



June 11, 2014

Honorable Bernie Sanders
Chairman
Committee on Veterans' Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The Congressional Budget Office (CBO) has prepared a preliminary analysis of Title III of S. 2450, the Veterans' Access to Care through Choice, Accountability, and Transparency Act of 2014, as introduced in the Senate on June 10, 2014. That title would authorize and fund enhancements to several programs of the Department of Veterans Affairs (VA). In particular, VA would receive expansive authority for the next few years to contract with health care providers who are not employed by the VA, and VA would be required to use that authority to ensure that all eligible veterans would receive requested health care in a timely fashion. The effects of providing such broad new authority to VA are highly uncertain, and CBO has been able to make only a preliminary and partial assessment of the legislation. Based on that preliminary assessment, CBO estimates that enacting Title III of S. 2450 would increase direct spending by roughly \$35 billion over the 2014-2024 period. CBO has not yet estimated the budgetary effects of the other titles of S. 2450.

VA currently has about 8.4 million veterans enrolled in its health care program. Of the remaining roughly 13 million living veterans, CBO estimates that about 8 million qualify to enroll in VA's health care program but have not enrolled. VA currently spends about \$44 billion providing health care services to veterans, or about \$5,200 per enrollee. (That amount does not include spending on programs that CBO expects would not be increased under this legislation, such as long-term care, caregivers, and ending veterans' homelessness.) Based on information from VA on veterans' reliance on VA, CBO estimates that this cost represents about 30 percent of the total amount of health care received by those veterans.

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CBO estimates that, under Title III, enrolled veterans would ultimately seek to increase the amount of care they receive from VA by about 60 percent. In addition, CBO expects that some of the people who are eligible to enroll but not yet enrolled would choose to enroll because of the improvement in access to health care through VA. Most of the costs incurred to provide that care would be for care financed by other payers, including Medicare; a portion of those costs would thus be offset by savings to the Medicare program. All told, CBO expects that veterans would ultimately seek additional care that would cost the federal government about \$50 billion a year, on net.

However, CBO expects that VA would have difficulty in quickly setting up a program to contract for health care nationwide and in establishing administrative processes to approve care by private health care providers. Moreover, the amount of care that veterans sought through VA might increase gradually over time. Thus, CBO expects that, of the amount of additional care sought by veterans, VA would provide only about 20 percent in 2015 and about 50 percent in 2016. VA would also spend a comparatively small amount in 2014 on administration and new hiring. Thus, CBO estimates that implementing title III would cost roughly \$500 million in 2014, \$10 billion in 2015, and \$25 billion in 2016.

The magnitude of those budgetary effects is highly uncertain. A significant number of veterans could receive new and expanded health care benefits under S. 2450. How many would ultimately receive those benefits and the resulting costs will depend on a number of factors that are very difficult to predict. Further, the specific parameters of the new program would depend on regulations that would need to be developed. Because the behavioral changes that would result from enacting those provisions are so uncertain, this estimate should be viewed as falling in the middle of a wide range of possible outcomes.

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If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Ann Futrell.

Sincerely,

A handwritten signature in black ink that reads "Douglas W. Elmendorf". The signature is written in a cursive style with a large initial 'D' and a long, sweeping tail on the 'f'.

Douglas W. Elmendorf
Director

Enclosure

cc: Honorable Richard Burr
Ranking Member