CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 27, 1999

H.R. 1288
Medicare Medically Necessary Dental Care Act of 1997

As introduced on April 10, 1997

SUMMARY

H.R. 1288 would extend coverage under Medicare Part B for medically necessary dental services provided by dentists and other professionals to Medicare beneficiaries with certain medical conditions. CBO estimates that enactment of H.R. 1288 would increase direct spending by $155 million in 2000 and by $1.6 billion over the 2000-2004 period. The estimate assumes that the Secretary of Health and Human Services would interpret the dental benefit narrowly. Costs would be significantly higher under a broader interpretation.

H.R. 1288 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Because the bill would affect direct spending, pay-as-you-go procedures would apply.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1288 is shown in the following table. The costs of this legislation fall within budget function 570 (Medicare).

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Medicare Benefits	0	210	450	480	500	530	550	590	620	650	690
Part B Premiums	0	-55	-115	-120	-125	-135	-140	-145	-155	-165	-175
Total	0	155	335	360	375	395	410	445	465	485	515

BASIS OF ESTIMATE

Under current law, Medicare does not generally cover dental care. However, Medicare Part A does pay hospitals for certain inpatient dental services furnished to patients who require hospitalization on the basis of an underlying medical condition or the severity of the dental procedure. Coverage of services under Part B is limited primarily to professional services associated with dental care that is an integral part of another covered procedure.

H.R. 1288 would extend dental coverage under Part B for all medically necessary professional services furnished to patients with certain diagnoses during an inpatient stay or in an outpatient setting. The bill would cover dental services furnished in connection with treatment for valvular heart disease, cancer of the head or neck, lymphoma, leukemia, or organ transplants. The bill would allow the Secretary of Health and Human Services to designate additional diagnoses for which these services would be covered based on her determination that coverage of the services is cost-effective. CBO assumes the Secretary would decide to cover dental services furnished in connection with treatment for conditions such as renal failure and diabetes mellitus and to patients receiving immunosuppressive chemotherapy. The estimate assumes an effective date of April 1, 2000.

CBO estimated the cost of covering dental services and the savings that would accrue from avoided complications based on a review and updating of analyses conducted by the Health Care Financing Administration, the American Dental Association, the American Association of Hospital Dentists, and the Federation of Special Care Organizations in Dentistry. Those analyses examined use and cost of dental services by Medicare beneficiaries, the probability of receiving a covered dental service, and the incidence and cost of complications that could be prevented by the provision of dental services. CBO's estimate assumes that the probability that Medicare would cover a dental service would increase with the association of the dental visit with a hospitalization.

H.R. 1288 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 $1.6 billion over the 2000-2004 period. Under the bill, gross Medicare spending for dental benefits would increase by $280 million in 2000, and by $2.8 billion over the 2000-2004 period. Offsetting savings would accrue to the extent that providing coverage for these services would reduce the use of inpatient hospital services through fewer hospitalizations and a reduction in complications arising from dental infections during hospital stays for other medical conditions. CBO estimates that these savings would range from about $130 million to $210 million a year. Increases in Part B premiums receipts of $0.5 billion over the 2000-2004 period would cover a portion of the costs.

The expansion of dental benefits under H.R. 1288 would also affect Medicaid spending. The bill would increase Medicaid cost sharing through higher premiums and copayments for individuals who are eligible for both Medicare and Medicaid. To the extent that some states already cover these types of dental benefits in their Medicaid programs, however, that spending would no longer be necessary. In addition, Medicaid outlays would be lower because of fewer hospitalizations. On balance, CBO estimates that the bill would have no net effect on federal Medicaid spending.

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	155	335	360	375	395	410	445	465	485	515
Changes in receipts	0	0	0	0	0	0	0	0	0	0	0

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1288 contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act. As mentioned above, the bill would have a negligible effect on the Medicaid program. The net effect on state Medicaid spending would also be negligible. However, states with a generous dental benefit for the aged and disabled would likely realize savings, and states with no dental benefit for this group would incur small costs as a result of the bill.

ESTIMATE PREPARED BY:

Federal Costs: Julia Christensen
Impact on State, Local, and Tribal Governments: Leo Lex
Impact on the Private Sector: Bruce Vavrichek

ESTIMATE APPROVED BY:

Paul N. Van de Water
Assistant Director for Budget Analysis