



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 10, 2008

H.R. 1538 **Wounded Warrior Assistance Act of 2007**

As passed by the House of Representatives on March 28, 2007

SUMMARY

H.R. 1538 would create a number of new requirements aimed at improving the medical care and other services provided by the Department of Defense (DoD) to servicemembers who are sick or wounded. In addition, the legislation would establish a program to assist servicemembers in making the transition from the Defense Health System to the medical care and services provided by the Department of Veterans Affairs (VA). The act also would authorize the appropriation of \$50 million in 2008 to a new fund to be used for programs providing medical care, rehabilitation, and support to injured servicemembers and their families.

CBO estimates that implementing H.R. 1538 would increase discretionary costs by \$25 million in 2008 and \$5.3 billion over the 2009-2013 period, assuming appropriation of the authorized and estimated amounts. In addition, enacting H.R. 1538 would increase direct spending by \$6 million over the 2009-2018 period, but would not affect revenues.

H.R. 1538 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1538 is shown in Table 1. The costs of this legislation fall within budget functions 050 (national defense) and 700 (veterans benefits and services).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 1538

	By Fiscal Year, in Millions of Dollars					
	2008	2009	2010	2011	2012	2013
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	50	997	1,060	1,124	1,192	1,264
Estimated Outlays	25	755	1,010	1,097	1,164	1,245
CHANGES IN DIRECT SPENDING ^a						
Estimated Budget Authority	0	1	1	1	1	1
Estimated Outlays	0	1	1	1	1	1

a. In addition to the direct spending effects shown here, enacting the bill would have additional effects on direct spending after 2013. The estimated changes in direct spending total \$6 million over the 2009-2018 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1538 will be enacted around June 1, 2008, that the necessary amounts will be appropriated for each year, and that outlays will follow historical spending patterns for the existing programs. Most of the legislation's budgetary effects would fall within the discretionary spending category, but two provisions would have a small effect on direct spending.

Spending Subject to Appropriation

H.R. 1538 would authorize the appropriation of \$50 million for the care and support of wounded servicemembers. The act also would institute a number of new requirements concerning the care and services provided to sick, wounded, and recovering servicemembers by DoD and VA. Among other things, the act would require DoD and VA to establish a single medical information system for the two departments, and would increase a travel benefit for certain veterans seeking medical care from VA. CBO estimates that enacting H.R. 1538 would increase discretionary costs by \$25 million in 2008 and \$5.3 billion over the 2009-2013 period, assuming appropriation of the necessary amounts.

TABLE 2. COMPONENTS OF THE ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER H.R. 1538

	By Fiscal Year, in Millions of Dollars					
	2008	2009	2010	2011	2012	2013
Medical Support Fund						
Authorization Level	50	0	0	0	0	0
Estimated Outlays	25	20	5	0	0	0
Medical Information System						
Estimated Authorization Level	0	802	859	919	982	1,049
Estimated Outlays	0	544	806	893	956	1,032
Increase in Veterans' Travel Benefits						
Estimated Authorization Level	0	190	193	197	201	206
Estimated Outlays	0	187	191	196	200	204
Physical Evaluation Board Liaison Officers						
Estimated Authorization Level	0	3	6	6	7	7
Estimated Outlays	0	3	6	6	6	7
DoD-Wide Ombudsman Office						
Estimated Authorization Level	0	2	2	2	2	2
Estimated Outlays	0	1	2	2	2	2
Total Changes in Spending Subject to Appropriation						
Estimated Authorization Level	50	997	1,060	1,124	1,192	1,264
Estimated Outlays	25	755	1,010	1,097	1,164	1,245

Medical Support Fund. Section 112 would establish a DoD Medical Support Fund to be used for programs and activities related to medical care for wounded servicemembers and support for their families. The act would authorize the appropriation of \$50 million to remain available through fiscal year 2008. That money could be transferred from the new fund to several appropriation accounts, including construction, research, and military personnel. Of the \$50 million, \$10 million would be transferred to the Marine Corps Wounded Warrior Regiment program. Based on information from DoD, CBO estimates that implementing section 112 would cost \$25 million in 2008 and \$50 million over the 2008-2013 period, assuming appropriation of the authorized amount in 2008.

Medical Information System. Section 111 would require DoD and VA to implement a single medical information system for the exchange of critical medical information. Because the creation of a single system would require one or both departments to replace their current

systems, costs would be similar to those of developing an entirely new system. Based on evidence of the costs of developing and implementing similar systems in the private health care market and on a cost estimate from DoD for developing such a system, CBO estimates that implementing this provision would cost \$544 million in 2009 and about \$4.2 billion over the 2009-2013 period. The estimated cost to DoD would be \$245 million in 2009 and about \$1.6 billion over the 2009-2013 period. The cost to VA is estimated to be \$299 million in 2009 and about \$2.6 billion over the 2009-2013 period.

Increase in Veterans' Travel Benefits. Section 304 would increase the travel allowance available to certain veterans for medical or vocational rehabilitation appointments by linking the allowance to specific rates used by the federal government. This provision, which would take effect 90 days after enactment of H.R. 1538, also would eliminate the application of a deductible amount for each round trip, which reduces the amount of the travel reimbursement paid to veterans. Low-income veterans, veterans seeking treatment for a service-related disability, and veterans scheduled to receive an examination to establish a disability rating are currently eligible to receive 28.5 cents per mile traveled for medical appointments at VA facilities, with a round-trip deductible of \$15.54. (Travel reimbursements for vocational rehabilitation appointments are classified as mandatory spending, and those costs are discussed later in the "Direct Spending" section.)

The mileage reimbursement rate used by the federal government is currently 48.5 cents per mile, and is modified on a regular basis. Based on information from the VA regarding current expenditures for the travel benefit, and assuming increases in usage rates and inflation, CBO estimates that implementing this provision would cost about \$980 million over the 2009-2013 period.

Physical Evaluation Board Liaison Officers. Section 106 would require that physical evaluation board liaison officers (PEBLOs) be assigned to no more than 20 cases at any one time. Information from the military services indicates that about 260 personnel currently perform the role of PEBLOs throughout the DoD medical system. Of those, CBO estimates about 15 percent, or 40 liaison officers, currently have caseloads of less than 20 servicemembers. Of the remaining 220 personnel, CBO estimates the average caseload is about 28 per PEBLO. Therefore, decreasing the average caseload to 20 would require the hiring of an additional 90 PEBLOs.

The current population of PEBLOs includes both military and civilian personnel. For this estimate, CBO assumes the new PEBLOs would all be civilians and each would cost about \$60,000 per year, the approximate cost of pay and benefits for a GS-8 on the General Schedule. Therefore, CBO estimates that implementing this section would cost about

\$28 million over the 2009-2013 period. The cost would be relatively low in the first year because of the time needed to hire and train the new personnel.

DoD-Wide Ombudsman Office. Section 102 would establish an ombudsman within the Office of the Secretary of Defense to provide oversight and policy guidance for each of the military department's ombudsman offices. Those offices provide assistance to recovering servicemembers and their families. This new office would be staffed with representatives from each of the military departments as well as individuals with experience dealing with servicemembers in a medical-hold status. CBO estimates that approximately 20 individuals would be assigned to the DoD office, and that implementing this provision would require about \$2 million in budget authority each year and would cost approximately \$9 million over the 2009-2103 period.

Wounded Warrior Battalion. Section 109 would establish a pilot program to operate a Wounded Warrior Battalion for a period of one year. The battalion would be dedicated to tracking and assisting soldiers who require medical care while in an outpatient status. Since personnel for this unit would come from within currently authorized personnel levels, CBO anticipates this provision would have an insignificant effect on spending.

Direct Spending

H.R. 1538 contains two provisions that, if implemented, would increase direct spending by less than \$1 million a year, CBO estimates.

Increase in Veterans' Travel Benefits. Section 304 would increase the travel allowance provided to certain veterans for travel to and from some appointments at VA facilities. The new rates would take effect 90 days after enactment of H.R. 1538. (For an estimate of the discretionary costs of enacting this provision, see the discussion under "Spending Subject to Appropriation.") Veterans who travel to a required appointment to receive counseling and evaluation before beginning vocational rehabilitation are currently reimbursed at 28.5 cents per mile, with no deductible.

This section would link the veterans' mileage reimbursement rate to the rate used by the federal government when reimbursing employees who travel in their personal vehicles for business. That rate is currently 48.5 cents per mile and is increased at intervals to account for inflation. Based on current spending for this program, CBO estimates that implementing this provision would increase direct spending by \$3 million over the 2009-2013 period and \$6 million over the 2009-2018 period.

Criteria for Retirement List. Section 110 would require DoD to verify that the medical condition of servicemembers who are receiving a temporary disability retirement annuity has stabilized before separating them from the armed forces. Under current law, servicemembers may be separated any time their degree of disability is rated at less than 30 percent. Thus, if this provision were implemented, some members would receive temporary disability retirement annuities for up to three and one-half years longer than they otherwise would have.

CBO expects no significant budgetary impact from this provision because it would affect few servicemembers. In addition, many military retirement annuities are reduced, or offset, by the amount of any veterans disability compensation received. CBO estimates that most or all of these temporary retirees would be eligible for veterans disability benefits and that any additional retirement benefits received under this provision would be substantially reduced by the disability compensation offset.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1538 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On March 23, 2007, CBO transmitted a cost estimate for H.R. 1538, the Wounded Warriors Assistance Act of 2007, as reported by the House Committee on Armed Services on March 20, 2007. The version of H.R. 1538 passed by the House of Representatives on March 28, 2007, has two provisions that were not included in the earlier version of the legislation, and that affected CBO's estimated cost for the act. Section 304 would increase the amount of a veterans' travel benefit; CBO estimates that this provision would increase discretionary and mandatory costs. In addition, section 102 would create an ombudsman's office for DoD, which CBO estimates would have a small discretionary cost.

In addition, CBO was able to obtain sufficient information from DoD and VA to estimate the cost of creating the joint medical information system required under section 111; in our earlier estimate, we were not able to estimate the cost of that provision. CBO estimates that implementing this provision would cost DoD and VA about \$4.2 billion over the 2009-2013 period, assuming appropriation of the estimated amounts.

On May 14, 2007, CBO transmitted a cost estimate for H.R. 1585, the National Defense Authorization Act for Fiscal Year 2008, as reported by the House Committee on Armed Services on May 11, 2007. Title 14 of H.R. 1585 is similar to the most recent version of H.R. 1538, but also did not include the sections on travel benefits and an ombudsman office that are mentioned above. More notably, section 1421 of H.R. 1585 would require a much less comprehensive modification of DoD's and VA's medical information systems than section 111 of H.R. 1538. CBO estimated that implementing section 1421 of H.R. 1585 would cost \$25 million, as compared to its estimate of \$4.2 billion for implementing section 111 of H.R. 1538.

Finally, several provisions included in both the reported and passed versions of this act and in H.R. 1585 have since been enacted in Public Law 110-181, the National Defense Authorization Act for Fiscal Year 2008, including establishment of a toll-free hot line, and policies regarding the workload, training, and supervision of case managers for medical care and servicemember advocates. Thus, CBO assigns no additional costs to those provisions in this estimate.

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