



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 16, 2009

S. 252 **Veterans Health Care Authorization Act of 2009**

*As ordered reported by the Senate Committee on Veterans' Affairs
on May 21, 2009*

SUMMARY

S. 252 would make several changes to existing veterans' health care programs and create a number of new health care programs for veterans. In total, CBO estimates that implementing the bill would cost almost \$900 million over the 2010-2014 period, assuming appropriation of the specified and estimated amounts. Enacting the bill would affect direct spending and revenues, but CBO estimates that impact would not be significant.

S. 252 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 252 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars					2010-
	2010	2011	2012	2013	2014	2014
CHANGES IN SPENDING SUBJECT TO APPROPRIATION ^a						
Pilot Program for Dental Insurance						
Estimated Authorization Level	10	65	85	85	85	330
Estimated Outlays	9	59	82	84	85	319
Health Care for Female Veterans						
Estimated Authorization Level	37	34	30	31	34	166
Estimated Outlays	34	33	30	31	34	162
Education Assistance						
Estimated Authorization Level	11	27	39	43	48	168
Estimated Outlays	10	25	37	42	47	161
Medical Personnel						
Estimated Authorization Level	18	18	19	19	20	94
Estimated Outlays	16	18	19	19	20	92
Quality Management						
Authorization Level	25	25	0	0	0	50
Estimated Outlays	23	25	2	0	0	50
Pilot Programs						
Estimated Authorization Level	10	10	7	7	7	41
Estimated Outlays	10	10	7	7	7	41
Expanded Eligibility for Vet Centers						
Authorization Level	10	9	6	6	6	37
Estimated Outlays	9	9	6	6	6	36
Specialized Residential and Rehabilitation Care						
Authorization Level	2	3	5	6	8	24
Estimated Outlays	2	3	5	6	8	24
Studies						
Authorization Level	3	0	0	0	0	3
Estimated Outlays	3	*	0	0	0	3
Uniforms for Police Offices						
Authorization Level	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5

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	By Fiscal Year, in Millions of Dollars					2010- 2014
	2010	2011	2012	2013	2014	
Other Provisions						
Authorization Level	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5
Total Changes						
Estimated Authorization Level	128	193	193	199	210	923
Estimated Outlays	118	184	190	197	209	898

Note: * = less than \$500,000; numbers may not sum to totals because of rounding.

- a. In addition to the effects on spending subject to appropriation shown in this table, CBO estimates that enacting S. 252 would increase direct spending and revenues by less than \$500,000 a year.
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BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the start of fiscal year 2010, that the authorized and estimated amounts will be appropriated each year, and that outlays will follow historical spending patterns for similar programs.

Spending Subject to Appropriation

CBO estimates that implementing S. 252 would cost \$898 million over the 2010-2014 period, assuming appropriation of the specified and estimated amounts.

Pilot Program for Dental Insurance. Section 214 would require the Department of Veterans Affairs (VA) to implement a pilot program to provide dental insurance to all enrolled veterans and their survivors and dependents. VA would be directed to carry out the three-year program in at least two but no more than four Veterans Integrated Services Networks (VISNs; regional networks of medical facilities). CBO estimates that implementing this provision would cost about \$320 million over the 2010-2014 period, assuming appropriation of the estimated amounts.

The bill would require VA to contract with a dental insurer who would administer the program. Veterans would be required to pay premiums and copayments. However, the bill would grant VA wide discretion in designing several critical parameters of the program, such as the covered benefits, requirements for enrollment and disenrollment, and premiums. For purposes of this estimate, CBO assumes that the pilot program would be carried out at three VISNs and that the program would be similar to the TRICARE Dental Program, which is available to reservists, their family members, and active-duty servicemembers.

CBO estimates that the program would begin accepting enrollees around the middle of fiscal year 2010, and based on the participation rates for the TRICARE program, that about 12,000 veterans, survivors, and dependents would join that year. We estimate that enrollment would rise to 78,000 in 2011 and 97,000 in 2012 before stabilizing at a level of about 90,000 a year.

The TRICARE program pays up to \$1,200 a year for nonorthodontic services, and many diagnostic and preventive services do not count toward the cap. Based on costs for the TRICARE program and for dental care provided by VA to a limited number of veterans, CBO estimates that in 2010 VA would pay about \$800 per enrollee under the pilot program. After adjusting for inflation, CBO estimates that the pilot program would have initial costs of \$9 million in 2010, rising to \$59 million in 2011, before stabilizing at slightly more than \$80 million a year thereafter.

Health Care for Female Veterans. Title III of the bill would authorize several programs targeted to women veterans. CBO estimates that implementing that title would cost \$162 million over the 2010-2014 period, assuming appropriation of the authorized and estimated amounts.

Care for Newborns. Section 309 would authorize VA to provide care for up to seven days to the newborn children of female veterans who receive maternity care through the department. Based on data from VA, CBO estimates that about 6,600 babies would become eligible for such care in 2010 at an average cost of \$2,770 per baby. After adjusting for inflation and population growth—the number of female veterans of child-bearing age is expected to rise in future years—CBO estimates that implementing this provision would cost \$102 million over the 2010-2014 period.

Training for Mental Health Providers. Section 304 would require VA to educate, train, and certify mental health professionals who specialize in treating sexual trauma. Based on information from VA's Office of Mental Health Services, CBO estimates that VA

would need 66 employees a year to provide training at a cost of \$46 million over the 2010-2014 period.

Report and Study on Female Veterans. Section 301 would require the Secretary to conduct a study of the barriers faced by women veterans in receiving VA health care. Based on information from VA, CBO estimates that implementing this provision would cost \$3 million over the 2010-2014 period.

Section 303 would require VA to contract with an outside entity to conduct a study on the health consequences facing female veterans of Operation Iraqi Freedom and Operation Enduring Freedom (OIF/OEF) as a result of their service. Based on information from VA, CBO estimates that implementing this provision would cost \$4 million over the 2010-2014 period.

Counseling for Female Veterans. Section 305 would require VA to implement a pilot program to provide counseling in group retreat settings to female veterans who have recently separated after lengthy deployments, and would authorize the appropriation of \$2 million per year for 2010 and 2011 for that purpose. CBO estimates that this pilot program would cost \$4 million over the 2010-2014 period.

Child Care. Section 308 would require VA to implement a pilot program to provide child care for certain female veterans who use VA medical facilities, and would authorize the appropriation of \$1.5 million per year for 2010 and 2011 for that purpose. CBO estimates that this pilot program would cost \$3 million over the 2010-2014 period.

Education Assistance. Three separate provisions in section 103 would authorize VA to provide scholarships and assistance with education loans to certain employees. In total, CBO estimates that enacting those provisions would cost \$161 million over the 2010-2014 period, assuming appropriation of the estimated amounts.

Health Professionals Scholarship Program. Section 103(a) would reinstate a scholarship program for health professionals that expired in 1998. The provision would give VA the authority to provide funds to cover tuition, fees, and other costs related to their education. In exchange for financial assistance, recipients would be obligated to work at VA for a specified period of time.

Based on information from VA, CBO estimates that after a six-month period to establish the program, VA would grant about 100 awards in 2010 with an average award of \$46,000. In the following years, CBO estimates VA would grant 200 new awards a year. Based on information from VA, CBO expects that scholarships would last an average of

two years. After adjusting for an estimated 5.5 percent annual increase in tuition and other costs, CBO estimates that implementing this provision would cost \$5 million in 2010 and \$82 million over the 2010-2014 period, assuming appropriation of the estimated amounts.

Debt Reduction. Two other provisions of section 103 would allow VA to help employees repay education loans. Subsection (b) would expand eligibility for the Education Debt Reduction Program from those recently appointed to all employees involved in direct patient care. In 2008, about 6,500 employees received an average annual benefit of \$5,800 under this program, which reimburses employees over a five-year period. Based on information from VA, CBO estimates that 450 additional employees each year would become eligible. After adjusting for inflation, CBO estimates that implementing this provision would cost \$44 million over the 2010-2014 period, assuming appropriation of the estimated amounts.

The second provision, subsection 103(c), would allow certain clinical researchers at VA who have disadvantaged backgrounds to use a National Institutes of Health (NIH) program for repayment of education loans. The NIH program provides an annual benefit of up to \$35,000 per employee. Based on information from VA, CBO estimates that 100 new employees each year would receive an average amount of \$30,000 a year over three years. Assuming appropriation of the estimated amounts, CBO estimates that implementing this provision would cost \$35 million over the 2010-2014 period.

Medical Personnel. Section 101 contains several provisions that would affect compensation for medical personnel. In total, CBO estimates that implementing those provisions would cost \$92 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Overtime Pay. Section 101(l) would loosen certain pay restrictions, thereby allowing nurses, physician assistants, and certain other employees to earn additional pay for evening or weekend work. Under current law, employees can earn additional pay for working evenings or weekends only on their regular tour of duty. The bill would allow such pay for any evening or weekend hours worked, even if they were occasional or ad-hoc. In 2008, such employees worked roughly 1.8 million hours of overtime at an average overtime rate of about \$55 an hour. CBO estimates that under current law VA does not pay night or weekend differentials for 75 percent of those hours (1.4 million hours). After adjusting for inflation, CBO estimates that under the bill VA would pay additional night differentials of \$6 per hour for about 485,000 hours and weekend differentials of \$15 per hour for 385,000 hours, for a total cost of \$46 million over the 2010-2014 period, assuming appropriation of the estimated amounts.

Higher Pay for Nurses. Subsections 101(h) and 101(i) would increase the pay caps for registered nurses and certified registered nurse anesthetists. Based on information from VA, CBO estimates that the department would pay an average additional amount of \$10,000 a year to about 560 nurses at a cost of \$6 million a year. Subsection (j) would increase the maximum special pay for nurse executives from \$25,000 to \$100,000. Based on information from VA, CBO estimates that the department would pay an average additional amount of \$10,000 to about 135 nurse executives at a cost of about \$1 million a year. In total, CBO estimates that implementing those three provisions would increase pay for nurses by \$7 million a year.

Incentive Pay for Pharmacist Executives. Section 101(f) would allow VA to pay additional compensation of up to \$40,000 a year to pharmacist executives as a recruitment and retention tool. Based on information from VA, CBO estimates that the department would pay an additional \$40,000 a year to 40 people for a total cost of \$8 million over the 2010-2014 period.

Increased Pay Scale for Appointees. Section 101(e) would allow VA to pay certain appointees using a higher pay scale. Based on information from VA, CBO estimates that the department would pay an average additional amount of \$14,000 to about 40 people, for a total cost of \$3 million over the 2010-2014 period.

Quality Management. Section 206 would require VA to designate a quality management officer (QMO) for each of its 135 medical facilities and VISNs as well as a principal QMO who would report directly to the Undersecretary for Health. VA already has QMOs serving at all levels specified in the bill. This section also would authorize the appropriation of \$25 million each year in 2010 and 2011 for assessing the reliability of existing measures of the quality of VA care and developing a new aggregate metric. CBO estimates that implementing this provision would cost \$50 million over the 2010-2014 period, assuming appropriation of the authorized amounts.

Pilot Programs. Several sections of S. 252 would require VA to carry out pilot programs to provide or pay for health care and related benefits. In total, CBO estimates that enacting those provisions (not including the dental pilot program, which is discussed above) would cost \$41 million over the 2010-2014 period, assuming appropriation of the specified and estimated amounts.

Homeless Veterans. Title V would require VA to carry out three separate pilot programs to provide outreach and various services to homeless veterans and would authorize the appropriation of \$36 million over the 2010-2014 period for those purposes. CBO

estimates that implementing those pilot programs would cost \$35 million over the 2010-2014 period.

Transition Assistance. Section 208 would require VA to implement a pilot program to provide grants to community-based organizations and state and local entities that provide assistance to veterans transitioning to civilian life. The program would operate in five locations for a period of two years. VA currently provides similar assistance through Vet Centers. Vet Centers are community-based counseling centers that provide free mental health services to combat veterans and their families. Based on information from VA regarding spending on Vet Centers, CBO estimates that implementing that program would cost \$6 million over the 2010-2014 period.

Expanded Eligibility for Vet Centers. Section 401 would allow members of the Armed Forces, including reservists, who served in OIF/OEF to receive readjustment counseling and related services through VA's Vet Centers. According to VA data, there are currently 232 centers nationwide, and they served roughly 167,000 veterans in 2008. In 2009, Vet Centers received \$185 million in appropriated funds.

Data from the Department of Defense (DoD) on OIF/OEF deployments indicate that roughly 1.1 million servicemembers are currently or have previously been deployed and are nonveterans (that is, they are still on active duty or in the reserves). After adjusting for expected separations (OIF/OEF veterans are eligible under current law) and smaller expected deployments starting in 2011, CBO estimates that of those remaining, about a third would seek mental health services. However, DoD indicates that servicemembers are already offered free counseling similar to that provided through Vet Centers. Therefore, CBO estimates that about 18,500 servicemembers (5 percent of those seeking mental health services) would use Vet Centers in 2010 and that the number of users would decline to about 9,000 in 2014. Using a per person cost of \$550 in 2010 (about half the expected cost for veterans, because servicemembers also have access to free DoD counseling) and adjusting for annual inflation, CBO estimates that implementing this provision would cost \$36 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Specialized Residential and Rehabilitation Care. Section 209 would require VA to contract with appropriate entities to provide specialized care to OIF/OEF veterans whose traumatic brain injuries (TBI) are so severe that they cannot live independently and would otherwise require nursing home care. According to VA, some veterans with TBI but without sufficient family support or financial means to afford private residential care often end up in nursing homes that do not provide appropriate care. Under the bill, VA

would place such veterans in specialized programs that would provide appropriate residential and rehabilitation care.

Based on information from VA regarding the number of such veterans and the cost of their care, CBO estimates that in 2010, VA would initially care for 20 veterans with TBI at a cost of roughly \$84,000 per person. After adjusting for inflation, CBO estimates that over the 2010-2014 period, VA would pay for care provided to about 50 veterans a year at an average annual cost of \$5 million, and that implementing this provision would cost \$24 million over that period, assuming appropriation of the necessary amounts.

Studies. Section 211 would require an expanded study on the health impact of chemical and biological testing conducted by DoD in the 1960s and 1970s. Based on information from VA regarding a similar ongoing study, CBO estimates that implementing this provision would cost about \$2 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Section 403 would require VA to conduct a study and report to the Congress on the number of veterans who died by suicide between 1997 and the date of enactment of the bill. VA would be required to coordinate with DoD, veterans service organizations, the Centers for Disease Control and Prevention, and state public health offices and veterans agencies. Based on information from VA, CBO estimates that implementing this provision would cost \$1 million in 2010 and less than \$500,000 in 2011, assuming availability of appropriated funds.

Together, CBO estimates that those two studies would cost \$3 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Uniforms for Police Officers. Section 702 would double the uniform allowances payable to about 2,600 department police officers from \$400 for initial purchases and \$200 for recurring purchases to \$800 and \$400 respectively. CBO estimates that implementing this provision would cost about \$1 million a year over the 2010-2014 period, assuming availability of appropriated funds.

Other Provisions. Several sections of the bill, when taken individually, would have no significant impact on spending subject to appropriation (most would have costs, but a few would have savings). Taken together, CBO estimates that implementing the following provisions would have a net cost of \$1 million a year, assuming availability of appropriated funds:

- Sections 201 would repeal a reporting requirement pertaining to nurses' pay.
- Section 202 would modify a reporting requirement pertaining to Gulf War veterans.
- Section 205 would require veterans receiving care through the department to provide their Social Security number as well as pertinent information about their coverage through other health plans. Based on information from VA, CBO estimates that under the bill the department would be able to better match patient records with those of the Internal Revenue Service and the Social Security Administration, and would collect an additional \$100 each from roughly 36,500 veterans. Those additional collections of \$4 million a year would be retained by the department and spent on medical care and services.
- Section 207 would require annual reports on the quality of the department's physicians and health care.
- Section 210 would allow VA to disclose the names and addresses of veterans and servicemembers who use VA care to third-party insurers, so that VA can recover the costs of such care. Based on a VA field survey, CBO estimates that under the bill the department would collect an additional \$9 million a year. Those amounts would be retained by the department and spent on medical care and services.
- Section 212 would modify authority granted to VA under Public Law 110-181 to pay for care provided to veterans with TBI to conform to how VA is implementing the program under current law.
- Section 306 would require a report on managers of programs for female veterans.
- Section 404 would require VA to transfer \$5 million to the Secretary of Health and Human Services for an education program in psychology.

Direct Spending and Revenues

Section 701 would enhance the law enforcement authorities of VA police officers. Because those prosecuted and convicted under the bill could be subject to criminal fines, the federal government might collect additional fines if the legislation is enacted. Criminal fines are recorded as revenues, then deposited in the Crime Victims Fund, and later spent. CBO expects that any additional revenues and direct spending would not be significant because of the relatively small number of cases likely to be affected.

In addition, section 603 would authorize certain VA research and education facilities to charge fees for education and training programs. Those fees would be retained and spent by the facilities, and CBO estimates that enacting this provision would have no net significant effect on direct spending.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 252 contains no intergovernmental or private-sector mandates as defined in UMRA. State, local, and tribal governments that provide assistance to veterans would benefit from grants and other programs authorized in the bill.

PREVIOUS CBO ESTIMATE

On June 16, 2009, CBO transmitted a cost estimate for H.R. 1211, the Women Veterans Health Care Improvement Act, as ordered reported by the House Committee on Veterans' Affairs on June 10, 2009. Sections 101, 201, 202, and 203 of H.R. 1211 are similar to sections 301, 309, 304, and 308 of S. 252 respectively, as are their estimated costs.

ESTIMATE PREPARED BY:

Federal Costs: Sunita D'Monte

Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum

Impact on the Private Sector: Elizabeth Bass

ESTIMATE APPROVED BY:

Theresa Gullo

Deputy Assistant Director for Budget Analysis