



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

January 31, 2006

Honorable Joe Barton
Chairman
Committee on Energy
and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

At the request of your staff, the Congressional Budget Office has prepared the attached memorandum that provides additional information about our estimate of the budget impact of the Medicaid provisions in S. 1932, the Deficit Reduction Act of 2005.

I hope this information is helpful to you. The staff contacts for further information are Jeanne De Sa and Eric Rollins, who can be reached at 226-9010.

Sincerely,

Donald B. Marron
Acting Director

Attachment

cc: Honorable John D. Dingell
Ranking Member

Honorable Jim Nussle
Chairman
Committee on the Budget

Honorable John M. Spratt Jr.
Ranking Member

Honorable Joe Barton
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Honorable Judd Gregg
Chairman
Senate Committee on the Budget

Honorable Kent Conrad
Ranking Member

Honorable Charles E. Grassley
Chairman
Senate Committee on Finance

Honorable Max Baucus
Ranking Democratic Member

Additional Information on CBO's Estimate for the Medicaid Provisions in the Conference Agreement for S. 1932, the Deficit Reduction Act of 2005

The Congressional Budget Office (CBO) estimates that the provisions of subtitle A of title VI of S. 1932 would reduce federal Medicaid spending by \$7 billion over the 2006-2010 period and \$28 billion over the 2006-2015 period. (For more information, see CBO's cost estimate for the conference agreement for S. 1932, the Deficit Reduction Act of 2005, issued on January 27, 2006. On that date, CBO also issued a memorandum that provided additional information on the projected impact of some of the act's provisions.)

Subtitle A contains a number of provisions that would increase Medicaid spending by expanding coverage to certain disabled children, providing additional long-term care benefits to existing enrollees, and expanding the provision of long-term care in community settings. This memorandum provides additional information about CBO's estimates and the number of Medicaid enrollees who would be affected by those provisions.

Family Opportunity Act

- CBO estimates that allowing states to expand coverage to disabled children in families with income up to 300 percent of the poverty level would increase Medicaid spending by \$6.4 billion over the 2006-2015 period. As a result, we expect that about 115,000 children would gain Medicaid coverage by 2015.
- We estimate that Medicaid would supplement employer-sponsored health insurance for about 55,000 of those disabled children. In those cases, Medicaid would pay for services that are not covered by private health insurance. CBO also estimates that another 5,000 of those children would otherwise be enrolled in the State Children's Health Insurance Program and instead would qualify for Medicaid under the act. In the absence of this legislation, the remaining children would either be uninsured or have employer-sponsored coverage for which the employer subsidizes less than half of the cost of premiums. Under the act, CBO expects that this latter group would substitute Medicaid coverage for private health insurance.

Home- and Community-Based Services

- CBO estimates that this subtitle would increase spending by \$2.6 billion over the 10-year period by allowing states to: (1) provide home- and community-based services to enrollees with income below 150 percent of the poverty level without first getting a waiver from the Centers for Medicare and Medicaid Services, and (2) to provide services to individuals who do not require the level of care provided in a nursing home. By 2015, we expect that states with about one-quarter of enrollees would use that new authority to provide additional services to about 120,000 enrollees.

Money-Follows-the-Person Demonstration

- The subtitle would provide \$1.8 billion over five years for states to provide 12 months of long-term care services in a community setting to individuals who currently receive Medicaid services in nursing homes. CBO estimates that states would implement the program over a three-year period and that about 100,000 people would leave nursing homes and receive services through the program over the 2007-2012 period.
- CBO expects that, even without this new program, about 25 percent of those individuals will leave nursing homes and receive Medicaid long-term care services in the community.
- We anticipate that about one-half of the individuals participating in the program would continue to receive Medicaid long-term care services in community settings for at least a year after the 12-month demonstration period.

Cash and Counseling Programs

- CBO estimates that the provision of the subtitle that would allow certain enrollees who receive long-term care services in the community to contract directly with providers using a preset budget would increase spending by \$360 million over 10 years. We estimate that about 60,000 enrollees would choose to participate in the program.
- We expect that about 75 percent of those participants would otherwise receive some form of Medicaid long-term care services in the community (through either a waiver program or the program's personal care benefit). The remaining enrollees would not receive long-term care services.

Uncertainty of Estimates

CBO's estimates for the provisions discussed in this memorandum are particularly uncertain in several areas. We have limited information about the number of children who would qualify as disabled under the act and thus potentially be eligible for Medicaid. How states would view the new options to cover disabled children and expand the availability of long-term care in community settings is also very uncertain. Finally, our estimate of the number of nursing home residents who could be moved to community-based settings is based on limited survey data of individuals who are discharged from nursing homes.