



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 14, 1998

S. 1822

Veterans' Health Care Improvements Act of 1998

*As ordered reported by the Senate Committee on Veterans' Affairs
on July 28, 1998*

SUMMARY

S. 1822 would authorize appropriations for major construction projects and leases at medical facilities of the Department of Veterans Affairs (VA), authorize additional educational assistance for certain VA employees, and make other changes to permanent law. CBO estimates that S. 1822 would result in additional discretionary outlays totaling \$14 million in 1999 and \$117 million over the 1999-2003 period, assuming appropriation of the necessary amounts. In addition, the bill would increase direct spending by \$4 million over the five-year period. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1822 over the 1999-2003 period is shown in Table 1. The costs of this legislation would fall within budget function 700 (veterans affairs).

Direct Spending

Direct spending costs would stem from payments from the account that funds veterans' pensions to a VA revolving fund and from an extension of housing benefits for reservists.

TABLE 1. BUDGETARY IMPACT OF S. 1822, AS ORDERED REPORTED BY THE SENATE COMMITTEE ON VETERANS' AFFAIRS

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
DIRECT SPENDING						
Estimated Budget Authority	0	4	-1	-1	-1	3
Estimated Outlays	0	4	-1	-1	-1	3
SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	101	10	10	0	0
Estimated Outlays	0	14	22	36	28	17

Pensions. Section 303 would authorize payments from the veterans' pensions account (a mandatory account) to the Medical Facilities Revolving Fund, which could spend the receipts. The amounts transferred would be the difference between the standard monthly pension payments for some veterans receiving nursing home care from the VA and the \$90 monthly payment they receive under provisions scheduled to expire in 2002. The VA would use the transfer to the revolving fund to defray operating expenses at the facility providing the veteran's care. CBO estimates that this section would increase spending by about \$2 million annually, except that costs would total an estimated \$4 million in 1999 because the transfer associated with 1998 pension payments would probably occur in 1999. (See Table 2.)

Home Loans for Reservists. Section 302 would extend the home loan benefits for reservists through December 31, 2004. Under current law, those benefits expire on October 27, 1999. CBO estimates that this provision would increase VA loan guarantees by roughly 7,000 each year. Because origination fees would more than offset the subsidy cost of additional loan guarantees, CBO estimates that the provision would lower net spending by about \$3 million annually through 2002. In 2003 and 2004, however, this provision would cost \$3 million a year because certain fees will expire under current law. In 2005, when this provision would expire, CBO estimates the program would cost about \$1 million.

TABLE 2. DIRECT SPENDING EFFECTS OF S. 1822, AS ORDERED REPORTED BY THE SENATE COMMITTEE ON VETERANS' AFFAIRS (By fiscal year, in millions of dollars)

	1998	1999	2000	2001	2002	2003
VETERANS' PENSIONS						
Spending Under Current Law for Veterans' Pensions						
Estimated Budget Authority	3,045	3,055	3,114	3,140	3,185	3,710
Estimated Outlays	3,037	3,047	3,107	3,138	3,182	3,706
Proposed Changes						
Estimated Budget Authority	0	4	2	2	2	0
Estimated Outlays	0	4	2	2	2	0
Spending Under S. 1822 for Veterans' Pensions						
Estimated Budget Authority	3,045	3,059	3,116	3,142	3,187	3,710
Estimated Outlays	3,037	3,051	3,109	3,140	3,184	3,706
VETERANS' HOME LOANS						
Spending Under Current Law for Veterans' Home Loans						
Estimated Budget Authority	617	112	117	118	118	289
Estimated Outlays	617	112	117	118	118	289
Proposed Changes						
Estimated Budget Authority	0	0	-3	-3	-3	3
Estimated Outlays	0	0	-3	-3	-3	3
Spending Under S. 1822 for Veterans' Home Loans						
Estimated Budget Authority	617	112	114	115	115	292
Estimated Outlays	617	112	114	115	115	292
TOTAL PROPOSED CHANGES						
Proposed Changes						
Estimated Budget Authority	0	4	-1	-1	-1	3
Estimated Outlays	0	4	-1	-1	-1	3

Spending Subject to Appropriation

The bill contains several provisions that would affect spending subject to appropriation (see Table 3). CBO assumes appropriation of the authorized amounts by the beginning of each fiscal year. Outlay estimates are based on historical spending patterns.

Major Construction and Leases. Section 203 would authorize appropriations of \$82.7 million to complete several projects that are specified in the bill. The bill would also authorize appropriations of \$8.4 million for leasing agreements for three satellite outpatient clinics. In addition, the bill would authorize other projects that would not require new appropriations. First, the bill would authorize VA to spend \$13 million to construct a parking structure at the medical center in Denver, Colorado. For this project, VA would be required to use \$13 million from balances in the Parking Revolving Fund. Second, the bill would authorize VA to use \$3 million in unobligated balances to build ambulatory care facilities. The funding would be derived from amounts appropriated for fiscal years beginning before 1999 and that remain available for obligation. CBO estimates that these authorizations of spending from existing balances would have no budgetary impact because the annual spending for the newly authorized projects would not differ significantly from spending that would occur under current law.

Educational Assistance Programs. Sections 102 and 103 would create two additional educational assistance programs for certain employees of VA. One would provide scholarships up to \$10,000 a year for three years to employees pursuing medical education or training in certain fields, and the other would reimburse employees for health-related educational loans up to a specified amount, depending on how many years the employee participated in the program. The programs would be available to employees who would be accepted into them by December 31, 2001.

CBO estimates that outlays for those programs would be \$6 million in 1999 and \$30 million over the 1999-2003 period, assuming appropriation of the necessary funds. Even though the VA would not be able to select new employees after 2001, it might have commitments to the employees accepted into the programs by then. This estimate assumes the annual cost of both programs would equal the amount provided in S. 2168, the 1999 appropriations bill for the VA, as passed by the Senate on July 17, 1998. However, S. 1822 does not specify funding or limit the size of the programs; therefore, the annual cost could be higher after 1999, particularly if the VA uses its entire appropriation to cover one year of assistance for participating employees and then adds new cohorts in the following years. For this estimate, CBO assumes that the VA would structure the programs so that it covers the total multiyear cost of its commitments with the appropriation in any given year.

TABLE 3. DISCRETIONARY SPENDING EFFECTS OF S. 1822, AS ORDERED REPORTED BY THE SENATE VETERANS' AFFAIRS COMMITTEE (By fiscal year, in millions of dollars)

	1998	1999	2000	2001	2002	2003
MAJOR CONSTRUCTION						
Spending Under Current Law						
Authorization Level ^a	209	0	0	0	0	0
Estimated Outlays	328	287	209	121	51	9
Proposed Changes						
Authorization Level	0	83	0	0	0	0
Estimated Outlays	0	b	13	26	24	15
Spending Under S. 1822						
Authorization Level ^a	209	83	0	0	0	0
Estimated Outlays	328	288	222	147	75	24
MEDICAL CARE						
Spending Under Current Law						
Estimated Authorization Level ^{a, c}	17,739	17,739	17,739	17,739	17,739	17,739
Estimated Outlays	17,615	18,122	17,763	17,739	17,739	17,739
Proposed Changes						
Major Medical Leases						
Estimated Authorization Level	0	8	0	0	0	0
Estimated Outlays	0	8	1	0	0	0
Educational Assistance Programs						
Estimated Authorization Level	0	10	10	10	0	0
Estimated Outlays	0	6	8	10	4	2
Nasopharyngeal Irradiation						
Estimated Authorization Level	0	b	b	b	b	b
Estimated Outlays	0	b	b	b	b	b
Subtotal - Proposed Changes						
Estimated Authorization Level	0	18	10	10	0	0
Estimated Outlays	0	14	9	10	4	2
Spending Under S. 1822						
Estimated Authorization Level ^{a, c}	17,739	17,757	17,749	17,749	17,739	17,739
Estimated Outlays	17,615	18,136	17,772	17,749	17,743	17,741

(Continued)

TABLE 3. CONTINUED

	1998	1999	2000	2001	2002	2003
TOTAL PROPOSED CHANGES						
Proposed Changes						
Estimated Authorization Level	0	101	10	10	0	0
Estimated Outlays	0	14	22	36	28	17

NOTE: Details may not add to totals because of rounding.

- a. The 1998 level is the amount appropriated for that year.
- b. Costs of less than \$500,000.
- c. The current law amounts for 1999-2003 assume that appropriations remain at the 1998 level. If they are adjusted for inflation, the base amounts would rise by about \$600 million a year, but the estimated changes would remain as shown.

Veterans Treated with Nasopharyngeal Radium Therapy. Section 301 would grant priority access to hospital, medical, and nursing home care to veterans who were given nasopharyngeal radium irradiation treatments while on active duty. Those veterans would be placed in the same priority category as veterans exposed to nuclear radiation. Under current law, veterans exposed to nuclear radiation may receive priority care for certain diseases specified in law or by the VA, namely for cancers and leukemia.

According to data presented at a workshop sponsored by the Centers for Disease Control, 8,000 to 20,000 veterans were treated with nasopharyngeal radium irradiation. CBO assumes that 14,000 veterans were exposed and that because most exposures occurred during or shortly after World War II, about 6,000 are alive today. Based on epidemiologic data from the National Cancer Institute and the likelihood that some of these veterans already qualify for benefits, CBO estimates that about 200 veterans would become eligible for health care from the VA. Finally, data from the 1992 Survey of Veterans suggests that very few of these veterans would seek care from the VA because their incomes and eligibility for Medicare coverage would lead them to other sources of care. Thus, CBO estimates that section 301 would cost less than \$500,000 annually.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the

following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	4	-1	-1	-1	3	3	1	0	0	0
Changes in receipts											Not applicable

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On July 14, 1998, CBO prepared an estimate for H.R. 4110 as ordered reported by the House Committee on Veterans' Affairs. Section 302 of S. 1822 and section 402 of H.R. 4110 would extend home loan benefits for reservists and have similar costs, except that the provision in S. 1822 would expire in 2005. Section 303 of S. 1822 and section 406 of H.R. 4110 are similar provisions and have the same estimated budgetary impact.

On April 2, 1998, CBO prepared a cost estimate for H.R. 3603 as ordered reported by the House Committee on Veterans' Affairs. That bill would authorize appropriations of \$214 million for construction and leases of medical facilities.

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