



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

September 15, 1998

**H.R. 1018
Multiple Sclerosis Treatment Act of 1997**

As introduced on March 11, 1997

SUMMARY

The Multiple Sclerosis Treatment Act would add payment for interferon drugs for the treatment of multiple sclerosis (MS) as a covered benefit under Medicare's Supplementary Medical Insurance (SMI) program. CBO estimates that enactment of H.R. 1018 would increase direct spending by \$400 million in 1999 and by \$2.9 billion over the 1999-2003 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

H.R. 1018 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that states would realize Medicaid savings totaling about \$25 million over the 1999-2003 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1018 on direct spending is shown in the following table. The costs of this legislation fall within budget functions 570 (Medicare) and 550 (Health.)

	By Fiscal Year, in Millions of Dollars									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Medicare										
Fee-for-service prescription drugs	555	585	620	660	700	745	790	840	895	955
Payments to hospitals	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10
Payments to Medicare+Choice plans	0	145	200	205	270	320	410	410	510	580
Part B premiums	<u>-140</u>	<u>-185</u>	<u>-205</u>	<u>-215</u>	<u>-240</u>	<u>-265</u>	<u>-300</u>	<u>-310</u>	<u>-350</u>	<u>-385</u>
Subtotal	405	535	605	640	720	790	890	930	1,045	1,140
Medicaid	-5	-5	-5	-5	-10	-10	-10	-10	-10	-10
Total	400	530	600	635	710	780	880	920	1,035	1,130

BASIS OF ESTIMATE

The proposal would have Medicare pay 80 percent of the cost of interferon drugs, primarily interferon beta-1b and interferon beta-1a, for the treatment of multiple sclerosis. CBO estimated the number of beneficiaries with MS from diagnosis codes on physician claims and incidence rates of MS from the Multiple Sclerosis Society. Not all people with MS are able to tolerate interferon or find the drugs effective; thus, the number of beneficiaries susceptible to the drug's effects would be less than the number affected with MS. Under current law, CBO estimates that the number of Medicare beneficiaries with MS receiving interferon therapy will grow from 41,000 in 1999 to 46,000 in 2008. CBO estimates that Medicare coverage of interferon would increase these numbers to 55,000 in 1999 and 62,000 in 2008.

The proposal would affect Medicare spending in the fee-for-service sector, payments to Medicare+Choice plans, and Part B premium receipts, increasing net Medicare outlays by about \$2.9 billion over the 1999-2003 period. The proposal would also reduce federal spending for Medicaid by about \$30 million over the five-year period by making Medicare the primary payer for interferon furnished to dually eligible beneficiaries with MS.

Medicare fee-for-service spending for prescription drugs would increase by \$555 million in 1999 and \$700 million in 2003. Offsetting savings would accrue to the extent that providing coverage for these drugs to those not already receiving interferon would reduce the use of inpatient hospital services. CBO estimates that these savings would amount to about \$10 million a year.

Higher spending in the fee-for-service sector would lead to higher capitated payments to Medicare+Choice plans beginning in 2000, because annual increases in Medicare+Choice payment rates are based on increases in fee-for-service spending. CBO estimates that payments to Medicare+Choice plans would increase by about \$0.8 billion through 2003. Part of these higher Medicare outlays would be offset by increases in Part B premiums which would total about \$1.0 billion over the 1999-2003 period.

Providing coverage of drugs for MS would lower Medicaid spending for beneficiaries with both Medicare and Medicaid coverage (who currently have their drugs paid for by Medicaid). For services covered by Medicare, Medicaid is responsible for paying only the beneficiary's cost-sharing obligation, which would be 20 percent of the allowable cost of the prescription. Thus, adding interferon as a Medicare-covered service would reduce Medicaid's payments to 20 percent of the cost of the prescription. CBO estimates that this proposal would reduce the federal share of Medicaid spending by about \$30 million over the 1999-2003 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act establishes pay-as-you-go procedures for legislation affecting direct spending or receipts. Because the bill would affect direct spending, pay-as-you-go procedures would apply. The projected changes in direct spending and receipts that are subject to pay-as-you-go procedures are shown in the following table. For purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	400	530	600	635	710	780	880	920	1035	1,130
Changes in receipts										Not applicable

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1018, contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act. CBO estimates that states would realize Medicaid savings totaling about \$25 million over the 1999-2003 period.

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