CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 6, 2010

S. 3325
Veterans Telehealth and Other Care Improvements Act of 2010

As ordered reported by the Senate Committee on Veterans' Affairs on August 5, 2010

SUMMARY

S. 3325 would authorize the construction, renovation, or leasing of several medical facilities and make other changes to health care programs offered by the Department of Veterans Affairs (VA). In total, CBO estimates that implementing the bill would cost $690 million over the 2011-2015 period, assuming appropriation of the specified and estimated amounts. In addition, CBO estimates that enacting the bill would increase direct spending by $43 million over the 2011-2020 period but would not affect revenues.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending.

S. 3325 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would preempt state and local laws. CBO estimates the cost of complying with the mandate would be small and would fall well below the threshold established in UMRA for intergovernmental mandates ($70 million in 2010, adjusted annually for inflation). S. 3325 contains no new private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 3325 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

BASIS OF ESTIMATE

For this estimate, CBO assumes the legislation will be enacted in 2010, that the necessary amounts will be appropriated each year, and that outlays will follow historical patterns for similar and existing programs.

	By Fiscal Year, in Millions of Dollars					
	2011	2012	2013	2014	2015	2011-2015
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Medical Construction Projects						
Estimated Authorization Level	547	25	25	25	25	647
Estimated Outlays	65	162	187	145	71	630
Outreach						
Estimated Authorization Level	7	7	7	7	7	35
Estimated Outlays	7	7	7	7	7	35
Loss of Copayments for Telehealth and Telemedicine Programs						
Estimated Authorization Level	2	3	4	6	8	23
Estimated Outlays	2	3	4	6	8	23
Veterans' Resources Web Site						
Estimated Authorization Level	*	*	*	*	*	1
Estimated Outlays	*	*	*	*	*	1
Other Provisions						
Estimated Authorization Level	*	*	*	*	*	1
Estimated Outlays	*	*	*	*	*	1
Total Changes						
Estimated Authorization Level	556	35	36	38	40	707
Estimated Outlays	74	172	198	158	86	690
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	8	8	9	9	9	43

Note: * = less than $500,000.

Spending Subject to Appropriation

S. 3325 would authorize funding for the construction, renovation, or leasing of several medical facilities and make other changes in VA health care programs. In total, CBO estimates that implementing the bill would add $690 million to discretionary spending over the 2011-2015 period, assuming appropriation of the specified and estimated amounts.

Medical Construction Projects. Title II would authorize funding to construct, renovate, or lease several medical facilities. CBO estimates that implementing those provisions would cost $630 million over the 2011-2015 period, assuming appropriation of the authorized and estimated amounts.

Section 204 would authorize the appropriation of $995 million to construct a new medical center in New Orleans, Louisiana and $130 million for seismic corrections at facilities in Long Beach, California. Public Laws 109-148 and 109-234 provided $75 million and $550 million respectively to plan and construct the New Orleans facility. Based on VA's current estimated construction costs for that facility of $995 million, CBO estimates that VA would require additional funding of $370 million for the New Orleans facility. Adding in the specified authorization of $130 million for the Long Beach facilities, CBO estimates a total authorization of $500 million for both projects; carrying out those projects would cost $485 million over the 2011-2015 period, assuming appropriation of the authorized and estimated amounts.

Section 204 also would authorize the appropriation of $47 million for leasing five medical facilities. Based on information from VA's 2011 budget request for leasing medical facilities, CBO expects that VA would enter into 20-year lease agreements for those facilities. CBO estimates that in addition to the specified amounts authorized to be appropriated in 2011, VA would incur additional costs of $25 million a year starting in 2012. (Costs are higher in the first year than in other years because VA would pay up front for necessary improvements.) CBO estimates that entering into those leases would cost $145 million over the 2011-2015 period, assuming appropriation of the authorized and estimated amounts.

Outreach. Section 102 would require VA to establish an outreach program designed to increase veterans' awareness of and access to federal, state, and local programs providing compensation and benefits to veterans. Section 102 also would allow VA to enter into agreements with federal and state agencies for that purpose. VA also would be authorized to enter into agreements with and to provide technical assistance and award grants to certain commissions and authorities. Those commissions and authorities include the Appalachian Regional Commission; the Delta Regional Authority; the Denali Commission; the Northern Great Plains Regional Authority; the Southeast Crescent, Southwest Border, and Northern Border Regional Commission; and certain nonfederally chartered entities that serve Native Americans, Alaska Natives, or native Hawaiians.

Under this section, $35 million would be authorized over the 2011-2015 period to carry out those programs. CBO estimates that implementing section 102 would cost $35 million over the 2011-2015 period, subject to appropriation of the necessary amounts.

Loss of Copayments for Telehealth and Telemedicine Programs. Section 101 would prohibit VA from charging copayments to veterans for any telehealth or telemedicine consultations and would require VA to report to the Congress on the effects of that change. Under current law, VA charges copayments of $15 for primary care visits and $50 for specialty care visits. Based on information from the department, CBO estimates that in 2011 VA will have a workload of 60,000 such consultations for which it will receive $2 million in copayments. In recent years those programs have experienced a 30 percent annual rate of growth in workload. Some of that growth represents new workload in terms of medical visits that would not have been made for reasons of distance or other difficulty in accessing VA care. The remainder of the growth is accounted for by veterans using telehealth and telemedicine in place of physical visits to a VA facility. CBO expects that eliminating the copayments for virtual visits will accelerate the shift from regular visits, which will still incur copayments. CBO estimates that implementing this provision would decrease collections by $2 million in 2011, growing to $8 million by 2015.

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 $23 million over the 2011-2015 period, assuming appropriation of the necessary amounts.

Veterans' Resources Web site. Section 108 would grant VA the authority to establish and maintain a Web site with the purpose of providing information and links from other Web sites referring to benefits, resources, services, and opportunities for veterans. VA would be required to consult with other federal agencies to determine a comprehensive list of benefits and links for veterans' benefits and resources. CBO assumes that VA would either hire an individual to develop and maintain the Web site or hire a contractor to do so; therefore, we estimate that implementing section 102 would cost $1 million over the 2011-2015 period, subject to appropriation of the necessary amounts.

Other Provisions. Several sections of the bill, when taken individually, would increase spending subject to appropriation by less than $500,000 a year. Taken together, CBO estimates that implementing the following provisions would have a total cost of $1 million over the 2011-2015 period, assuming availability of appropriated funds:

- Section 103 would require an annual report on the use of radioactive isotopes at VA medical facilities.

- Section 104 would require certain training on the use of radioactive isotopes; CBO estimates that VA would be able to incorporate those requirements into existing training programs at minimal cost.

- Section 105 would require certain oversight of medical services provided by contractors; VA already complies with most of those requirements.

- Section 107 would require a report on the feasibility of establishing a polytrauma center in the northern Rockies or the Dakotas.

- Section 205 would require a report on the use of energy-efficient technologies in VA medical facilities.

Direct Spending

Section 106 would direct VA to provide up to five direct loans to help nonprofit organizations acquire, construct, modify, or rehabilitate transitional housing for veterans and their families. It also would establish the Multifamily Transitional Housing Loan Program Revolving Fund to cover the subsidy costs of those loans. (Transitional housing provides temporary lodging for homeless individuals and families, and is used in combination with services such as education, job training and placement, substance abuse counseling, and child care, to help residents transition to permanent housing.)

The Veterans Programs Enhancement Act of 1998 (Public Law 105-368) authorized VA to provide guaranteed loans for transitional housing and provided permanent, indefinite budget authority for the subsidy cost of those loans. Subsequently, the Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2000 (Public Law 106-74) provided $48 million in mandatory budget authority for the loan guarantees, of which $43 million remains available. The department has indicated that it will not use the remaining budget authority to guarantee any more loans for transitional housing because there are no applicants for the program. Section 106 would terminate the authority to guarantee loans and transfer the unobligated balances from the specific mandatory appropriation to the direct loan revolving fund.

Because the guaranteed loan program is moribund, CBO expects no further outlays for that purpose under current law. Thus, new outlays would arise from authorizing VA to use the remaining budget authority to make direct loans.

Section 106 would credit the repayments of principal and interest on the direct loans to the revolving fund, and make those amounts available for new direct loans, without further Congressional action. However, the concept of reusing loan repayments for new loans is inconsistent with the proper budgetary accounting of direct loans as specified in the Federal Credit Reform Act (FCRA). CBO estimates that redirecting those payments to a purpose other than retiring the debt for the original loan would increase the estimated subsidy costs of the loans to 100 percent of the face value of those loans.

Under FCRA, projected cash flows associated with direct loans—such as disbursements of loan proceeds, collections of principal and interest repayments, and recoveries of amounts subsequent to any defaults—are discounted using the average interest rate on Treasury securities of similar maturity to the loan cash flows. The net present value of those cash flows is recorded as the subsidy cost of the loans.

Repayments of loans are unavailable for spending and new loan obligations may be made only to the extent that new budget authority is provided in advance to cover anticipated credit subsidy costs. Thus, direct loan repayments are not available to "revolve" into new loans. Instead, such repayments are a means of financing the original loans, and the availability of repayments only for that purpose is implicit in the usual subsidy calculation. If principal and interest repayments are not returned to the Treasury, but are instead used for new loans, the net cost to the federal government is the total amount disbursed for the original loans.

CBO expects that VA would use the amounts transferred to the revolving fund to issue one direct loan annually over the next five years. Outlays are recorded in the year in which the loan is disbursed; thus, enacting section 106 would increase direct spending by $43 million over the 2011-2015 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. S. 3325 would authorize VA to provide direct loans to organizations providing transitional housing to veterans. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 3325 as ordered reported by the Senate Committee on Veterans' Affairs on August 5, 2010

	By Fiscal Year, in Millions of Dollars												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2010-2015	2010-2020
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	8	8	9	9	9	0	0	0	0	0	43	43

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 3325 contains an intergovernmental mandate as defined in UMRA because it would preempt state laws that prohibit certain transitional housing programs from offering preferential treatment to veterans. While the preemption would limit the application of state and local laws, it would impose no duty that would result in significant additional spending. Consequently, CBO estimates that the costs would fall well below the threshold established in the UMRA for intergovernmental mandates ($70 million in 2010, adjusted annually for inflation).

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 3107 contains no new private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On July 29, 2010, CBO transmitted an estimate for H.R. 5226, the Appalachian Veterans Outreach Improvement Act, as ordered reported by the House Committee on Transportation and Infrastructure on July 1, 2010. Section 102 of S. 3325 contains language similar to that in H.R. 5226 but also includes additional commissions and agencies for VA to partner with in order to improve their outreach efforts in various regions. Also, S. 3325 would authorize specified amounts to implement the outreach efforts while H.R. 5226 would not. The estimates reflect those differences.

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