CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 18, 2013

S. 1581
Veterans Programs Improvements Act of 2013

As ordered reported by the Senate Committee on Veterans' Affairs
on November 19, 2013

SUMMARY

S. 1581 would limit pensions for certain veterans using Medicaid, expand health services offered by the Department of Veterans Affairs (VA), and extend VA's authority to verify income for pension beneficiaries. CBO estimates that enacting the bill would decrease direct spending by $472 million over the 2014-2023 period; therefore, pay-as-you-go procedures apply to the bill. Enacting S. 1581 would not affect revenues.

CBO also estimates that implementing the bill would have a discretionary cost of $386 million over the 2014-2018 period, assuming appropriation of the specified and estimated amounts.

S. 1581 contains an intergovernmental and private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would limit the ability of public and private entities to use the terms "GI Bill" or "Post-911 GI Bill." However, CBO estimates that any costs incurred by those entities would not exceed the thresholds established in UMRA for intergovernmental or private-sector mandates ($75 million and $150 million in 2013, respectively; adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1581 is summarized in Table 1. The costs of this legislation fall within budget functions 700 (veterans benefits and services) and 550 (health).

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF S. 1581, THE VETERANS PROGRAMS IMPROVEMENTS ACT OF 2013

	By Fiscal Year, in Millions of Dollars					
	2014	2015	2016	2017	2018	2014-2018
CHANGES IN DIRECT SPENDING[a]						
Estimated Budget Authority	0	0	0	-199	-246	-445
Estimated Outlays	0	0	0	-199	-226	-425
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	*	369	16	16	16	417
Estimated Outlays	*	57	104	139	86	386

Note: * = between zero and $500,000.

a. In addition to the changes in direct spending shown above, enacting S. 1581 would have effects beyond 2018 (see Table 2). CBO estimates that enacting S. 1581 would decrease net direct spending by $472 million over the 2014-2023 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted in 2014, that the necessary amounts will be appropriated for each year, and that outlays will follow historical spending patterns for similar programs.

Direct Spending

S. 1581 would decrease direct spending by limiting the pension for veterans in Medicaid-approved nursing homes and by extending VA's authority to verify with the Internal Revenue Service (IRS) income reported by recipients of VA pension benefits. CBO estimates that enacting those provisions would decrease direct spending by $472 million over the 2014-2023 period (see Table 2).

Pensions for Veterans in Medicaid-Approved Nursing Homes. Section 235 would extend the expiration date of a provision of current law that sets a $90 per month limit on pensions paid to any veteran who does not have a spouse or child and who is receiving Medicaid benefits in a Medicaid-approved nursing home; that provision also applies to any survivor of a veteran who is receiving such coverage. That limit on pension benefits would be extended through September 30, 2018, and would reduce such benefits for 22 months, with the last affected payment being disbursed in October 2018.

TABLE 2. ESTIMATED CHANGES IN DIRECT SPENDING UNDER S. 1581

	By Fiscal Year, in Millions of Dollars											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
CHANGES IN DIRECT SPENDING												
Pensions for Veterans in Medicaid-Approved Nursing Homes	0	0	0	-195	-218	-20	0	0	0	0	-413	-433
Income Verification	0	0	0	-4	-8	-7	-6	-5	-5	-4	-12	-39
Total Changes	0	0	0	-199	-226	-27	-6	-5	-5	-4	-425	-472

Using data provided by VA, CBO estimates that about 15,000 veterans and 19,000 survivors would be affected by this provision and that the average monthly savings to VA would be about $1,825 per veteran and $1,140 per survivor. (Those projections account for inflation, mortality rates, and new nursing home patients.) On that basis, CBO estimates that enacting the provision would reduce VA spending by $490 million in 2017 and about $1.1 billion over the 2017-2019 period.

The pension benefits are paid to certain disabled veterans with very low incomes. In the absence of those benefits, the affected veterans are unable to contribute towards the cost of nursing home care. That cost is covered by Medicaid, with the states paying roughly 40 percent of the cost and federal government picking up the remaining 60 percent. We estimate that the increased federal spending for Medicaid would amount to $654 million over the 2017-2019 period. Thus, the net reduction in direct spending resulting from this provision would be $195 million in 2017 and $433 million over the 2017-2019 period, with no effects after 2019.

Income Verification. Section 237 would extend VA's authority to verify income reported by recipients of VA pension benefits by allowing it to acquire information on income from the IRS. VA uses that authority to determine if veterans who apply for pensions have income that would render them ineligible for that benefit. The authorization allowing the IRS to provide income information to VA was made permanent by Public Law 110-245, but the authorization allowing VA to acquire the information is scheduled to expire on September 30, 2016. Section 237 would extend VA's authority through September 30, 2018.

Over the past several years, VA saved, on average, $4 million a year in improper pension payments by using the IRS data to verify veterans' incomes. The savings from identifying those ineligible veterans who apply in each additional year would continue to accrue in subsequent years. Using that information and accounting for mortality, CBO estimates that

enacting section 237 would result in direct spending savings of $12 million over the 2014-2018 period and $39 million over the 2014-2023 period.

Spending Subject to Appropriation

CBO estimates that implementing S. 1581 would have a discretionary cost of $386 million over the 2014-2018 period, assuming appropriation of the specified and estimated amounts (see Table 3).

Dental Care. Section 125 would authorize the appropriation of $305 million in 2015, to be available for obligation through 2020, to expand dental care by: allowing VA to provide restorative dental care to certain veterans being treated at VA medical facilities, establishing a three-year pilot program to provide dental care to veterans at 16 medical facilities, and distributing educational material and offering presentations on dental health. CBO estimates that implementing section 125 would cost $275 million over the 2015-2018 period, assuming appropriation of the specified amount, with the remaining amounts spent after that period.

Pilot Program for Assisted Living for Traumatic Brain Injury. Beginning in 2015, section 112 would require VA to continue an existing pilot program for an additional three years to provide assisted living services to certain veterans. Those services are meant to enhance the rehabilitation, quality of life, and community integration of veterans with traumatic brain injury. S. 1581 would authorize the appropriation of $46 million in 2015, available for obligation through 2018, to implement and run the pilot program. CBO estimates that implementing section 112 would cost $46 million over the 2015-2018 period, assuming appropriation of the specified amount.

Reimbursements for Emergency Treatment. Section 102 would require VA to expand the number of veterans eligible to be reimbursed for emergency treatment received at non-VA medical facilities. Currently, only veterans who have received care from the VA in the two years prior to their emergency episode are eligible for reimbursement. This bill would provide reimbursements to veterans who were unable to receive care at VA facilities during the two years prior to the emergency episode because of excessive wait times for new patient examinations. According to VA, roughly 6,500 individuals are denied reimbursements each year because they did not receive health care from the VA during the two years prior to the emergency treatment. CBO estimates that more than half of those denied claims (or an average of 3,500 each year) are for veterans who were unable to make an appointment for new patient examination because of the wait period.

On average, VA reimburses veterans who are enrolled in the VA health care system and receive emergency treatment outside that system about $3,300 per year, which factors in multiple episodes of such treatment. Based on that information and factoring in a one-year delayed effective date, CBO estimates a total cost of $45 million for reimbursements for emergency treatment over the 2015-2018 period, assuming appropriation of the necessary amounts.

TABLE 3. ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER S. 1581

	By Fiscal Year, in Millions of Dollars					
	2014	2015	2016	2017	2018	2014-2018
Dental Care						
Authorization Level	0	305	0	0	0	305
Estimated Outlays	0	31	76	107	61	275
Pilot Program for Assisted Living for Traumatic Brain Injury						
Authorization Level	0	46	0	0	0	46
Estimated Outlays	0	9	12	16	9	46
Reimbursements for Emergency Treatment						
Estimated Authorization Level	0	11	11	12	12	46
Estimated Outlays	0	10	11	12	12	45
Counseling and Treatment for Military Sexual Trauma						
Estimated Authorization Level	0	1	1	2	2	6
Estimated Outlays	0	1	1	2	2	6
Training of Mental Health Professionals						
Estimated Authorization Level	0	1	2	2	2	7
Estimated Outlays	0	1	2	2	2	7
Screening for Domestic Abuse						
Estimated Authorization Level	*	1	*	*	*	2
Estimated Outlays	*	1	*	*	*	2
Limitation on Expansion of Dialysis Pilot Program						
Estimated Authorization Level	0	1	*	0	0	1
Estimated Outlays	0	1	*	*	0	1
Assessment of VISNs and VA Medical Centers						
Estimated Authorization Level	0	1	*	0	0	1
Estimated Outlays	0	1	*	0	0	1
Reports						
Estimated Authorization Level	*	2	1	*	*	5
Estimated Outlays	*	2	1	*	*	5
Total Changes						
Estimated Authorization Level	*	369	16	16	16	417
Estimated Outlays	*	57	104	139	86	386

Notes: VISN = Veteran Integrated Service Network; VA = Department of Veterans Affairs.

Components may not sum to totals because of rounding.

* = between zero and $500,000.

Counseling and Treatment for Military Sexual Trauma. Beginning in 2015, section 131 would allow VA to counsel and treat servicemembers on active duty who experience military sexual trauma (MST). Under this section, servicemembers on active duty would be able to seek treatment through VA without being referred by the Department of Defense (DoD). To determine the number of individuals who would seek treatment, CBO used data from DoD regarding the number of servicemembers filing restricted reports for MST (which allows the individual access to confidential health care and advocacy services without initiating an official investigation) and information from DoD and VA to make adjustments for non-reported assaults and willingness to seek treatment. As a result, CBO estimates 430 servicemembers, on average, would seek treatment each year through the VA.

Using an average annual cost per patient of $3,000 to treat Post Traumatic Stress Disorder (the most common mental health condition observed in veterans who reported MST), CBO estimates that implementing section 131 would result in a cost of $6 million over the 2015-2018 period, assuming appropriation of the necessary amount.

Training for Mental Health Professionals. Beginning in 2015, section 111 would require VA to include licensed mental health professionals and marriage counselors in its existing education and training program. VA regularly provides training and education to health care personnel (primarily physicians, dentists, and nurse practitioners). Roughly 75 percent of the health care personnel received training at a cost of about $7,000 per trainee in 2013.

Based on information from VA, CBO estimates that the department will employ 300 licensed mental health professionals and marriage counselors in 2015. Some VA medical facilities are currently offering, or planning to offer, training opportunities to such employees. To reflect that, we estimate that 10 percent of the mental health care employees already receive training under current law. Thus, to provide equal training to mental health professionals as it currently provides to other health care personnel, VA would need to provide training to 65 percent of its licensed mental health professionals and marriage counselors—200 employees in 2015. Using the current costs per trainee and adjusting for inflation, CBO estimates implementing this section would cost $7 million over the 2015-2018 period, assuming appropriation of the necessary amount.

Screening for Domestic Abuse. By 2016, section 132 would require the VA to develop and implement a screening mechanism to detect incidents of domestic abuse among all VA health care users. Under current policy, VA already performs universal screening of veterans for MST. In order to implement an expanded screening system to include domestic abuse, CBO anticipates VA would need clinical support (two senior clinicians, at GS level 15) to prepare the screening questions and IT support for ongoing maintenance of the Computerized Patient Record System. On that basis, CBO estimates that implementing

a universal screening system for domestic abuse would cost $2 million over the 2014-2018 period, assuming the availability of appropriated funds.

Limitation on Expansion of Dialysis Pilot Program. Beginning in 2015, section 141 would require VA to postpone further expansion of the dialysis pilot program until the initial sites have been operating for at least two years and an independent study has been conducted at each initial site. Based on the costs of similar independent studies by the Government Accountability Office, CBO estimates conducting the study would cost $1 million over the 2015-2018 period. CBO expects that any delay in expanding the program would be minimal.

Assessment of VISNs and VA Medical Centers. Section 143 would require VA to conduct an assessment of the Veterans Integrated Service Networks (VISNs) through an independent third party. The study would begin in 2015 and take about one year to complete. Based on information from VA on studies of similar scope, CBO estimates implementing section 143 would cost $1 million over the 2015-2018 period.

Reports. S. 1581 would require VA to complete reports by various deadlines. CBO estimates that those provisions, collectively, would cost about $5 million over the 2014-2018 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. S. 1581 would modify several programs that provide benefits to veterans. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 1581 as ordered reported by the Senate Committee on Veterans' Affairs on November 19, 2013

	By Fiscal Year, in Millions of Dollars											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	0	0	-199	-226	-27	-6	-5	-5	-4	-425	-472

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1581 contains an intergovernmental and private-sector mandate as defined in UMRA because it would limit the ability of public and private entities to use the terms "GI Bill" or "Post-911 GI Bill." The VA was granted a trademark for the term "GI Bill" on October 16, 2012. It is unclear which, if any, entities will receive permission from VA to use the term under current law, but S. 1581 makes clear that written permission would be necessary for any entity to use the term. However, CBO expects that most of any potential costs, primarily in the form of lost revenues from advertising restrictions, would probably occur under current law. Therefore, CBO estimates that it is unlikely that any additional costs incurred by public or private entities from complying with the mandate in S. 1581 would exceed the threshold established in UMRA for intergovernmental or private-sector mandates ($75 million and $150 million in 2013, respectively, adjusted annually for inflation).

PREVIOUS CBO ESTIMATES

On September 26, 2013, CBO transmitted a cost estimate for H.R. 2189, a bill to improve the processing of disability claims by the Department of Veterans Affairs, and for other purposes, as ordered reported by the House Committee on Veterans' Affairs on August 1, 2013. Section 235 of S. 1581 contains similar language to section 204 of H.R. 2189, and the estimated costs are the same.

On August 16, 2013, CBO transmitted a cost estimate for H.R. 2072, the Demanding Accountability for Veterans Act of 2013, as ordered reported by the House Committee on Veterans' Affairs on August 1, 2013. Section 237 of S. 1581 would extend a provision of law that would allow VA to verify the income of pension recipients using IRS data from September 30, 2016, to September 30, 2018, whereas section 8 of H.R. 2072 would extend that provision until May 31, 2017. The differences in estimated savings reflect the differences in the expiration dates.

On May 16, 2013, CBO transmitted a cost estimate for H.R. 1412, the Improving Job Opportunities for Veterans Act of 2013, as ordered reported by the House Committee on Veterans' Affairs on May 8, 2013. Section 235 of S. 1581 would extend a provision of law that would allow VA to reduce pension payments to $90 per month for beneficiaries in Medicaid approved nursing homes from November 30, 2016, to September 30, 2018, whereas section 4 of H.R. 1412 would extend that same provision for one month to December 31, 2016. The differences in estimated savings reflect the differences in the expiration dates.

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