CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 21, 2007

H.R. 612
Returning Servicemember VA Healthcare Insurance Act of 2007

As ordered reported by the House Committee on Veterans' Affairs
on May 15, 2007

SUMMARY

H.R. 612 would extend from two years to five years the period of time during which certain combat veterans could seek health care from the Department of Veterans Affairs (VA) without establishing that any injury or illness is connected to service in the military. CBO estimates that implementing this bill would cost about $115 million over the 2008-2012 period, assuming appropriation of the necessary amounts. Enacting the bill would not affect direct spending or revenues.

H.R. 612 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 612 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 near the end of fiscal year 2007, that the necessary funds for implementing the bill will be provided each year, and that the outlays will follow historical spending patterns for the VA medical services program.

Veterans enrolling in the VA health care system are assigned to one of eight priority care groups, based on such factors as disability rating and income. Under current law, veterans

entering the system who have served in combat zones are automatically placed in priority category 6 until they receive a rating for a service-connected disability or until two years from the date of their discharge from active duty. Those who are determined to have a service-connected disability are reassigned to the highest priority categories—1, 2, or 3. At the end of the two-year period, all others are moved to the lowest priority categories—7 or 8—depending on their level of income. Veterans in those lowest two categories generally pay higher copayments for treatments and medications than veterans in the higher priority categories.

	By Fiscal Year, in Millions of Dollars					
	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Veterans Medical Services						
Estimated Budget Authority [a]	27,752	0	0	0	0	0
Estimated Outlays	25,743	2,934	1,136	171	0	0
Proposed Changes						
Estimated Authorization Level	0	10	25	25	30	30
Estimated Outlays	0	9	23	25	29	30
Spending Under H.R. 612						
Authorization Level [a]	27,752	10	25	25	30	30
Estimated Outlays	25,743	2,944	1,161	196	30	30

a. The 2007 level is the amount appropriated for that year.

H.R. 612 would extend the period during which combat veterans can receive care in priority category 6—from the current two years from their date of discharge to five years. Thus, under this bill, veterans currently in category 6 would be allowed to remain at that priority level for an extra three years. Veterans who had already been reassigned to category 7 or 8, but had been discharged within the last five years, would be returned to category 6 for whatever remained of that five-year period. And combat veterans who had not yet sought care from VA would have up to three additional years to enter the health care system. Since VA is not currently allowing enrollment by veterans with incomes above a certain threshold and without service-connected disabilities, this last effect would allow some veterans to receive treatment from VA who otherwise might have been denied access to the system.

H.R. 612 also would allow certain other combat veterans to be eligible for health care in priority category 6. Combat veterans who were discharged from active-duty service between

November 11, 1998, and October 1, 2002 (the date that is five years before the date of assumed enactment of H.R. 612) and who have never enrolled in the VA health care system would be allowed to receive three years of health care in priority category 6. (November 11, 1998, is the date of enactment of the law that created the provision of two years of priority health care for combat veterans.)

CBO estimates that enacting H.R. 612 would cause about 5,300 new combat veterans to enroll in the VA health care program in 2008, and 10,600 to enroll in 2009. Thereafter, however, CBO estimates that only a few hundred would enter each year and receive the additional benefit of H.R. 612, as the number of combat veterans being discharged from active duty is expected to decline and as veterans discharged prior to the enactment of this bill lose their eligibility for priority health care. Based on information from VA, CBO estimates that the cost of treating those additional veterans would be about $13 million in 2008, but that those same veterans would pay VA an additional $3 million that year in copayments. (For injuries or illnesses that are obviously not service-connected, such as those from a recent car accident or a bout with the flu, VA charges copayments.) Over the 2008-2012 time period, CBO estimates that treatment of those veterans would increase costs by $140 million. During this same period, CBO estimates VA would receive additional copayments of about $30 million.

CBO also estimates that, under H.R. 612, VA would lose about $1 million each year in copayments from veterans who would be in priority category 6 rather than priority category 7 or 8. Veterans in the lowest two categories have no service-connected conditions and are charged copayments for all treatments. When veterans in priority category 6 seek treatment, their medical condition is assumed to be related to their military service—unless that is obviously not the case—and thus they are not charged copayments for those treatments. Thus, CBO estimates the total net cost of implementing H.R. 612 would be about $10 million in 2008 and about $115 million over the 2008-2012 period, assuming appropriation of the necessary amounts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 612 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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