# CONGRESSIONAL BUDGET OFFICE
# COST ESTIMATE

October 14, 2005

# S. 1182
## Veterans Health Care Act of 2005

*As ordered reported by the Senate Committee on Veterans' Affairs*
*on September 15, 2005*

## SUMMARY

S. 1182 would expand or establish a number of health care benefits for veterans. In particular, the bill would authorize the Secretary of the Department of Veterans Affairs (VA) to provide medical care to infants born in VA hospitals, to reimburse certain veterans who seek emergency care from non-VA medical facilities, and to hire additional specialists who provide care for blind veterans. The bill also would allow veterans in areas affected by Hurricane Katrina who otherwise would not be eligible for such care to obtain medical care from VA and would prohibit the collection of co-payments and third-party reimbursements for medical care given to veterans from these areas.

CBO estimates that implementing this bill would cost $193 million in 2006 and about $1.2 billion over the 2006-2010 period, assuming appropriation of the authorized and estimated amounts. Enacting this bill would not affect direct spending or receipts.

S. 1182 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 S. 1182 is shown in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

**TABLE 1. ESTIMATED BUDGETARY IMPACT OF S. 1182**

| | By Fiscal Year, in Millions of Dollars | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| **CHANGES IN SPENDING SUBJECT TO APPROPRIATION[a]** | | | | | |
| Estimated Authorization Level | 297 | 319 | 228 | 234 | 238 |
| Estimated Outlays | 193 | 303 | 236 | 236 | 237 |

a. These amounts do not include the costs of implementing section 7 because CBO cannot estimate such costs at this time.

## BASIS OF ESTIMATE

S. 1182 would affect discretionary spending for veterans' medical care and would decrease the amount of offsetting collections deposited to the Medical Care Collections Fund (MCCF). CBO estimates that implementing S. 1182 would cost $193 million in 2006 and about $1.2 billion over the 2006-2010 period (see Table 2), assuming appropriation of the authorized and estimated amounts. These amounts do not include the costs of implementing section 7, which would allow VA to conduct cost-comparison studies, because CBO cannot estimate the costs at this time. For this estimate, CBO assumes the bill will be enacted before the end of calendar year 2005.

### Grants for Helping Homeless Veterans

Section 4 would reinstate and make permanent VA's authority to provide grants to organizations that furnish services to homeless veterans. That authority expired on October 1, 2005. The provision also would authorize the appropriation of $130 million in fiscal year 2006 and each subsequent year for these grants. Finally, the provision would authorize the appropriation of $1 million a year over the 2006-2011 period for grants to organizations that give technical assistance to entities or organizations that assist nonprofit, community-based groups in applying for grants to furnish services to homeless veterans.

In 2005, the Congress appropriated $75 million for grants to organizations that furnish services to homeless veterans and $750,000 for grants to provide technical assistance. Based on information from VA, CBO assumes that it would take the department about three years to expand the grant programs to the levels authorized for 2006. Thus, CBO estimates that implementing section 4 would cost $67 million in 2006 and $565 million over the 2006-2010 period, assuming appropriations of the authorized amounts.

**TABLE 2. ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER S. 1182[a]**

| Provision | By Fiscal Year, in Millions of Dollars | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Grants for Helping Homeless Veterans | | | | | |
| Authorization Level | 131 | 131 | 131 | 131 | 131 |
| Estimated Outlays | 67 | 105 | 131 | 131 | 131 |
| Expansion of Mental Health Services | | | | | |
| Authorization Level | 97 | 95 | 0 | 0 | 0 |
| Estimated Outlays | 65 | 112 | 9 | 4 | 0 |
| Reimbursement for Emergency Treatment at Non-VA Medical Facilities | | | | | |
| Estimated Authorization Level | 52 | 73 | 76 | 80 | 83 |
| Estimated Outlays | 47 | 69 | 75 | 79 | 82 |
| Medical Care for Veterans Affected by Hurricane Katrina | | | | | |
| Estimated Authorization Level | 6 | 9 | 9 | 10 | 10 |
| Estimated Outlays | 6 | 8 | 9 | 9 | 10 |
| Forgone Offsetting Collections | | | | | |
| Estimated Authorization Level | 3 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 2 | * | * | 0 | 0 |
| Care for Newborns | | | | | |
| Estimated Authorization Level | 4 | 7 | 8 | 9 | 10 |
| Estimated Outlays | 4 | 6 | 8 | 9 | 10 |
| Outpatient Specialists for Blind Rehabilitation | | | | | |
| Authorization Level | 4 | 4 | 4 | 4 | 4 |
| Estimated Outlays | 2 | 3 | 4 | 4 | 4 |
| Total Changes [b] | | | | | |
| Estimated Authorization Level | 297 | 319 | 228 | 234 | 238 |
| Estimated Outlays | 193 | 303 | 236 | 236 | 237 |

NOTE: * = less than $500,000.

a. Five-year costs in the text differ slightly from a summation of the annual costs shown here because of rounding.
b. These amounts do not include the costs of implementing section 7 because CBO cannot estimate such costs at this time.

**Expansion of Mental Health Services**

Section 8 would direct VA to improve and expand mental health services offered by the department and would authorize the appropriation of $95 million in 2006 and 2007 for these purposes. The provision would direct VA to increase the number of clinical treatment teams dedicated to the treatment of post-traumatic stress disorder (PTSD), to expand the services available to diagnose and treat substance abuse, and to improve tele-health initiatives in areas of the country that are far from VA facilities. The provision also would require the Department of Defense (DoD) to work with the National Center on Post Traumatic Stress Disorder to provide training medical care providers within DoD on PTSD and would authorize the appropriation of $2 million in 2006 to carry out this authority. Assuming outlays follow historical patterns, CBO estimates that implementing section 8 would cost $65 million in 2006 and about $190 million over the 2006-2009 period, assuming appropriation of the authorized amounts.

**Reimbursement for Emergency Treatment at Non-VA Medical Facilities**

Section 17 would allow VA to reimburse certain veterans who seek emergency treatment from a non-VA medical facility. Under current law, a veteran who receives emergency care in the private sector for a nonservice-connected condition can only be reimbursed if he or she has no other insurance coverage. This provision would authorize VA to reimburse veterans who receive emergency treatment from a non-VA medical facility for costs that the veteran remains personally liable for if the veteran is enrolled in VA's health care system, received medical care from VA during the 24-month period preceding emergency treatment, has health insurance that partially reimburses the cost of emergency treatment, is financially liable for the cost of treatment that is not reimbursed by his or her health insurance, and is not eligible for reimbursement under current law.

According to VA, it expects about 250,000 veterans would qualify each year for reimbursement under this provision and that, on average, such veterans would be paid about $280 in 2006 to cover nonreimbursed treatment costs including net co-pays and deductibles. (VA indicates that it would deduct the co-payment a veteran would have paid if the treatment had been provided at a VA facility from any request for reimbursement.) Based on this information and adjusting for inflation, CBO estimates that implementing section 17 would cost $47 million in 2006 (accounting for a partial-year effect) and about $350 million over the 2006-2010 period, assuming appropriation of the necessary amounts.

**Medical Care for Veterans Affected by Hurricane Katrina**

Section 16 would require VA to treat certain veterans affected by Hurricane Katrina who would otherwise not be allowed to receive care from the agency's medical system. Since January 2003, VA has not accepted new enrollments from priority 8 veterans, who are veterans without a service-connected disability and with income above certain thresholds. This provision would allow those priority 8 veterans in the New Orleans, Louisiana, and Gulfport or Biloxi, Mississippi, regions who were previously excluded to receive care at VA medical facilities through January 31, 2006.

Based on data from VA about the number of veterans in these regions and the projected population of potential priority 8 enrollees in each state, CBO estimates that there are about 5,700 veterans from the affected areas who would seek care from VA at an average annual cost of about $1,500 in 2006. Although the provision would limit such care to the period before January 31, 2006, CBO expects that VA would allow these veterans to continue to receive medical care beyond that date since it has grandfathered such priority 8 veterans in the past. Thus, after adjusting for expected inflation, CBO estimates that implementing this provision would cost $6 million in 2006 and almost $45 million over the 2006-2010 period, assuming appropriation of the necessary amounts.

**Forgone Offsetting Collections**

Section 16 also would prohibit VA from collecting co-payments and third-party co-payments and third-party reimbursements for medical care given to veterans from these areas until January 31, 2006. Under current law, certain veterans must make co-payments when receiving health care from VA. In addition, VA can bill a veteran's third-party insurance when the veteran is treated for nonservice-connected conditions. These payments are deposited into the MCCF and, under current law, are treated as offsets to discretionary spending. Spending from the MCCF is subject to appropriation.

VA estimates that it will collect nationwide more than $2.1 billion in co-payments and reimbursements in 2006. Because the population for the affected area comprises less than 1 percent of all veterans using VA's medical system and CBO expects that VA would waive co-payments and third-party reimbursements for only one month, CBO estimates that implementing this provision would reduce collections by about $3 million in 2006.

### Care for Newborns

Section 2 would allow VA to provide medical care for up to 14 days to newborns of female veterans who are delivered in a VA facility. Under current law, VA may only provide medical benefits to the mother. VA estimates that about 1,000 newborns would receive medical care in the first year and that this number would grow to about 2,000 infants by 2011. Based on data from VA, CBO estimates that the cost of providing neonatal care to those infants would be about $5,900 per infant in 2006. (Providing neonatal care for most infants would cost much less; the high average cost is driven by those infants who require extensive care for longer periods of time.) After adjusting for expected inflation, CBO estimates that implementing this provision would cost $4 million in 2006 and $36 million over the 2006-2010 period, assuming appropriation of the necessary amounts.

### Outpatient Specialists for Blind Rehabilitation

Section 14 would require VA to employ outpatient specialists for blind rehabilitation at no fewer than 35 of its facilities and would authorize the appropriation of $3.5 million a year over the 2006-2011 period to carry out this provision. CBO estimates that implementing this provision would cost $2 million in 2006 and just over $16 million over the 2006-2010 period, assuming appropriation of the necessary amounts.

### Cost Comparison Studies

Section 7 would repeal a provision in law that prohibits VA from using appropriated funds to conduct studies comparing the costs of allowing certain functions to be performed by private contractors instead of using VA personnel. CBO cannot estimate the budgetary impact of implementing this provision since VA has not provided information on the number of studies it would conduct or the potential cost per study. It is likely, however, that the costs of implementing section 7 would be small compared to the total cost of this bill.

### Other provisions

The following provisions would have an insignificant budgetary impact on spending subject to appropriation:

- Section 6 would exempt the Chief Nursing Officer with the Office of Nursing Services from current-law restrictions to nurse pay and allow that officer to be paid

at a rate up to the maximum rate established by the Senior Executive Service. Based on information provided by VA, CBO estimates that implementing this provision would cost less than $50,000 a year.

- Section 3 would allow medical care providers to collect payment for services from a third-party insurance company when they provide care to certain children of Vietnam veterans. Under current law, medical care providers who treat children of Vietnam veterans with spina bifida or birth defects can only receive payment from VA. This provision would allow providers to seek payment from a responsible third-party for the difference between the amount billed and the amount paid by VA. CBO estimates that implementing this provision would not affect VA payments to these providers.

- Section 10 would direct VA to increase the number of personnel employed by VA as part of its Readjustment Counseling Service outreach program. Section 11 would direct VA to increase the number of Veterans Readjustment Counseling Service facilities that can provide tele-health linkages with other VA facilities. VA indicates that it is already implementing such increases. As such, CBO estimates that implementing these provisions would result in no additional costs.

## INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1182 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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