CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 31, 2008

H.R. 1527
Rural Veterans Access to Care Act

As ordered reported by the House Committee on Veterans' Affairs on July 16, 2008

SUMMARY

H.R. 1527 would require the Department of Veterans Affairs (VA) to implement a pilot program that would pay for certain veterans who are enrolled in the VA health care program to receive medical care outside the VA system. The program would be carried out over a three-year period in four specific Veterans Integrated Services Networks (VISNs), which are regional networks of medical facilities. CBO estimates that implementing H.R. 1527 would cost about $1.6 billion over the 2009-2013 period, assuming appropriation of the necessary amounts.

Enacting the bill also could affect direct spending for Medicare, but CBO estimates any such effects would not be significant. Enacting the bill would not affect revenues.

H.R. 1527 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. 1527 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					
	2009	2010	2011	2012	2013	2009-2013
CHANGES IN SPENDING SUBJECT TO APPROPRIATION[a]						
Estimated Authorization Level	210	440	685	235	0	1,570
Estimated Outlays	190	415	660	280	25	1,570

a. In addition to the effects on spending subject to appropriation shown in this table, CBO estimates that enacting H.R. 1529 could increase direct spending, but that any such changes would be less than $500,000 a year.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the end of fiscal year 2008, that the estimated amounts will be appropriated for each year, and that outlays will follow historical spending patterns for the VA medical services program.

Spending Subject to Appropriation

H.R. 1527 would require VA to implement a pilot program to pay for certain enrollees to receive medical care outside the VA system. The program would be carried out over a three-year period—from February 2009 through January 2012—in VISNs 1, 15, 18, and 19. Those VISNs include states in various parts of the country, including the northeast, central, southwest, and northwest. Under the bill, enrollees could elect to receive health care through non-VA providers and VA would pay for such care if:

- The enrollee requires primary care and lives more than 60 miles driving distance from the nearest VA facility providing such care,
- The enrollee requires acute hospital care and lives more than 120 miles driving distance from the nearest VA facility providing such care,
- The enrollee requires tertiary care and lives more than 240 miles driving distance from the nearest VA facility providing such care, or
- The enrollee does not meet the criteria above but has difficulty traveling to VA facilities, as determined by the Secretary of the VA.

VA has indicated that the department would implement the pilot program required under the bill in the same fashion as its current fee-basis program. Under that program, VA has the authority to contract with health care providers outside the VA system to provide pre-approved services for certain veterans. VA negotiates the price of such services and pays the providers. Thus, under the pilot program, CBO assumes that VA will provide the required services through contracts with private health care providers, and that VA will pay the full cost of such care.

Data from VA indicate that about 800,000 veterans in VISNs 1, 15, 18, and 19 would be eligible for the pilot program. (That figure combines both current enrollees in the VA health system and veterans that are currently not enrolled.) Of that total, about 300,000 are currently using some VA-provided health care. Of the remainder, CBO estimates that about 200,000 might choose to receive care in 2009 through the pilot program.

CBO expects that, under the bill, eligible veterans would receive about 95 percent of their health care through VA. After adjusting for inflation and an estimated 10 percent increase in health care costs (care provided at non-VA facilities is generally more expensive than care provided at VA facilities), CBO estimates that in 2009 the department would spend an average of roughly $5,000 per new patient under the pilot program and less than $3,500, on average, for existing patients that participate in this pilot program. Those averages account for the different usage patterns of veterans, with some enrollees in the new program receiving only primary care, acute care, or tertiary care, and others receiving a combination of those three types of care.

Using the above estimates of per-patient costs, and assuming appropriation of sufficient amounts to cover all those who choose to use the program, implementing it could cost as much as $2 billion a year, CBO estimates. However, because the proposed pilot program is temporary, CBO expects that not all eligible veterans would be able to enroll in the program during the three-year period, and that local health care providers would hesitate to invest in expanded facilities to accommodate veterans. Accounting for a slow, incremental take-up of the temporary benefit, CBO estimates that costs would rise from almost $200 million in 2009 to $660 million in 2011 (costs fall sharply in 2012 because the program would expire that year).

Direct Spending

Enacting H.R. 1527 could affect spending for Medicare, if community-based providers of health care would seek to recover costs from those programs before billing VA. However, under the current fee-basis program, VA pays for the entire cost of care, and CBO assumes

the same would be true for the pilot program. Thus, for this estimate, CBO expects that any direct spending effects would be insignificant. (If VA chooses to implement this pilot program differently, Medicare could become the primary payer for veterans in this program, thus increasing direct spending significantly for that program.)

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1527 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Sunita D'Monte
Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum
Impact on the Private Sector: Daniel Frisk

ESTIMATE APPROVED BY:

Peter H. Fontaine
Assistant Director for Budget Analysis