates that the provision would increase direct spending by about \$100 million over the 2020-2029 period.

Supervision Requirements for Outpatient Therapeutic Services. In general, hospital outpatient therapeutic services must be provided to patients under the direct supervision of physicians. There is an exception to that requirement under current law for patients in critical access and small rural hospitals; however, that exception expires on December 31, 2019. H.R. 3429 would require the Secretary of Health and Human Services to continue to apply the exception through calendar year 2021 and also apply it to those hospitals for any other services added to the list of services requiring direct supervision. CBO estimates that this provision would increase direct spending by \$5 million over the 2019-2029 period because of additional services provided to Medicare beneficiaries.¹

1. On August 9, 2019, the Secretary issued a proposed rule for 2020 that would change the required level of supervision from direct to general, which is identical to a provision in H.R. 3429. In accordance with CBO's standard practice for incorporating the effects of proposed rules in its baseline projections, CBO's baseline reflects the assumption that there is a 50 percent chance that the final issued rule will be the same as the proposed one and a 50 percent chance that no new rule like the proposed one will be issued. On the basis of that assumption, the estimated increase in direct spending of \$5 million over the 2020-2029 period reflects a 50 percent reduction from the full cost of \$11 million.



Uncertainty

The number of TRICARE beneficiaries who choose to forgo enrollment in Medicare Part B under the new rules proposed by section 2 could differ from CBO's estimate, and thus the estimated federal cost of that provision could be higher or lower than CBO estimates.

CBO's estimate for the provision concerning the DSPA is based on trends in testing and treatment of prostate cancer. Over time, treatment options could change and thus affect the costs of averting treatment.

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 Table 1.

Increase in Long-Term Deficits

CBO estimates that enacting H.R. 3429 would not significantly increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2030.

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