



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 2, 2015

H.R. 294 **Long-Term Care Veterans Choice Act**

*As ordered reported by the House Committee on Veterans' Affairs
on February 12, 2015*

H.R. 294 would authorize the Department of Veterans Affairs (VA) to provide long-term care in medical foster homes (MFHs) for certain veterans with severe service-connected disabilities. The bill also would limit the awards and bonuses paid to VA employees. On net, CBO estimates that implementing the bill would reduce discretionary costs by \$253 million over the 2016-2020 period, subject to appropriation action consistent with the bill.

Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

H.R. 294 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 294 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the end of fiscal year 2015, that the necessary amounts will be appropriated for each year, and that outlays will follow historical spending patterns for similar and existing programs.

	By Fiscal Year, in Millions of Dollars						2015- 2020
	2015	2016	2017	2018	2019	2020	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
Medical Foster Care							
Estimated Authorization Level	0	27	33	40	39	38	177
Estimated Outlays	0	24	32	39	39	38	172
Limitation on Awards and Bonuses							
Estimated Authorization Level	0	-101	-105	-109	-53	-57	-425
Estimated Outlays	0	-101	-105	-109	-53	-57	-425
Total Changes							
Estimated Authorization Level	0	-74	-72	-69	-14	-19	-248
Estimated Outlays	0	-77	-73	-70	-14	-19	-253

Medical Foster Care

For the three-year period beginning on October 1, 2015, the bill would authorize VA to place up to 900 veterans with severe service-connected disabilities in MFHs and to pay the full cost of their stay in those establishments. A MFH is a private home in which a trained caregiver provides services to a few individuals. VA has an existing program under which it inspects and approves MFHs for veterans. Veterans currently living in such homes are eligible to receive VA's Home Based Primary Care services, which include case management and health care provided in the home. VA is not currently authorized to pay for the cost of living in MFHs, but under this bill, VA could pay that cost. CBO expects that once veterans are placed in medical foster care under this new program, VA will pay for their stays in those facilities indefinitely.

CBO estimates that half of the veterans eligible for this program (or 450 individuals) would become residents of MFHs as a result of the bill's enactment. For those veterans, VA would pay for their living expenses, as well as the costs for Home Based Primary Care services. We estimate that those veterans would receive health care that would cost \$9,000 per year more than they would receive under current law because providing care in the individual homes is costlier than providing health care at VA medical facilities. Including the costs for living expenses at the MFHs of \$39,000 per year, we estimate total costs per new resident of \$48,000 per year. As a result, total costs for new MFH residents would be about \$22 million a year, CBO estimates.

CBO estimates that the remaining half of the eligible population (450 veterans) would be individuals already living in MFHs. Because VA already provides those veterans with in-home health care services, the incremental cost would be \$39,000 a year per veteran to cover the expense of living in the MFHs. Those costs would total about \$18 million a year for those 450 veterans, CBO estimates.

After factoring in inflation, appropriate mortality rates, and a gradual implementation period to reflect the time for VA to transition additional veterans into the MFH program, CBO estimates that implementing this bill would cost an additional \$172 million over the 2016-2020 period, assuming appropriation of the necessary amounts.

Limitation on Awards and Bonuses

This bill also would limit to \$300 million the amount that VA could pay in awards and bonuses to VA employees through 2018 and \$360 million from 2019 to 2024. Over the 2010-2013 period, VA paid an average of \$395 million each year in awards and bonus payments to employees. Assuming such payments will grow with inflation under current law, CBO estimates that implementing this provision would reduce discretionary spending for pay and performance by \$425 million over the 2016-2020 period, assuming appropriation actions consistent with the bill.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 294 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Ann E. Futrell and Dwayne M. Wright
Impact on State, Local, and Tribal Governments: Jon Sperl
Impact on the Private Sector: Paige Piper-Bach

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis