



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

July 28, 2008

**H.R. 6445
Veterans Health Care Policy Enhancements Act of 2008**

As ordered reported by the House Committee on Veterans' Affairs on July 16, 2008

SUMMARY

H.R. 6445 would:

- Allow the Department of Veterans Affairs (VA) to increase testing for human immunodeficiency virus (HIV) infection in the population of veterans who use VA health care facilities,
- Require VA to establish up to seven regional accounting centers to consolidate all VA billing and collection functions related to health care,
- Prohibit VA from collecting copayments and fees from certain catastrophically disabled veterans,
- Authorize VA to provide certain mental health services to the family members and housemates of veterans being treated for a nonservice-connected condition, and
- Require VA to develop and implement a comprehensive policy on pain care.

In total, CBO estimates that implementing H.R. 6445 would cost \$995 million over the 2009-2013 period, assuming appropriation of the estimated amounts. Enacting the bill would not affect direct spending or revenues.

H.R. 6445 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. 6445 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars					2009- 2013
	2009	2010	2011	2012	2013	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Testing for Human Immunodeficiency Virus						
Estimated Authorization Level	43	114	188	265	343	953
Estimated Outlays	38	107	181	257	335	918
Patient Accounting Centers						
Estimated Authorization Level	7	24	4	0	0	35
Estimated Outlays	6	22	6	-4	-6	24
Copayments for the Catastrophically Disabled						
Estimated Authorization Level	6	6	6	6	6	30
Estimated Outlays	6	6	6	6	6	30
Counseling for Family Members						
Estimated Authorization Level	4	5	5	5	5	24
Estimated Outlays	4	4	5	5	5	23
Total Changes						
Estimated Authorization Level	60	149	203	276	354	1,042
Estimated Outlays	54	139	198	264	340	995

BASIS OF ESTIMATE

CBO assumes that the legislation will be enacted near the end of fiscal year 2008, that the estimated amounts will be appropriated each year, and that outlays will follow historical spending patterns for similar programs.

Testing for HIV

Section 6 would eliminate a rule prohibiting VA from conducting widespread testing for HIV infection in the population of veterans who use VA health care facilities. It also would

eliminate current requirements for separate written consent for HIV tests and pre- and post-test counseling.

Based on data from VA, CBO estimates that under section 6, the number of HIV tests administered by VA would increase significantly, from the current annual level of about 125,000 tests to 200,000 in 2009 and to 250,000 a year over the 2010-2013 period. Based on studies of veterans enrolled in VA health care, CBO expects that increased testing would lead to an increase in the number of newly diagnosed veterans and that those veterans would be identified earlier in the course of the disease.¹ We expect that people who are tested for HIV at, and receive general care in, VA health care facilities would prefer to maintain continuity of care with VA health care providers, and thus would be treated by VA for HIV disease. Based on data from VA and the Kaiser Family Foundation, CBO estimates that the average cost of treatment in 2009 would be \$18,000 per patient in the early stages of HIV infection, and \$35,000 per patient in the advanced states of the disease.

CBO estimates that under the bill, VA would start providing comprehensive HIV treatment to an additional 1,600 newly diagnosed veterans in 2009 at an average cost of \$27,000 per person. By 2013, CBO estimates that the number of additional veterans being treated for HIV would grow to about 12,000. Because an increasing proportion of those veterans would be diagnosed in the early stages of the disease when treatment is less expensive, the average cost of treatment, before considering the effects of inflation, would decrease over time. Adjusting for inflation, CBO estimates that implementing section 6 would cost about \$920 million over the 2009-2013 period, assuming appropriation of the necessary funds.

Patient Accounting Centers

Section 5 would require VA to establish up to seven consolidated patient accounting centers (CPACs) within the next five years. CPACs would be required to apply commercial industry standards to coordinate and standardize billing and collections related to health care. In total, CBO estimates that implementing this section would cost \$24 million over the 2009-2013 period, assuming appropriation of the estimated amounts.

In 2006, VA established a CPAC in North Carolina, and the agency plans to expand the area it serves in 2008 and 2009. Based on information from VA, CBO expects that VA would

1. Ronald O. Valdiserri, Fred Rodriguez, and Mark Holodniy, "Frequency of HIV Screening in the Veterans Health Administration: Implications for Early Diagnosis of HIV Infection," *AIDS Education and Prevention*, vol. 20, no. 3 (2008), pp. 258-264; and Douglas K. Owens and others, "Prevalence of HIV Infection Among Inpatients and Outpatients in Department of Veterans Affairs Health Care Systems: Implications for Screening Programs for HIV," *American Journal of Public Health*, vol. 97, no. 12 (2007), pp. 2173-2178.

begin establishing three CPACs in 2009, one in 2010, and the remaining two in 2011, and that all CPACs would be fully operational by the end of 2013. CBO also expects that there would be no net change in the overall number of employees working in billing and collection activities; some existing employees would move to CPACs, other existing employees would transition to different functions at their current location, and some new employees would be hired.

CBO estimates that VA would require additional appropriations to retain those current employees who would transition to other functions at the facilities where they are employed, and that this period of transition would take nine months. Based on information from VA and assuming appropriation of the estimated amounts, CBO estimates that the total salary costs for those employees would be \$12 million in 2009 and would grow to \$25 million in 2012, before declining to \$13 million in 2013, when most CPACs would be operational. CBO estimates that other one-time costs of implementing CPACs—such as training, leases and start-up costs for office space, and information technology—would have a similar trend; initial costs would be \$18 million in 2009, grow to \$43 million in 2011 and 2012, and decline to \$22 million in 2013, assuming appropriation of the estimated amounts.

In addition to CPACs, CBO expects that VA would require a small office at the VA headquarters in Washington, D.C., to oversee the regional CPACs. Based on information from VA, CBO estimates that the office would require 10 additional staff in 2009 at a cost of \$1 million but that staff would grow as CPACs become operational to about 33 people by 2013 with recurring costs of \$4 million a year, assuming appropriation of the estimated amounts.

Based on VA data on the growth in medical care collections (collections from third parties, copayments, and other fees) from the existing CPAC, CBO estimates that under the bill VA would collect an additional \$30 million in 2009, which would rise to about \$175 million in 2013. Under current law, those collections may be retained by the department and used to provide medical care and to offset expenses related to billing and collections. Thus, CBO estimates that much of the five-year costs of implementing CPACs would be offset by the resulting increase in collections; in the initial years implementation costs would exceed the additional collections, but starting in 2012 these collections would exceed the implementation costs. Assuming appropriation of the estimated amounts, CBO estimates that implementing CPACs would have net costs of \$24 million over the 2009-2013 period.

Copayments for the Catastrophically Disabled

Section 2 would prohibit the collection of copayments and other fees from catastrophically disabled veterans who receive medical or nursing home care from VA. Catastrophically

disabled veterans are those who have a permanent, severely disabling condition that compromises their ability to carry out the activities of daily living to such a degree that they require assistance to leave their homes or require constant supervision to avoid physical harm to themselves or others.

Data from VA show that, in 2006, the department collected about \$6 million in medical care and nursing home fees from catastrophically disabled veterans who are priority category 4 veterans because their disabilities are not related to military service. Because those copayments and fees are fixed and the population of those veterans has been relatively stable over the past several years, CBO estimates that implementing this provision would decrease collections by \$6 million per year. Such collections are offsets to discretionary appropriations. As part of the annual appropriations process, the Congress gives VA authority to spend those collections. Therefore, maintaining the same level of health care services for veterans would necessitate additional funding each year to make up for the loss of copayments under this bill. Thus, CBO estimates that implementing this provision would cost \$30 million over the 2009-2013 period.

Counseling for Family Members

Section 3 would expand VA's authority to provide consultations, professional counseling, training, and other necessary mental health services to the family members or housemates of certain veterans being treated for nonservice-connected conditions. Under current law, such services are only authorized if they began during the veteran's hospitalization and are necessary on an outpatient basis to permit the veteran's discharge from the hospital. The bill would strike those restrictions and allow VA to provide such services on the same basis to all veterans, regardless of whether the condition being treated is service-connected or not.

In 2007, the VA provided services to about 5,000 family members or housemates of roughly 2.15 million veterans (a rate of 0.23 percent) at a cost of about \$3 million. Another 2.65 million veterans were treated in 2007 for nonservice-connected conditions, but their family members or housemates were not eligible for mental health services. CBO expects that under the bill, the currently ineligible family members or housemates would require such services at the same rate they are being provided to those who are currently eligible.

After adjusting for inflation and growth in the number of veterans requiring treatment, CBO estimates that under the bill VA would provide mental health services to an additional 6,700 people a year at an annual cost of almost \$5 million, on average, over the 2009-2013 period. CBO estimates that implementing this provision would cost \$23 million over the 2009-2013 period, assuming appropriation of the estimated amounts.

Comprehensive Policy on Pain Management

Section 4 would require VA to develop and implement a comprehensive policy on pain care at all VA health care facilities, under which VA would assess and appropriately treat acute and chronic pain. The department also would be required to make annual reports on the policy to the Congress. VA reports that it has implemented appropriate pain assessment and management protocols at its medical facilities. Thus, CBO estimates that implementing the provision would cost less than \$500,000 over the 2009-2013 period for the production of annual reports, assuming availability of appropriated amounts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 6445 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 January 15, 2008, CBO transmitted a cost estimate for S. 2160 as ordered reported by the Senate Committee on Veterans' Affairs on November 14, 2007. Section 3 of that bill is similar to section 4 of H.R. 6445 and CBO estimated it would have no costs, but the House bill would impose reporting requirements that CBO estimates would have small annual costs.

On August 23, 2007, CBO transmitted a cost estimate for S. 1233 as ordered reported by the Senate Committee on Veterans' Affairs on June 27, 2007. Section 303 of that bill is similar to section 2 of H.R. 6445. Their estimated costs over a five-year period are identical, except that CBO assumes a later enactment date for H.R. 6445.

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