



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 26, 2002

H.R. 3645
Veterans Health-Care Items Procurement Reform and Improvement
Act of 2002

As introduced on January 29, 2002

H.R. 3645 would change how the Department of Veterans Affairs (VA) procures its health care items. The bill would require that all health care items be purchased through the use of the federal supply schedule (FSS) or national contracts, except for narrowly defined exceptions and emergencies approved by the Secretary of Veterans Affairs. CBO believes that implementing the bill might generate some small savings, assuming appropriations are reduced accordingly, but we cannot provide a specific estimate. Enacting the bill would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

VA currently spends about \$4.5 billion annually from appropriated funds buying health care items, and many of those items are already purchased through the use of FSS or national contracts. That is especially true for pharmaceuticals, which account for more than \$2.5 billion of VA's health care purchases. Restructuring VA's procedures for buying health care products under H.R. 3645 might generate some small savings, but we cannot estimate the amount. Available data from VA is primarily anecdotal, and while some VA facilities purchase items locally and pay more than they might under a national contract, other VA facilities purchase health care items at prices lower than FSS or national contract rates. Based on this information and a recent study by the General Accounting Office of purchasing groups for hospitals, CBO does not believe that using FSS or national contracts uniformly would lower costs for all VA facilities. Thus, any savings would be offset to some extent by increased costs at some hospitals. Without more specific data, CBO cannot estimate the extent of the net savings that might occur from implementing H.R. 3645.

H.R. 3645 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact is Sam Papenfuss. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.