



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 7, 2007

### **S. 1701**

**An act to provide for the extension of transitional medical assistance (TMA) and the abstinence education program through the end of fiscal year 2007, and for other purposes**

*As cleared by the Congress on July 11, 2007,  
and signed by the President on July 18, 2007*

#### **SUMMARY**

S. 1701 (enacted as Public Law 110-48) extends abstinence education programs and eligibility for transitional medical assistance (TMA) under Medicaid through September 30, 2007. The act also changes the rules for enrolling in Medicare Advantage plans and reduces the amount that can be spent to encourage certain health plans to participate in Medicare Advantage.

CBO estimates that S. 1701 will increase direct spending by \$4 million in 2007 and \$196 million over the 2007-2012 period, largely for transitional medical assistance. However, the act will also reduce direct spending by \$1 million in 2007 and by \$197 million over the 2007-2012 period by lowering payments to Medicare Advantage plans. On net, CBO estimates that the act will reduce direct spending by \$1 million over the 2007-2012 period, with no significant impact on spending after 2012.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 1701 is shown in the following table. The changes in direct spending fall within budget functions 500 (education, training, employment, and social services), 550 (health), and 570 (Medicare).

By Fiscal Year, in Millions of Dollars													
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2007-2012	2007-2017
<b>CHANGES IN DIRECT SPENDING</b>													
<b>Abstinence Education</b>													
Estimated Budget Authority	13	0	0	0	0	0	0	0	0	0	0	13	13
Estimated Outlays	4	5	2	1	1	0	0	0	0	0	0	11	11
<b>Transitional Medical Assistance</b>													
<b>Medicaid</b>													
Estimated Budget Authority	0	172	15	*	*	*	*	*	*	*	*	187	187
Estimated Outlays	0	172	15	*	*	*	*	*	*	*	*	187	187
<b>SCHIP</b>													
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	-2	*	*	*	*	*	*	*	*	*	-2	-2
<b>Repeal of Limited Continuous Enrollment Period</b>													
Estimated Budget Authority	-1	-76	-20	0	0	0	0	0	0	0	0	-97	-97
Estimated Outlays	-1	-76	-20	0	0	0	0	0	0	0	0	-97	-97
<b>Medicare Advantage Stabilization Fund</b>													
Estimated Budget Authority	0	0	0	0	0	-100	0	0	0	0	0	-100	-100
Estimated Outlays	0	0	0	0	0	-100	0	0	0	0	0	-100	-100
<b>Total Changes</b>													
Estimated Budget Authority	12	96	-5	*	*	-100	*	*	*	*	*	3	3
Estimated Outlays	3	99	-4	1	1	-100	*	*	*	*	*	-1	-1

Notes: Components may not sum to totals because of rounding.

SCHIP = State Children's Health Insurance Program.

\* = between -\$500,000 and \$500,000.

## BASIS OF ESTIMATE

The act contains provisions that will both increase and decrease direct spending. CBO estimates that the net impact will be savings of \$1 million over the 2007-2012 period, with no significant changes after 2012.

## **Abstinence Education**

S. 1701 appropriates an estimated \$12.5 million for the abstinence education program for the fourth quarter of fiscal year 2007. Based on the program's past spending pattern, CBO estimates that this provision will increase outlays by \$4 million in 2007 and by \$11 million over the 2007-2012 period.

## **Transitional Medical Assistance**

The act extends through September 30, 2007, the requirement that state Medicaid programs provide transitional medical assistance to certain beneficiaries—usually former recipients of funds from the Temporary Assistance for Needy Families program—who would otherwise lose eligibility because of increased earnings. This requirement had expired on June 30, 2007.

CBO estimates that the extension of TMA will increase federal Medicaid spending by \$172 million in 2008 and by \$187 million over the 2008-2012 period. Under prior law, qualifying families would still have received four months of additional eligibility under a separate provision of Medicaid law. With TMA, those families will be entitled to up to 12 months of additional eligibility (or longer in a handful of states), even if their eligibility runs beyond September 30, 2007. As a result, the provision has no budgetary effect in 2007 but will increase spending in 2008 and 2009.

The extension also will affect spending in the State Children's Health Insurance Program (SCHIP), lowering outlays in 2008 and increasing them slightly in subsequent years. Without TMA, CBO anticipates that some families leaving welfare between June 30, 2007, and September 30, 2007, would have had incomes high enough to make their children ineligible for Medicaid, and that some of the children in those families would have enrolled in SCHIP instead. The extension of TMA will make those children eligible for Medicaid and (because children who are eligible for Medicaid cannot enroll in SCHIP) reduce SCHIP spending by \$2 million in 2008.

## **Repeal of Limited Continuous Enrollment Period**

The Tax Relief and Health Care Act of 2006 (TRHCA) allowed beneficiaries enrolled in fee-for-service Medicare to join certain Medicare Advantage plans during 2007 and 2008 outside the normal open enrollment process, which occurs in January through March each year. S. 1701 eliminates that option, as of July 30, 2007, restoring the enrollment rules that existed before TRHCA.

CBO estimates that this change will slightly reduce average enrollment in Medicare Advantage plans over the 2007-2009 period. Because such plans cost the government about 12 percent more than fee-for-service Medicare, on average, that enrollment change will reduce federal outlays by \$1 million in 2007, \$76 million in 2008, and \$97 million over the 2007-2012 period.

### **Medicare Advantage Stabilization Fund**

The Medicare Modernization Act of 2003 appropriated \$10 billion for the Medicare Advantage Regional Plan Stabilization Fund for the 2007-2013 period to encourage participation of regional plans in Medicare Advantage. TRHCA reduced that appropriation to \$3.5 billion and limited the period of availability of funding to just 2012 and 2013. S. 1701 reduces the appropriation further, to about \$3.4 billion, and restricts the amount that can be spent from the fund in 2012 to \$1.6 billion. That amount is below CBO's projected spending from the fund for 2012, so we estimate this provision will reduce federal outlays by \$100 million in that year.

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