



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

July 29, 1999

**H.R. 353
Amyotrophic Lateral Sclerosis (ALS) Treatment
and Assistance Act of 1999**

As introduced on January 19, 1999

SUMMARY

Under current law, individuals younger than 65 become eligible for Medicare 24 months after becoming eligible for Social Security disability benefits. H.R. 353 would waive that 24-month waiting period for individuals with ALS. The bill also would expand the benefits covered under Part B of Medicare to include drugs prescribed to treat ALS or alleviate symptoms relating to ALS.

CBO estimates that enactment of H.R. 353 would increase federal spending by \$60 million in 2000 and about \$440 million over the 2000-2004 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

The bill contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act. Because ALS patients could qualify for Medicare coverage sooner under the bill, states would realize Medicaid savings of about \$2 million annually for fiscal years 2000 through 2004.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 353 is shown in the following table. The costs and savings of this legislation fall within budget functions 550 (health) and 570 (Medicare).

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
CHANGES IN DIRECT SPENDING						
Medicare	0	62	90	95	99	104
Medicaid	<u>0</u>	<u>-2</u>	<u>-3</u>	<u>-3</u>	<u>-3</u>	<u>-3</u>
Total	0	60	87	92	96	101

BASIS OF ESTIMATE

Under current law, ALS patients under age 65 are eligible for Medicare 24 months after becoming eligible for Social Security disability benefits. Based on average life expectancy of ALS patients after disability, CBO estimates that eliminating the waiting period would add approximately 2,500 disabled beneficiaries to the 8,000 aged and disabled Medicare beneficiaries with ALS. Based on 1996 Medicare claims data, CBO estimates that Medicare spending for currently covered benefits would average \$22,000 per new beneficiary in 2000 and would rise to about \$29,000 by 2009.

The bill would provide coverage of certain prescription drugs to current and new Medicare beneficiaries with ALS. Covered drugs would include both those approved by the Food and Drug Administration (FDA) for treatment of ALS and drugs prescribed to alleviate symptoms of ALS.

Rilutek is the only FDA-approved drug therapy for treatment of ALS. It currently is taken by a minority of ALS patients; limited effectiveness and side-effects—rather than cost and access—appear to be the major barriers to greater consumption. Under H.R. 353, CBO assumes that about 20 percent of Medicare beneficiaries with ALS would use Rilutek. The estimated cost per user would be \$8,000 in 2000, and would increase to about \$12,000 in 2009. CBO further assumes that new drug therapies for the treatment of ALS will be developed and approved during the 2000-2009 period and that, by 2009, Medicare spending on new drug therapies would equal Medicare spending on Rilutek.

CBO contacted physicians specializing in the treatment of ALS to identify the types and quantities of drugs commonly prescribed to alleviate symptoms of ALS, which include muscle stiffness and cramping, depression, and pain. CBO estimates that the cost to

Medicare of providing such drugs to beneficiaries with ALS would rise from an average of \$1,800 per beneficiary in 2000 to \$2,200 in 2009.

Enactment of H.R. 353 would lead to higher capitation payments to Medicare+Choice plans beginning in 2001 because, under current law, updates to payment rates for Medicare+Choice plans are linked to growth in fee-for-service spending. Part of the increase in Medicare outlays would be offset by an increase in Part B premium collections. In addition, H.R. 353 would reduce federal Medicaid outlays because, under current law, Medicaid covers a share of the medical services and prescription drugs for low-income individuals that Medicare would cover under H.R. 353.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars											
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Changes in outlays		0	60	87	92	96	101	110	117	129	143	157

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 353 contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act. Because ALS patients could qualify for Medicare coverage sooner under the bill, states would realize Medicaid savings of about \$2 million annually for fiscal years 2000 through 2004.

ESTIMATE PREPARED BY:

Federal Costs: Michael Birnbaum

Impact on State, Local, and Tribal Governments: Leo Lex

Impact on the Private Sector: Sandra Christensen

ESTIMATE APPROVED BY:

Paul N. Van de Water

Assistant Director for Budget Analysis