



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 31, 2009

S. 801 **Caregiver and Veterans Health Services Act of 2009**

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

SUMMARY

S. 801 would authorize new programs for caregivers of disabled veterans and make several changes to existing veterans' health care programs. In total, CBO estimates that implementing the bill would cost about \$6.7 billion over the 2010-2014 period, assuming appropriation of the specified and estimated amounts. Enacting the bill would increase direct spending, but CBO estimates those effects would not be significant. Enacting the bill would not affect revenues.

S. 801 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. 801 is shown in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

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 existing or similar programs.

TABLE 1. BUDGETARY IMPACT OF S. 801, THE CAREGIVER AND VETERANS HEALTH SERVICES ACT OF 2009

	By Fiscal Year, in Millions of Dollars					2010-
	2010	2011	2012	2013	2014	2014
CHANGES IN SPENDING SUBJECT TO APPROPRIATION ^a						
Assistance for Caregivers						
Estimated Authorization Level	125	249	913	1,509	2,154	4,950
Estimated Outlays	113	234	845	1,441	2,076	4,709
Rural Demonstration Projects						
Estimated Authorization Level	255	258	263	268	274	1,318
Estimated Outlays	230	255	261	266	272	1,284
Travel Reimbursements						
Estimated Authorization Level	22	45	91	92	93	343
Estimated Outlays	20	43	86	91	92	332
Education Assistance						
Estimated Authorization Level	22	30	41	51	62	206
Estimated Outlays	20	29	40	50	61	200
Medical Construction						
Authorization Level	71	0	0	0	0	71
Estimated Outlays	3	19	23	17	6	68
Copayments from Certain Disabled Veterans						
Estimated Authorization Level	8	8	8	8	8	40
Estimated Outlays	7	8	8	8	8	39
Transportation Grants						
Authorization Level	3	3	3	3	3	15
Estimated Outlays	3	3	3	3	3	15
Rural Centers of Excellence						
Estimated Authorization Level	2	2	2	2	2	10
Estimated Outlays	2	2	2	2	2	10
Coordinators of Care for Native American Veterans						
Authorization Level	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5

(Continued)

TABLE 1. CONTINUED

	By Fiscal Year, in Millions of Dollars					2010- 2014
	2010	2011	2012	2013	2014	2014
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Training for Mental Health Providers						
Authorization Level	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5
Peer Reviews						
Authorization Level	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5
Emergency Care						
Authorization Level	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5
Other Provisions						
Authorization Level	*	*	*	*	*	1
Estimated Outlays	*	*	*	*	*	1
Total Changes						
Estimated Authorization Level	512	599	1,325	1,937	2,600	6,974
Estimated Outlays	402	597	1,271	1,881	2,523	6,678

Note: * = less than \$500,000.

a. In addition to the effects on spending subject to appropriation shown in this table, CBO estimates that enacting S. 801 would increase direct spending by less than \$500,000 over the 2010-2014 period and 2010-2019 period.

Spending Subject to Appropriation

CBO estimates that implementing S. 801 would cost \$6.7 billion over the 2010-2014 period, assuming appropriation of the specified and estimated amounts.

Assistance for Caregivers. Title I would require the Department of Veterans Affairs (VA) to provide several benefits to caregivers of certain disabled veterans. In total, CBO estimates that implementing those provisions would cost \$4.7 billion over the 2010-2014 period, assuming appropriation of the necessary amounts (see Table 2).

TABLE 2. COMPONENTS OF THE ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER TITLE I OF S.801

	By Fiscal Year, in Millions of Dollars					2010-2014
	2010	2011	2012	2013	2014	
Stipends						
Estimated Authorization Level	14	33	401	838	1,313	2,599
Estimated Outlays	13	31	364	791	1,258	2,457
Travel Benefits						
Estimated Authorization Level	77	159	332	346	361	1,275
Estimated Outlays	69	150	314	342	357	1,232
Oversight of Caregivers						
Estimated Authorization Level	2	5	56	116	182	361
Estimated Outlays	2	4	50	110	174	340
Personnel and Other Costs						
Estimated Authorization Level	28	45	58	88	119	338
Estimated Outlays	26	43	56	84	115	324
Benefits During Caregiver Training						
Estimated Authorization Level	1	3	39	64	89	196
Estimated Outlays	1	2	36	61	86	186
Medical Care						
Estimated Authorization Level	1	3	21	44	69	138
Estimated Outlays	1	3	19	41	66	130
Respite Care						
Estimated Authorization Level	*	1	6	13	21	41
Estimated Outlays	*	*	6	12	20	38
Survey						
Estimated Authorization Level	2	0	0	0	0	2
Estimated Outlays	1	1	0	0	0	2
Total Changes in Title I						
Estimated Authorization Level	125	249	913	1,509	2,154	4,950
Estimated Outlays	113	234	844	1,441	2,076	4,709

Note: * = less than \$500,000.

Stipends. Section 102 of the bill would require VA to pay a monthly stipend to caregivers of severely injured veterans. CBO estimates that implementing the provision would cost about \$2.5 billion over the 2010-2014 period.

Under section 102, caregivers of veterans whose severe service-connected injuries were incurred or aggravated on or after September 11, 2001, would be eligible for monthly stipends and other benefits. (The other benefits are discussed below.) Based on information from the Department of Defense (DoD) on military retirees, CBO estimates that in 2010 caregivers to about 2,000 veterans would be eligible for VA benefits. Starting in 2012, the bill would widen the eligible population to include caregivers of other veterans with severe service-connected injuries. Based on information from VA on how they would implement the bill, CBO estimates that caregivers to 52,500 veterans would become eligible for VA benefits. CBO further estimates that the program would be implemented gradually, with only 475 caregivers receiving stipends in 2010 and full implementation in 2015.

Based on data from the Bureau of Labor Statistics on average hourly pay for home healthcare aides, CBO estimates that in 2010, VA would pay 475 family caregivers a stipend of \$2,350 a month (an hourly rate of \$10.50 for an average of 225 hours a month), for a cost of \$13 million in 2010. After adjusting for gradual implementation of the program over the 2010-2014 period and for inflation, CBO estimates that number of family caregivers receiving stipends would grow to 39,400 in 2014, at a cost of \$1.3 billion that year.

Travel Benefits. Section 103 would authorize VA to pay transportation, lodging, and subsistence expenses of family members and other caregivers of veterans. Over the 2010-2014 period, CBO estimates that implementing this provision would cost \$1.2 billion, assuming appropriation of the necessary amounts.

Lodging and subsistence expenses of nonveterans are not reimbursable under current law. Based on information from VA about veterans who have received travel benefits in 2009, CBO estimates that in 2010 VA would reimburse \$1,950 each to 34,000 nonveterans (an average per diem rate of \$130 for 15 days a year), for a cost of \$66 million in 2010. After adjusting for gradual implementation of the program over the 2010-2014 period and for inflation, CBO estimates that the number of nonveterans receiving per diems would grow to almost 150,000 a year by 2014 and VA would spend about \$1.2 billion a year over the 2010-2014 period.

CBO estimates that under the bill almost all family members or caregivers would either travel in the same vehicle with the veteran or would be deemed medically necessary attendants (VA is currently authorized to pay transportation expenses in those instances), but that a few nonveterans would become newly eligible for reimbursement of travel costs starting in 2010. CBO further estimates that 6,000 nonveterans would receive reimbursements worth \$500 in 2010, for a total cost that year of \$3 million. After adjusting for gradual implementation of the program over the 2010-2014 period and for inflation, CBO estimates that VA would spend about \$55 million on travel costs for nonveterans over the 2010-2014 period.

Oversight of Caregivers. Section 102 also would require regular oversight of caregivers, including home visits. CBO estimates that implementing the provision would cost \$340 million over the 2010-2014 period.

Based on information from VA, CBO estimates that VA would contract with home-health agencies to conduct oversight of 500 caregivers at a cost of almost \$325 a month per caregiver (an hourly rate of \$108 for an average of 3 hours a month), for a cost of \$2 million in 2010. After adjusting for gradual implementation of the program over the 2010-2014 period and for inflation, CBO estimates that the number of caregivers being overseen would grow to 39,400 in 2014, at a cost of about \$175 million that year.

Personnel and Other Costs. To implement the new caregiver benefits under section 102 of the bill, VA would need additional personnel at medical centers and at its headquarters in Washington, D.C. Those personnel would evaluate veterans and their caregivers to determine the type of care veterans need and the training their caregivers require, and provide training, counseling, and support to caregivers. VA also would be required to design an interactive Web site to provide information on caregiver services, conduct outreach, and report periodically to the Congress. CBO estimates that implementing those provisions would cost about \$325 million over the 2010-2014 period.

Based on information from VA, CBO estimates that each of the 153 medical centers would require a team consisting of a nurse, a social worker, a psychologist, a physical therapist, an occupational therapist, and a program support assistant. An additional staff of three people would be required at VA headquarters to monitor and coordinate implementation. Assuming an average annual salary of \$115,000 per person and after adjusting for inflation, CBO estimates that about 25 percent of the necessary staff would be hired in 2010 at an annual cost of \$26 million, and that all necessary staff would be hired by 2014, at a cost that year of \$115 million.

Benefits During Caregiver Training. Section 102 would provide respite care and travel benefits to caregivers while they undergo training at VA facilities. CBO estimates that implementing those provisions would cost about \$185 million over the 2010-2014 period.

The bill would require VA to provide training to family members or other individuals to prepare them to provide care to disabled veterans. Based on information from VA, CBO expects VA would provide initial training for two weeks and refresher training for one week each year. During those training periods, VA also would provide respite care (if the veteran had no substitute caregivers), reimbursement of travel costs, and per diem expenses.

CBO estimates that in 2010 about 450 veterans would require respite care during the two-week period of initial training—at a daily cost of \$210—for a total cost of \$1 million that year. The following year, CBO estimates that 1,000 veterans would need respite care (550 during initial training and 450 during refresher training) at a total cost of \$2 million in 2011. By 2014, CBO estimates that almost 35,500 veterans would require respite care during training, for a cost of \$57 million that year.

CBO further estimates that 550 caregivers would undergo initial training and be eligible for travel benefits in 2010. (That figure is higher than the number of veterans requiring respite care because CBO assumes some veterans will have more than one caregiver.) CBO estimates that half—or 275—live close enough to the training site that they would commute daily and be eligible for mileage reimbursements averaging \$375 (90 miles round trip for 10 weekdays at a reimbursement rate of \$0.415 per mile). The other 275 would travel to the training site and stay there for the duration of training. Those caregivers would be eligible for reimbursement for travel costs averaging \$150 (two 180 mile round trips at \$0.415 per mile) as well as per diems averaging \$130 a day. CBO estimates that total costs for caregivers undergoing training in 2010 would be less than \$500,000. In 2011, 605 caregivers would commute for training (330 for initial training and 275 for refresher training), while another 605 would travel to the training site and stay there for the duration of their training, for total costs that year of about \$1 million. By 2014, CBO estimates that about 43,300 caregivers would undergo training and would receive travel benefits and per diems worth about \$30 million that year.

Medical Care. Section 102 also would authorize VA to provide medical care to caregivers, if such caregivers are not covered under other health plans. CBO estimates that implementing the provision would cost \$130 million over the 2010-2014 period.

The population eligible for this benefit also is similar to the population eligible for the monthly stipend; however, CBO estimates that only one-quarter of the caregivers would be eligible (i.e. would not be covered under other health plans) and would seek medical care from VA. Based on information from VA on the cost of health care it provides to non-veterans, CBO estimates that in 2010 they would provide medical care to 250 family caregivers at an average cost of almost \$6,000 each, for a total cost of \$1 million in 2010. After adjusting for inflation and gradual implementation of the program, CBO estimates that the number of family caregivers receiving medical care would grow to 13,100 by 2014, at a cost of \$66 million that year.

In addition, section 101 would prohibit VA from recovering the cost of certain emergency care provided to family members and caregivers of veterans whose severe service-connected injuries were incurred or aggravated on or after September 11, 2001. The bill would only affect emergencies that occur while the family member or caregiver accompanies a veteran who is receiving care at a VA facility (or a non-VA facility VA has contracted with). Based on information from VA, CBO estimates that about 250 people each year would receive such care at an average cost of \$330 each, for total costs of less than \$500,000 over the 2010-2014 period.

Respite Care. Section 102 would expand VA's authority to provide respite care to veterans. CBO estimates that implementing that provision would cost \$38 million over the 2010-2014 period.

Under current law, veterans who receive medical services, hospital care, nursing home care, or domiciliary care from VA are eligible for up to 30 days of respite care. The bill would extend eligibility for that benefit to enrolled veterans who do not receive such care. Based on information from VA, CBO estimates that the majority of disabled, enrolled veterans who require caregivers currently receive care from VA, and that about 50 additional veterans would receive respite care in 2010 under this provision. CBO further estimates that VA would provide an average of 21 days of respite care to each veteran—at a daily cost of \$210 in 2010—for a total cost of less than \$500,000 that year. After adjusting for inflation and gradual implementation of the program, CBO estimates that by 2014 about 4,000 veterans would receive respite care at a total cost of \$20 million.

Survey. Section 104 would require VA and DoD to conduct a national survey of family caregivers of seriously disabled veterans and servicemembers (covering the size and characteristics of the population and types of care provided), and to report to the Congress on their findings. CBO estimates that implementing this provision would cost \$2 million over the 2010-2014 period.

Rural Demonstration Projects. Section 205 would authorize VA to carry out demonstration projects, including by establishing partnerships with the Department of Health and Human Services and the Indian Health Service, to expand care for veterans in rural areas. In 2009, VA received appropriations of \$250 million for similar purposes. After adjusting that amount for inflation, CBO estimates that implementing this provision would require additional appropriations of \$255 million in 2010 and \$1.3 billion over the 2010-2014 period.

Travel Reimbursements. Section 208 would authorize VA to pay mileage reimbursements in excess of the cost of that travel by public transportation; under current law, VA pays the lesser of mileage reimbursements or the cost of public transportation. CBO estimates that implementing this provision would cost \$332 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Based on VA's estimate that it expects to pay \$300 million in mileage reimbursements in 2009 and data on bus fares to major VA medical facilities, CBO estimates that under the bill those costs would increase by 25 percent starting in 2010. After adjusting for gradual implementation of the program, CBO estimates that VA would pay an additional \$272 million in travel reimbursements over the 2010-2014 period. Enacting this provision also would increase spending on VA's vocational rehabilitation program, however, CBO estimates those effects would be insignificant (see discussion under "Direct Spending.")

Section 208 also would allow VA to reimburse the cost of air travel, if that mode of travel was the only practical way to reach a VA medical facility; under current law, VA pays for such travel in very few cases. VA was unable to provide data on the number of veterans currently using air travel or the cost of such travel. Assuming that 5 percent of the existing users of the beneficiary travel program—about 30,000 people—would each make one roundtrip a year at a cost of \$500 and after adjusting for gradual implementation of the program, CBO estimates that VA would pay an additional \$60 million over the 2010-2014 period.

Education Assistance. Two sections of the bill would authorize VA to provide scholarships and assistance with education loans to certain employees. Taken together, CBO estimates that implementing those provisions would cost \$200 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Debt Reduction. Section 201 would amend the Education Debt Reduction Program, which helps certain employees repay education loans, by deleting the ceiling of \$44,000

per employee and allowing VA to pay up to the total principal and interest owed. Section 201 also would require VA to inform those job applicants who would be eligible for the program of their eligibility when making job offers, and to accept into the program any applicants who accept a job offer. 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.

CBO estimates that under the proposed program changes, 650 additional employees each year would become eligible and that the average payment per new employee in 2010 would be \$8,500. (Existing participants would receive an additional payment of \$2,500 each in 2010.) After adjusting for inflation, CBO estimates that implementing this provision would cost \$197 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Scholarship Program. Section 202 would authorize a new scholarship program for individuals studying to rehabilitate the visually impaired. Under the bill, VA would pay such individuals up to \$15,000 a year for tuition and fees (each recipient could receive a maximum of \$45,000), in exchange for the participant's agreement to work at VA for at least three years after graduation. Based on information from VA, CBO estimates that the department would offer 20 scholarships each year (each for a three-year period) to interns in occupations working with the visually impaired, and that the average payment would be \$11,250 in 2010. After adjusting for inflation, CBO estimates that implementing this provision would cost \$3 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Medical Construction. Section 401 would authorize the appropriation of \$71 million to construct a new outpatient facility and renovate existing facilities in Walla Walla, Washington. CBO estimates that implementing that provision would cost \$68 million over the 2010-2014 period, assuming appropriation of the authorized amounts. (The remaining \$3 million would be spent after 2014.)

Copayments from Certain Disabled Veterans. Section 302 would prohibit the collection of copayments and other fees from catastrophically disabled veterans who receive hospital care or medical services from VA. In 2008, VA collected about \$8 million in copayments for medical care and prescription drugs from those veterans. CBO estimates that implementing this provision would decrease collections by \$8 million per year. Such collections are offsets to discretionary appropriations. As part of the annual appropriations process, the Congress gives VA authority to spend those collections. Therefore, maintaining the same level of health care services for veterans would necessitate additional funding each year to make up for the loss of copayments

under this bill. Thus, CBO estimates that implementing this provision would cost about \$40 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Transportation Grants. Section 215 would authorize the appropriation of \$3 million each year over the 2010-2014 period. VA would use those amounts to make grants to organizations that improve access to medical care for veterans living in highly rural areas (counties with a population density fewer than seven persons per square mile). CBO estimates that implementing that provision would cost \$15 million over the 2010-2014 period, assuming appropriation of the authorized amounts.

Rural Centers of Excellence. Section 212 would require VA to establish between one and five centers of excellence for research, education, and clinical activities focused on rural health services. VA has indicated that the proposed centers of excellence would be similar to existing Rural Health Resource Centers, and that under the bill it would establish one center of excellence. Based on operating costs of the existing resource centers, CBO estimates that implementing this provision would cost \$2 million a year over the 2010-2014 period, assuming appropriation of the necessary amounts.

Coordinators of Care for Native American Veterans. Section 207 would require VA to appoint a coordinator of care for Native American veterans at each of the 10 medical centers that serve the greatest number of such veterans. The coordinators would improve outreach to and expand access to care for tribal communities, coordinate the medical needs of veterans living on reservations, act as an ombudsman for Native American veterans using the VA healthcare system, and advocate for the use of traditional medicine in VA treatments. CBO estimates that implementing this provision would require VA to hire 10 employees at an annual cost of \$1 million a year over the 2010-2014 period, assuming appropriation of the necessary amounts.

Training for Mental Health Providers. Section 206 would require VA to train veterans and clinicians to provide peer support, readjustment counseling, and other mental health services to veterans of Operation Iraqi Freedom and Operation Enduring Freedom (OIF/OEF) and to assist family members of OIF/OEF veterans with their recovery and readjustment to civilian life. Under current law, VA has the authority to provide such services through Vet Centers and existing mental health programs, and may also contract with non-VA entities to provide services, especially in rural areas.

Based on information from VA, CBO estimates that about 20,000 veteran peer counselors and clinicians would undergo initial training in 2010 at a cost of \$1 million. Additional training for new staff and refresher training for existing staff also would

average about \$1 million each year over the 2011-2014 period. CBO estimates that implementing this provision would cost \$5 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Peer Reviews. Section 210 would authorize VA to review the quality of health care provided by non-VA contractors. Under the bill, non-VA providers in each of VA's 21 regional networks of medical facilities would provide a sample of patient records to VA for review. Based on information from VA, CBO estimates that VA would require 10 additional employees to analyze records and prepare reports at a cost of \$1 million a year over the 2010-2014 period, assuming appropriation of the necessary amounts.

Emergency Care. Section 301 would require VA to pay for the emergency care that certain veterans receive at non-VA medical facilities, or to reimburse veterans if they have paid for that care. It also would permit VA, subject to the Secretary's discretion, to reimburse veterans for emergency treatment that was provided prior to the date of enactment. CBO estimates that implementing those provisions would cost \$5 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Under current law, VA has the authority to reimburse certain veterans or pay for emergency treatment of a nonservice-connected condition, if VA is the payer of last resort. Veterans who have recourse against a third party that would partly cover those medical expenses are not eligible for such reimbursement from VA. Section 301 would remove that restriction.

Based on information from VA, CBO estimates that under the bill VA would approve about 700 new claims a year over the 2010-2014 period and about 2,000 claims for emergency treatment provided over the 2005-2009 period. (CBO assumes that few veterans have retained records for emergency treatment provided before 2005.) CBO estimates that VA would pay an average of \$730 per claim in 2010, rising to about \$900 per claim in 2014, for total costs of \$1 million a year.

Other Provisions. Two sections of the bill, when taken individually, would increase spending subject to appropriation by less than \$500,000 each year. Taken together, CBO estimates that implementing the following provisions would have a total cost of \$1 million over the 2010-2014 period, assuming availability of appropriated funds:

- Section 209 would require the Office of Rural Health to develop a five-year strategic plan. VA has indicated that the office is developing a similar plan and that the necessary modifications would have insignificant costs.

- Section 214 would require annual reports to the Congress on the implementation of several sections of the bill.

Direct Spending

Section 208 would increase mileage reimbursements paid to veterans using VA's vocational rehabilitation program. However, CBO estimates that few beneficiaries would be affected, that the increased amounts paid per veteran would be quite low, and thus, that enacting section 208 would increase direct spending by less than \$500,000 each year and over the 2010-2014 and 2010-2019 periods.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 801 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 program activities authorized in the bill.

PREVIOUS CBO ESTIMATES

On July 23, 2009, CBO transmitted a cost estimate for H.R. 3155, the Caregiver Assistance and Resource Enhancement Act, as ordered reported by the House Committee on Veterans' Affairs on July 15, 2009. H.R. 3155 is similar to title I of S. 801, however H.R. 3155 affected a much smaller population, and its estimated costs were correspondingly lower.

On July 23, 2009, CBO transmitted a cost estimate for H.R. 3219, the Veterans' Insurance and Health Care Improvement Act of 2009, as ordered reported by the House Committee on Veterans' Affairs on July 15, 2009. Section 203 of H.R. 3219 is similar to section 302 of S. 801, and their estimated costs are identical.

On March 25, 2009, CBO transmitted a cost estimate for H.R. 1377, a bill to amend title 38, United States Code, to expand veteran eligibility for reimbursement by the Secretary of Veterans Affairs for emergency treatment furnished in a non-Department facility, and for other purposes, as ordered reported by the House Committee on Veterans' Affairs on March 25, 2009. H.R. 1377 is similar to section 301 of S. 801, and their estimated costs are identical.

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