CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 23, 2007

H.R. 1538
Wounded Warrior Assistance Act of 2007

As ordered reported by the House Committee on Armed Services
on March 20, 2007

SUMMARY

H.R. 1538 would impose a number of new requirements on the Department of Defense (DoD) intended to improve the medical care and other services received by servicemembers who are sick or wounded. Among other things, the bill would increase the number of case managers and servicemember advocates and improve their training, require that medical personnel be available to advise servicemembers whose cases are being reviewed by evaluation boards, and establish a program to assist servicemembers who are separating from DoD as they make the transition to the use of services provided by the Department of Veterans Affairs (VA).

The bill also would require DoD and VA to establish a single medical information system between the two departments. CBO does not have sufficient information about how DoD and VA might implement this requirement to estimate the cost, but we expect that cost could amount to billions of dollars, subject to appropriation of the necessary funds. CBO estimates that implementing the remainder of H.R. 1538 would incur discretionary costs of $66 million in 2008 and about $300 million over the 2008-2012 period, assuming appropriation of the necessary amounts. Enacting the bill would not have a significant impact on direct spending or revenues.

H.R. 1538 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 costs of this legislation fall within budget functions 050 (national defense) and 700 (veterans benefits and services).

The principal budgetary impact of H.R. 1538 would be discretionary costs for developing and implementing a single medical information system for DoD and VA. Such a system could potentially cost billions of dollars, but CBO does not have sufficient information at this time to complete an estimate of those costs. Ultimately, the cost of such a new system would depend on how the two departments choose to implement the bill's requirements and would be subject to appropriation of the necessary amounts.

CBO estimates that implementing the remainder of H.R. 1538 would require the appropriation of $100 million in 2008 and $315 million over the 2008-2012 period. CBO estimates that appropriation of those amounts would result in discretionary outlays of $66 million in 2008 and about $300 million over the 2008-2012 period.

In addition, CBO estimates that H.R. 1538 would have an insignificant effect on direct spending and would have no effect on revenues.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1538 would be enacted near the start of fiscal year 2008 and that the necessary amounts will be appropriated for each year. Most of the legislation's budgetary effects would fall within the discretionary spending category, but one provision would have a negligible effect on direct spending.

Spending Subject to Appropriation

H.R. 1538 would require DoD to hire additional personnel to ensure that sick, wounded, and recovering servicemembers receive assistance in coordinating medical treatment, resolving administrative problems, and in preparing for the evaluation board that determines if members will be allowed to remain on active duty. It also would require the establishment of a single medical information system for both DoD and VA, a transitional plan for members leaving the service, the creation of a wounded warrior battalion, and the preparation of several reports and studies. CBO estimates that, in addition to potentially billions of dollars in costs for the new medical information technology system, implementing this bill would cost $66 million in 2008 and about $300 million over the 2008-2012 period, assuming appropriation of the necessary amounts.

Medical Information Systems. Section 110 would require DoD and VA to implement a single medical information system for the exchange of critical medical information. CBO cannot estimate the budgetary impact of implementing this provision because DoD and VA

have not yet determined how they would meet the requirements of this section. If a new computer system would have to be created by the departments to enable the transfer of medical information, it could cost billions of dollars. If improvements to current systems would suffice, the cost would be much smaller.

Transition Plan. Section 110 also would require that DoD establish a program to ensure that each servicemember who retires or separates from the military due to physical disability receive a written plan that outlines how the transition to the provision of medical care and benefits by VA should occur. The formal transition process also would include the transmission of such information as the discharge form, a copy of the medical records and findings of the disability evaluation board, and information on the veterans' benefits that each member is entitled to receive from VA. This section also would require that the same physical evaluation be used by DoD and VA, and for VA benefits teams to be optimally located at DoD facilities.

The improved transition process would probably make use of the new medical information system discussed above. CBO believes that these additional requirements would not have any significant additional cost.

Medical Support Fund. Section 111 would establish a DoD Medical Support Fund to be used for programs and activities related to medical care for wounded servicemembers and support for their families. The bill would authorize the appropriation of $50 million to remain available through fiscal year 2008. That money could be transferred from the new fund to several appropriations accounts, including construction, research, and military personnel. Based on information from DoD, CBO estimates that $25 million would be spent from the fund in 2008. Obligations made in that year would likely result in outlays of $50 million over the 2008-2012 period.

Case Managers and Servicemember Advocates. Servicemembers who are outpatients at military treatment facilities receive the assistance of both medical care case managers and servicemember advocates. The former are generally social workers who help coordinate care for servicemembers. The latter are military personnel who assist the patients with administrative matters. Section 101 would clarify the roles of each and establish the maximum workload that could be carried. Based on information from DoD, CBO estimates that about 330 case managers would have to be hired initially to meet those requirements. Fewer new case managers would be needed in the future as fewer troops are expected to be in a combat situation. With an average salary and benefits package of $100,000 per person, the estimated cost of this provision is about $100 million over the 2008-2012 period.

CBO cannot estimate the number of additional servicemember advocates that would be required under this proposal without additional information from DoD. However, since personnel for those positions would come from within authorized personnel levels, CBO expects that implementing this provision would not increase overall personnel costs.

Independent Medical Advocates. Section 104 would require that servicemembers being considered by medical evaluation boards (MEBs) have access to an independent health care professional to act as an advocate on their behalf. Based on information from the military services, CBO estimates that MEBs consider about 25,000 cases each year. Due to this large case load, CBO believes it would be difficult for DoD to meet this requirement without hiring additional personnel or using private contractors. For this estimate, CBO assumes the military services would enter into contracts with private-sector nurses to perform this service. Based on information from several firms that specialize in workers compensation and veterans disability cases, CBO estimates the cost to hire a registered nurse as an advocate for military personnel would be about $500 per case. This would result in a cost to DoD of about $5 million in 2008 and about $60 million over the 2008-2012 period. Costs would be lower in 2008 than in later years because of the time needed to establish procedures and program resources to meet this new requirement, CBO estimates.

Physical Evaluation Board Liaison Officers. Section 105 would mandate that physical evaluation board liaison officers (PEBLOs) be assigned to no more than 20 cases at any one time. Based on information from the military services, there are currently about 260 personnel that perform the role of PEBLOs throughout the DoD medical system. Of those, CBO estimates about 15 percent, or 40 liaison officers, currently have caseloads of less than 20. Of the remaining 220 personnel, CBO estimates the average caseload is about 28 per PEBLO. Therefore, decreasing the average caseload to 20 would require the hiring of an additional 90 PEBLOs. The current population of PEBLOs is comprised of both military and civilian personnel. For this estimate, CBO assumes the new PEBLOs would all be civilians and each would cost about $60,000 per year, which is the approximate cost of pay and benefits for a GS-8 on the General Schedule. Therefore, CBO estimates that implementing this section would average $6 million per year and $27 million over the 2008-2012 period. The cost would only be about $3 million in 2008 because of the time needed to hire and train the new personnel.

Hotline. Section 102 would require DoD to establish a toll-free hotline to collect information about the condition of medical facilities. Any deficiencies would have to be investigated within 96 hours and a plan of action for remediation developed. If the problems violate health or safety standards then occupants of the building would have to be relocated until the corrections are made. Based on information from DoD, CBO estimates that implementing this section would cost $6 million in 2008 and $35 million over the 2008-2012

period. This includes a cost of about $2 million per year for operating the hotline and for relocating patients, and about $4 million per year for investigation of the complaints.

Standardized Training. Sections 101, 105, and 106 would require the Secretary of Defense to establish standardized training programs for personnel involved in the disability evaluation system. Currently, each of the services specify their own training requirements, which in some cases is limited to on-the-job training. A report by RAND recommended that DoD provide standardized training to personnel in the disability evaluation system through a combination of computer-based distance training and classroom training.[1] Based on information from that report, CBO estimates the cost to provide such training would be about $1 million in 2008 and $6 million over the 2008-2012 period.

Reports. The bill would require that DoD prepare several reports and conduct surveys to gauge the adequacy and efficiency of employee training programs, benefits for families of wounded servicemembers, the disability evaluation system, the quality of medical care for the combat-wounded, the medical classification code for brain injuries, military medical facilities, and certain liaison programs. Based on information from DoD, CBO estimates that it would cost less than $1 million to do each report or survey. The bill would require that some of the reports or surveys be done only once while others would have to be done each year. CBO estimates that the total cost to do these reports and surveys would be $6 million in 2008 and about $20 million over the 2008-2012 period.

Other Provisions. The following provisions would have an insignificant impact on discretionary spending:

- Section 112 would establish the Oversight Board for Wounded Warriors, to be comprised of 12 appointed members who would provide advice and consultation to the Secretary of Defense and to the Congress. Board members would receive pay for travel expenses for required visits to military medical facilities.

- Section 103 would require that DoD notify members of the Congress when a servicemember from their state or district is medically evacuated from a theater of combat.

- Section 301 would place a one-year moratorium on the conduct of any study or competition for the purposes of transferring to a private-sector contractor the

1. Cheryl Y. Marcum and others, *Methods and Actions for Improving Performance of the Department of Defense Disability Evaluation System* (Santa Monica, CA: RAND, 2002).

responsibility for performance of any function currently performed by DoD personnel at a military medical facility.

- Section 302 would prohibit the transfer of funds from DoD medical care accounts to administrative accounts for the purpose of complying with the provisions of H.R. 1538.

- Section 303 would require VA to increase the number of resident physicians at its hospitals. Based on information from VA, CBO estimates that this requirement can be met at minimal cost.

- Section 108 would establish a pilot program to operate a Wounded Warrior Battalion for a period of one year. The battalion would be dedicated to tracking and assisting soldiers who require medical care while in an outpatient status. Since personnel for this unit would come from within authorized personnel levels, CBO anticipates this provision would have an insignificant effect on discretionary spending.

- Section 202 would require the regular inspection of military housing facilities and quarters that are occupied by recovering servicemembers.

Direct Spending

Section 109 would require DoD to verify that the medical condition of servicemembers who are receiving temporary disability retirement has stabilized before separating them from the armed forces. Under current law, they may be separated any time their degree of disability is rated at less than 30 percent. Under this provision, some members could receive temporary disability retirement annuities for up to three and one-half years longer than they otherwise would have.

CBO expects no significant budgetary impact from this provision because it would likely affect few members. In addition, many military retirement annuities are reduced, or offset, by the amount of veterans disability compensation received. CBO estimates that most or all of these temporary retirees would be eligible for veterans disability benefits and that any additional retirement benefits received under this provision would be substantially reduced by the disability compensation offset.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1538 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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