Congressional Budget Office
Cost Estimate

March 12, 2024

At a Glance

H.R. 5890, Review Every Veterans Claim Act of 2023

As ordered reported by the House Committee on Veterans' Affairs on December 5, 2023

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	1	16	29
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	1	16	29
Spending Subject to Appropriation (Outlays)	7	79	152

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	< $2.5 billion	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2035?	< $5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

The bill would

- Require the Board of Veterans Appeals (BVA) to provide additional legal documentation to veterans who appeal benefits decisions by the Department of Veterans Affairs (VA)
- Prohibit VA from denying some claims for veterans' benefits because the veteran did not report for a scheduled medical examination
- Require BVA to publish information online about the appeals it is scheduled to consider each week
- Increase the fees that VA charges borrowers for home loan guarantees

Estimated budgetary effects would mainly stem from

- Increasing resources to process claims and provide additional legal documentation
- Increasing the fees charged by VA for home loan guarantees

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Bill Summary

H.R. 5890 would require the Board of Veterans Appeals (BVA) to provide additional legal documentation when considering appeals for veterans' benefits. (BVA is a component of Department of Veterans Affairs (VA) that hears appeals on matters affecting VA benefits.) The bill also would prohibit VA from denying some claims for veterans benefits solely on the basis that the veteran failed to report for a required medical examination. Further, BVA would be required to publish information on certain appeals that are scheduled to be considered each upcoming week. Finally, the bill would increase the fees that the department charges borrowers for home loan guarantees in 2032.

Estimated Federal Cost

The estimated budgetary effects of H.R. 5890 are shown in Table 1. The costs of the legislation fall within budget function 700 (veterans benefits and services).

Table 1.
Estimated Budgetary Effects of H.R. 5890

	By Fiscal Year, Millions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
Increases in Spending Subject to Appropriation													
Estimated Authorization	12	13	13	14	14	14	14	14	15	15	15	80	153
Estimated Outlays	7	16	14	14	14	14	14	14	15	15	15	79	152
Increases or Decreases (-) Direct Spending													
Estimated Budget Authority	2	2	2	3	4	3	4	5	-7	5	6	16	29
Estimated Outlays	1	2	3	3	4	3	4	5	-7	5	6	16	29

Basis of Estimate

For this estimate, CBO assumes that H.R. 5890 will be enacted in the middle of fiscal year 2024 and that provisions will take effect upon enactment or on the dates specified by the bill. CBO also estimates that outlays will follow historical spending patterns for affected programs.

Provisions that Affect Spending Subject to Appropriation and Direct Spending

H.R. 5890 would modify certain aspects of VA's process for reviewing and adjudicating claims for disability compensation from the department. The main budgetary effects stem from requiring BVA to provide additional legal documentation and from prohibiting VA from denying benefits solely because a veteran failed to report for a required medical examination. In total, those changes would increase spending subject to appropriation by $152 million, and direct spending by $40 million over the 2024-2034 period.

Some of the beneficiaries whose claims for veterans' benefits would be affected by the bill are veterans with exposures to environmental hazards; thus, CBO expects that some of the costs of implementing H.R. 5890 would be paid from the Toxic Exposures Fund (TEF) established by Public Law 117-168, the Honoring our PACT Act. The TEF is a mandatory appropriation that VA uses to pay for health care, disability claims processing, medical research, information technology (IT) modernization, and other services that benefit veterans who were exposed to environmental hazards.

Additional spending from the TEF would occur if legislation increases the costs of similar activities that benefit veterans with such exposure. Therefore, in addition to increasing spending subject to appropriation, the bill would increase amounts paid from the TEF, which are classified as direct spending.

In CBO's baseline projections, the percentage of costs paid by the TEF is estimated to grow over time.[1] For purposes of this estimate, those growing percentages are applied to the estimated increase in costs under H.R. 5890. CBO estimates that 12 percent of the costs of the changes to the affected programs would be paid from the TEF in 2024, increasing to 26 percent in 2034.

Additional Legal Documentation. Section 3 of the bill would require BVA to provide veterans or their representatives with a documented legal determination that the board has jurisdiction to hear an appeal when it reviews applications for an appeal related to veterans' benefits. That finding would be issued before BVA issues a decision on the appeal's merits. That requirement would apply to each appeal, including instances where there is not otherwise a defect or jurisdictional issue that would require BVA to communicate with the applicant before it adjudicates the appeal. CBO expects that BVA would need additional personnel and resources to provide that legal analysis and documentation for each new appeal. Further, BVA would require additional information technology resources to manage the increased documentation requirements and workload.

Using information from BVA, CBO estimates the board would need 100 additional full-time-equivalent employees to produce the required legal analyses. On average, each employee would receive compensation and benefits of about $165,000 each year. In total, the increased legal analyses would cost $172 million over the 2024-2034 period.

CBO also estimates BVA would require additional information technology resources to produce and manage the additional legal analyses. Using information on the cost of similar systems, CBO estimates developing and sustaining that system would cost $6 million over the 2024-2034 period.

1 For additional information about spending from the TEF, see Congressional Budget Office, "Toxic Exposures Fund – February 2024 Baseline," https://tinyurl.com/4wyvzywc.

In total, Section 3 would cost $178 million over the 2024-2034 period. Of that amount, $141 million would be spending subject to appropriation and $37 million would be direct spending, CBO estimates.

Medical Examinations. Section 2 would prohibit VA from denying claims for veterans' benefits solely because the veteran failed to report for a required medical examination. Under current law, VA may require veterans to undergo medical examinations to determine their eligibility for certain benefits. Veterans who are applying for an increase to their disability compensation, or who are appealing certain claims, and some applicants for VA pensions, must report to a medical examination if one is requested by VA. If the veteran does not report for the examination in those instances, VA will deny the claim on the basis that the veteran failed to report. Under the bill, VA would be prohibited from denying claims for benefits in those instances and would be required to make a final determination of eligibility based on the information presented in the veteran's application.

CBO expects that instead of summarily denying the claim because the veteran did not get an examination, VA would deny most claims because of the lack of evidence to support the claim that the exam was intended to provide. Thus, the prohibition would not significantly increase mandatory spending for disability compensation. However, VA would need additional resources to review claims that will be automatically denied under current law. Using information from VA, CBO estimates the agency would require nine additional full-time equivalent employees each year, with each employee receiving an average of about $165,000 in compensation and benefits each year. In total, the requirement would cost $15 million over the 2024-2034 period, CBO estimates. Of that amount, $12 million would be spending subject to appropriation and $3 million would be direct spending.

Publication of Docket Dates. Section 4 would require BVA to publish on a VA website the appeals cases assigned to the board for a decision during the upcoming week and the date on which those appeals were filed with the court. Certain cases would be excluded from that requirement. The schedule also would include a disclaimer on each weekly notice that an assignment does not require the board to issue a decision in that week. Because BVA already has the information it would be required to publish, CBO estimates that satisfying the requirement would cost less than $500,000.

Spending Subject to Appropriation

The discussion above in "Provisions That Affect Spending Subject to Appropriation and Direct Spending" describe provisions that would increase spending subject to appropriation under H.R. 5890, totaling $152 million over the 2024-2034 period (see Table 2).

Table 2.
Estimated Increases in Spending Subject to Appropriation Under H.R. 5890

	By Fiscal Year, Millions of Dollars												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
Additional Legal Documentation													
Estimated Authorization	11	12	12	13	13	13	13	13	14	14	14	74	142
Estimated Outlays	6	15	13	13	13	13	13	13	14	14	14	73	141
Medical Examinations													
Estimated Authorization	1	1	1	1	1	1	1	1	1	1	1	6	11
Estimated Outlays	1	1	1	1	1	1	1	1	1	1	1	6	11
Total Increases													
Estimated Authorization	12	13	13	14	14	14	14	14	15	15	15	80	153
Estimated Outlays	7	16	14	14	14	14	14	14	15	15	15	79	152

Direct Spending

The discussion above in "Provisions That Affect Spending Subject to Appropriation and Direct Spending" describe provisions that would increase direct spending from the Toxic Exposures Fund under H.R. 5890. The bill also would increase fees paid for VA home loan guarantees. In total, the bill would increase direct spending by $29 million over the 2024-2034 period (see Table 3).

H.R.5890 would increase the fees that VA charges borrowers for its loan guarantees. VA provides loan guarantees to lenders that allow eligible borrowers to obtain better loan terms—such as lower interest rates or smaller down payments—to purchase, construct, improve, or refinance a home. VA typically pays lenders up to 25 percent of the outstanding mortgage balance if a borrower's home is foreclosed upon. Those payments, net of fees paid by borrowers and recoveries by lenders, constitute the subsidy cost for the loan guarantees.[2]

2. Under the Federal Credit Reform Act of 1990, the subsidy cost of a loan guarantee is the net present value of estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other expenses offset by any payments to the government, including origination or other fees, penalties, and recoveries on defaulted loans. Such subsidy costs are calculated by discounting those expected cash flows using the rate on Treasury securities of comparable maturity. The resulting estimated subsidy costs are recorded in the budget when the loans are disbursed or modified. A positive subsidy indicates that the loan results in net outlays from the Treasury; a negative subsidy indicates that the loan results in net receipts to the Treasury.

Table 3.
Estimated Changes in Direct Spending Under H.R. 5890

	By Fiscal Year, Millions of Dollars												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
Additional Legal Documentation													
Estimated Budget Authority	2	2	2	3	3	3	4	4	4	5	5	15	37
Estimated Outlays	1	2	3	3	3	3	4	4	4	5	5	15	37
Medical Examinations													
Estimated Budget Authority	*	*	*	*	1	*	*	1	*	*	1	1	3
Estimated Outlays	*	*	*	*	1	*	*	1	*	*	1	1	3
Loan Fees													
Estimated Budget Authority	0	0	0	0	0	0	0	0	-11	0	0	0	-11
Estimated Outlays	0	0	0	0	0	0	0	0	-11	0	0	0	-11
Total Changes													
Estimated Budget Authority	2	2	2	3	4	3	4	5	-7	5	6	16	29
Estimated Outlays	1	2	3	3	4	3	4	5	-7	5	6	16	29

* = between zero and $500,000.

Under current law, the rates for most of the fees that borrowers pay to VA for loans guaranteed after November 15, 2031, will drop from a weighted average of about 2.3 percent to about 1.2 percent of the loan amount. The bill would extend the higher rates through November 22, 2031, thereby reducing the subsidy cost of loans guaranteed during that period. Using information from VA, CBO estimates that extending the higher rates would decrease direct spending by $11 million over the 2024-2034 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. The net changes in outlays that are subject to those pay-as-you-go procedures are show in Table 3.

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 5890 would not increase net direct spending by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2035.

CBO estimates that enacting H.R. 5890 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2035.

Mandates

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

Estimate Prepared By

Federal Costs:

Logan Smith (for veterans benefits claims and appeals)
Paul B.A. Holland (for home loans)

Mandates: Brandon Lever

Estimate Reviewed By

David Newman
Chief, Defense, International Affairs, and Veterans' Affairs Cost Estimates Unit

Kathleen FitzGerald
Chief, Public and Private Mandates Unit

Christina Hawley Anthony
Deputy Director of Budget Analysis

Estimate Approved By

Phillip L. Swagel
Director, Congressional Budget Office