



July 31, 2014

Honorable Jeff Sessions
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Senator:

As you requested, this letter provides more detail about the cost estimate that CBO prepared on July 29, 2014, for the conference agreement on H.R. 3230, the Veterans Access, Choice, and Accountability Act of 2014, as reported on July 28, 2014. That act would appropriate \$15 billion to increase veterans' access to health care by expanding the use of care provided by entities other than the Department of Veterans Affairs (VA); to improve the department's infrastructure; to hire medical staff; and to extend the Health Professionals Educational Assistance Program. The act would also authorize VA to enter into a number of leases for medical facilities and would modify a number of veterans' benefits programs.

The following are the provisions of the legislation that would affect direct spending (see enclosed table for estimated budgetary effects by provision):

Title I- Improvement of Access to Care from Non-Department of Veterans Affairs Providers. Title I would expand VA's ability to pay for health care services provided to currently enrolled veterans and newly separated combat veterans. Section 802 would appropriate a specific amount—\$10 billion—for that purpose, which would result in direct spending of \$10 billion over the 2014-2019 period. The authority to provide expanded care would expire when the appropriated funds were expended, which CBO estimates would be early in fiscal year 2016.

By CBO's estimate, title I would result in a reduction of \$1.7 billion in spending for Medicare and Medicaid (because VA would be paying for some health care services that would have been financed by those programs); additional collections of \$200 million in copayments that would be considered savings in direct spending; and a loss of about \$80 million in tax revenues (because, with some costs covered by VA, some veterans' use of health care covered by employer-sponsored health insurance would increase).

This version of the legislation differs in a number of ways from the Senate-passed version:

- Rather than appropriating an unspecified amount to cover the costs of contracting for health care services (as provided by section 801 of H.R. 3230 as passed by the Senate), section 802 of this act specifies appropriations of \$10 billion for the Veterans Choice Fund, which would be available until expended.
- Eligibility for expanded non-VA health care would be limited to individuals enrolled as of August 1, 2014, and combat veterans who have separated within 5 years of enrollment;
- VA would be secondary payer for individuals with private health insurance who are treated for non-service connected conditions, and the doctors and hospitals providing that care would be responsible for collecting payments due from those health insurance plans; and
- The reimbursement rates would be set at the Medicare rates for most veterans.

All of those differences would reduce the government's costs relative to those under the Senate-passed legislation—particularly the fixed dollar amount of the additional funding that would be available to VA.

Title III- Health Care Staffing, Recruitment, and Training Matters. Title III would allow VA to hire health care providers using an expedited process and would extend the scholarship program for health professionals at VA. Section 801 of this act would appropriate \$5 billion to hire medical staff for VA, to extend certain scholarship programs, and to improve VA infrastructure.

CBO estimated the spending of the appropriated funds based on the current spending patterns for those activities. Similar provisions were included in sections 201 and 202 of the Senate-passed version of H.R. 3230, although specific appropriations were not provided for those activities.

Title VI- Major Medical Facility Leases. Title VI would authorize VA to enter into leases to obtain the use of major medical facilities at 27 specified locations. Similar provisions were included in sections 601 and 602 of the Senate-passed version of H.R. 3230.

Based on VA's long-established practice, CBO expects that the department would implement that authorization by awarding contracts for the construction and long-term use of those facilities without recording the full amount of the government's commitment as an obligation of its appropriated funds. Thus, title VI would effectively be providing

budget authority for an amount of obligations that exceeds what we expect VA initially would charge against its appropriation. By CBO's estimate, that additional budget authority would amount to almost \$1.3 billion in 2017 and the resulting direct spending would amount to about \$1.3 billion over the 2017-2024 period.

Title VII- Other Veterans Matters. Title VII would expand education benefits for veterans and extend several provisions that reduce spending for veterans' pensions and home loans.

- Section 701 would extend Post-9/11 GI Bill benefits to spouses of service members who die while serving in an active-duty status. Under current law, those spouses are only entitled to benefits under the Survivors' and Dependents' Education Assistance Program. Projected costs: \$222 million over the 2015-2024 period.
- Section 702 would require VA to approve, for the purposes of education benefits provided under the Montgomery GI Bill and Post-9/11 GI Bill programs, only public institutions of higher education that charge tuition and fees at no more than the in-state rate to certain veterans and dependents. Projected Savings: \$175 million over the 2015-2024 period.
- Section 703 would extend from November 30, 2016, to September 30, 2024, a requirement that pension benefits for veterans and survivors who are residing in Medicaid-approved nursing homes—currently about 14,000 veterans and 19,000 survivors—be reduced to \$90 per month. CBO estimates that authority would reduce such payments by an annual average of about \$22,000 per veteran and \$14,000 per survivor. However, extending that authority would also increase costs for Medicaid, as it would have to pay for an increased portion of their care. Projected net savings: \$1.9 billion over the 2017-2024 period.
- Section 704 would increase the fees charged to certain veterans for obtaining home-loan guarantees from VA over the years 2018 through 2024. Increasing those fees would reduce the net costs of the guarantee program—which are paid from mandatory appropriations. Projected savings: \$2.5 billion over the 2018-2024 period.
- VA currently uses data from the Internal Revenue Service to verify the income of applicants for veterans' pensions, which are means-tested. That verification process, the authority for which expires at the end of fiscal year 2016, reduces pension costs by an additional \$4 million each year. Those amounts cumulate over time, as pension benefits are usually paid over the remainder of the veterans' lives. Section 706 would extend that authority through 2024. Projected savings: \$113 million over the 2017-2024 period.

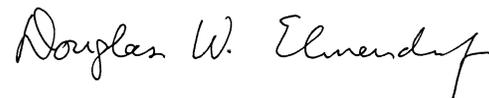
Some of those provisions were included in sections 701 and 702 of the Senate-passed version of H.R. 3230.

In addition, some sections of the bill would affect spending subject to appropriations; those amounts are detailed in Table 2 of CBO's cost estimate issued on July 29, 2014. CBO estimates that, taken together, those provisions would reduce discretionary spending by \$36 million over the 2015-2019 period.

This legislation would lead to increased enrollment in VA's health care system and increased utilization of health care services provided by, or financed by, VA in 2015 and 2016. If this program was extended through the remainder of 2016 and into future years, CBO expects that over time veterans would choose to rely on VA for an increasing portion of their health care. CBO has not estimated the additional costs to VA that might result.

I hope this information is helpful.

Sincerely,



Douglas W. Elmendorf
Director

Enclosure

cc: Honorable Patty Murray
Chairman

Honorable Bernie Sanders
Chairman
Committee on Veterans' Affairs

Honorable Richard Burr
Ranking Member

Identical letters sent to the Honorable Bob Corker and the Honorable Ron Johnson

ESTIMATE OF THE DIRECT SPENDING AND REVENUE EFFECTS FOR THE CONFERENCE AGREEMENT ON H.R. 3230, THE VETERANS ACCESS, CHOICE, AND ACCOUNTABILITY ACT OF 2014, AS REPORTED ON JULY 28, 2014

(Millions of dollars, by fiscal year)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2014 - 2019 | 2014 - 2024 |
|--|--------|--------|-------|-------|------|------|------|------|------|------|------|----------------|----------------|
| CHANGES IN DIRECT SPENDING | | | | | | | | | | | | | |
| Sec. 101/802. Expanded availability of hospital care and medical services for veterans through the use of agreements with non-Department of Veterans Affairs entities and appropriation of \$10 billion | | | | | | | | | | | | | |
| Appropriation for care from non-VA entities | | | | | | | | | | | | | |
| Budget Authority | 10,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,000 | 10,000 |
| Estimated Outlays | 200 | 7,000 | 2,800 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,000 | 10,000 |
| Increased collections from copayments | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | -140 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -140 | -140 |
| Estimated Outlays | 0 | -140 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -140 | -140 |
| Decreased Medicare and Medicaid spending | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | -1,200 | -500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1,700 | -1,700 |
| Estimated Outlays | 0 | -1,200 | -500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1,700 | -1,700 |
| Subtotal, Sec. 101/802 | | | | | | | | | | | | | |
| Estimated Budget Authority | 10,000 | -1,340 | -500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,160 | 8,160 |
| Estimated Outlays | 200 | 5,660 | 2,300 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,160 | 8,160 |
| Sec. 601. Authorization of major medical facility leases | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | 0 | 0 | 1,272 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,272 | 1,272 |
| Estimated Outlays | 0 | 0 | 0 | 64 | 343 | 419 | 318 | 127 | 0 | 0 | 0 | 826 | 1,271 |
| Sec. 701. Expansion of Marine Gunnery Sergeant John David Fry Scholarship | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | 16 | 22 | 23 | 23 | 22 | 22 | 22 | 23 | 24 | 25 | 106 | 222 |
| Estimated Outlays | 0 | 16 | 22 | 23 | 23 | 22 | 22 | 22 | 23 | 24 | 25 | 106 | 222 |

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ESTIMATE OF THE DIRECT SPENDING AND REVENUE EFFECTS FOR THE CONFERENCE AGREEMENT ON H.R. 3230, THE VETERANS ACCESS, CHOICE, AND ACCOUNTABILITY ACT OF 2014, AS REPORTED ON JULY 28, 2014

(Millions of dollars, by fiscal year)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2014 - 2019 | 2014 - 2024 |
|--|--------|--------|-------|-------|------|------|------|------|------|------|------|----------------|----------------|
| Sec. 702. Approval of courses of education provided by public institutions of higher learning for purposes of All-Volunteer Force Educational Assistance Program and Post-9/11 Educational Assistance conditional on in-state tuition rate for veterans | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | -7 | -15 | -16 | -17 | -18 | -19 | -20 | -20 | -21 | -22 | -73 | -175 |
| Estimated Outlays | 0 | -7 | -15 | -16 | -17 | -18 | -19 | -20 | -20 | -21 | -22 | -73 | -175 |
| Sec. 703. Extension of reduction in amount of pension furnished by Department of Veterans Affairs for certain veterans covered by Medicaid plans for services furnished by nursing facilities | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | 0 | 0 | -192 | -234 | -238 | -242 | -246 | -250 | -254 | -258 | -664 | -1,914 |
| Estimated Outlays | 0 | 0 | 0 | -192 | -215 | -238 | -242 | -246 | -271 | -254 | -236 | -645 | -1,894 |
| Sec. 704. Extension of requirement for collection of fees for housing loans guaranteed by Secretary of Veterans Affairs | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | 0 | 0 | 0 | -335 | -341 | -347 | -357 | -364 | -372 | -380 | -676 | -2,496 |
| Estimated Outlays | 0 | 0 | 0 | 0 | -335 | -341 | -347 | -357 | -364 | -372 | -380 | -676 | -2,496 |
| Sec. 706. Extension of authority to use income information | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | 0 | 0 | -4 | -8 | -12 | -14 | -16 | -18 | -20 | -21 | -24 | -113 |
| Estimated Outlays | 0 | 0 | 0 | -4 | -8 | -12 | -14 | -16 | -18 | -20 | -21 | -24 | -113 |
| Sec. 801. Appropriation^a | | | | | | | | | | | | | |
| Budget Authority | 5,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,000 | 5,000 |
| Estimated Outlays | 250 | 950 | 950 | 950 | 950 | 950 | 0 | 0 | 0 | 0 | 0 | 5,000 | 5,000 |
| Total Changes in Direct Spending | | | | | | | | | | | | | |
| Estimated Budget Authority | 15,000 | -1,331 | -493 | 1,083 | -571 | -587 | -600 | -617 | -629 | -643 | -656 | 13,101 | 9,956 |
| Estimated Outlays | 450 | 6,619 | 3,257 | 825 | 741 | 782 | -282 | -490 | -650 | -643 | -634 | 12,674 | 9,975 |

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ESTIMATE OF THE DIRECT SPENDING AND REVENUE EFFECTS FOR THE CONFERENCE AGREEMENT ON H.R. 3230, THE VETERANS ACCESS, CHOICE, AND ACCOUNTABILITY ACT OF 2014, AS REPORTED ON JULY 28, 2014

(Millions of dollars, by fiscal year)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2014 - 2019 | 2014 - 2024 |
|--|------|-------|-------|------|------|------|------|------|------|------|------|----------------|----------------|
| CHANGES IN REVENUES^b | | | | | | | | | | | | | |
| Sec. 101. Expanded availability of hospital care and medical services for veterans through the use of agreements with non-Department of Veterans Affairs entities | 0 | -60 | -20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -80 | -80 |
| NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES | | | | | | | | | | | | | |
| Estimated Impact on the Deficit | 450 | 6,679 | 3,277 | 825 | 741 | 782 | -282 | -490 | -650 | -643 | -634 | 12,754 | 10,055 |

Source: Congressional Budget Office.

Note: In addition to the direct spending amounts shown above, the conference agreement for H.R. 3230 would also affect spending subject to appropriation, resulting in estimated net savings of \$36 million over the 2014-2019 period (as detailed in Table 2 of CBO's cost estimate issued on July 29, 2014).

a. Section 801 would appropriate \$5 billion to increase access to VA health care by improving the department's infrastructure, and by hiring medical staff, increasing residency positions, and extending the Health Professionals Educational Assistance Program, as authorized under sections 301 and 302.

b. Negative numbers denote a reduction in revenues.