CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 9, 2016

S. 425
Veterans Homeless Programs, Caregiver Services, and Other Improvements Act of 2015

As ordered reported by the Senate Committee on Veterans' Affairs on December 9, 2015

SUMMARY

Enacting S. 425 would reduce benefits provided under certain education programs administered by the Department of Veterans Affairs (VA) while expanding eligibility under those programs for some beneficiaries. The bill also would increase the amount of the pension paid to Medal of Honor recipients. On net, those changes would decrease direct spending by $4.1 billion over the 2017-2026 period.

In addition, S. 425 would make a number of changes to VA's health care programs, including expanding the caregivers program, improving benefits for homeless veterans, and increasing pay for medical staff. In total, CBO estimates that implementing those provisions would cost $3.5 billion over the 2017-2021 period, subject to appropriation of the necessary amounts.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. Enacting the bill would not affect revenues. CBO estimates that enacting S. 425 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

S. 425 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would benefit public entities, including educational institutions and health care providers, that provide services to veterans. Any costs those entities might incur would be incurred as conditions of participating in a voluntary federal program.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of S. 425 is shown in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF S. 425, THE VETERANS HOMELESS PROGRAMS, CAREGIVER SERVICES, AND OTHER IMPROVEMENTS ACT OF 2015

	By Fiscal Year, in Millions of Dollars					
	2017	2018	2019	2020	2021	2017-2021
DECREASES IN DIRECT SPENDING[a]						
Estimated Budget Authority	-13	-151	-300	-426	-453	-1,345
Estimated Outlays	-13	-151	-300	-426	-453	-1,345
INCREASES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	40	162	518	1,105	1,902	3,728
Estimated Outlays	33	143	482	1,040	1,808	3,507

Note: Details do not add to totals because of rounding.

a. Enacting S. 425 would have effects beyond 2020. CBO estimates that under the bill, direct spending would decrease by $4.1 billion over the 2017-2026 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 425 will be enacted at the start of fiscal 2017, that the estimated amounts will be appropriated each year, and that outlays will follow historical spending patterns for affected programs.

Direct Spending

S. 425 would reduce the amounts paid for certain education and rehabilitation benefits provided by VA and expand eligibility for those programs. It also would increase the amount of the pension the department pays to Medal of Honor recipients. On net, those changes would decrease direct spending by $4.1 billion over the 2017-2026 period (see Table 2).

Reduced Housing Allowances. Under the Post-9/11 GI Bill (Chapter 33), VA provides monthly housing allowances to certain beneficiaries while they are in school. Those allowances are set at the amount of the housing allowance paid by the Department of Defense (DoD) to enlisted service members with dependents and a rank of E-5. Additionally, VA provides some disabled veterans enrolled in education and training for rehabilitation with a monthly stipend at that same rate. Section 502 would reduce those payments.

TABLE 2. ESTIMATE OF THE EFFECTS OF S. 425 ON DIRECT SPENDING

	By Fiscal Year, in Millions of Dollars											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016	2017-2021	2017-2026
CHANGES IN DIRECT SPENDING												
Reduced Housing Allowances												
Estimated Budget Authority	-8	-137	-269	-373	-387	-408	-429	-450	-468	-481	-1,174	-3,410
Estimated Outlays	-8	-137	-269	-373	-387	-408	-429	-450	-468	-481	-1,174	-3,410
Transferred Education Benefits												
Estimated Budget Authority	-10	-24	-42	-64	-80	-91	-102	-117	-131	-151	-220	-812
Estimated Outlays	-10	-24	-42	-64	-80	-91	-102	-117	-131	-151	-220	-812
Restoration of Education Benefits												
Estimated Budget Authority	3	3	4	4	5	5	5	5	6	6	19	46
Estimated Outlays	3	3	4	4	5	5	5	5	6	6	19	46
Credit for Time in Medical Care												
Estimated Budget Authority	0	3	3	3	4	4	4	4	4	5	13	34
Estimated Outlays	0	3	3	3	4	4	4	4	4	5	13	34
Fry Scholarships												
Estimated Budget Authority	2	2	2	2	3	3	3	3	3	3	11	26
Estimated Outlays	2	2	2	2	3	3	3	3	3	3	11	26
Medal of Honor Pensions												
Estimated Budget Authority	0	2	2	2	2	2	2	1	1	1	6	14
Estimated Outlays	0	2	2	2	2	2	2	1	1	1	6	14
Total Changes in Direct Spending												
Estimated Budget Authority	-13	-151	-300	-426	-453	-485	-517	-554	-585	-617	-1,345	-4,102
Estimated Outlays	-13	-151	-300	-426	-453	-485	-517	-554	-585	-617	-1,345	-4,102

Note: Details do not add to totals because of rounding.

The Department of Defense sets its housing allowances on the basis of average housing costs for each locality. The Congress, in the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114-92), authorized the department to reduce those allowances by up to 5 percent below the average. DoD has cut that allowance by 2 percentage points to 98 percent of the average for 2016. CBO expects that DoD will phase in the rest of the reduction by one percentage point a year through 2019. Under current law, VA's housing allowances are exempt from those reductions. Section 502 would strike VA's exemption, resulting in a decrease in the allowances provided by VA.

Based on current enrollment data, CBO estimates that about 800,000 people will use Chapter 33 benefits in 2017, and that the housing allowance per beneficiary will average about $7,800 in that year. (Many beneficiaries are not eligible to receive a housing allowance from VA, and most of those who do only receive the allowance during the nine-month academic year; thus, the average payment is significantly less than the approximately $19,500 in housing allowance that an E-5 with dependents would receive in 2017.) On that basis, and accounting for growth in the eligible population and incorporating annual inflation, CBO estimates that enacting section 502 would reduce direct spending for Chapter 33 benefits by about $3.2 billion over the 2017-2026 period.

About 27,000 disabled veterans enrolled in college, apprenticeship programs, or on-the-job training through VA's rehabilitation services receive the same housing stipend as that provided to Chapter 33 beneficiaries. Those stipends would be similarly affected by section 502. CBO estimates that cutting the stipends as described above would reduce direct spending for rehabilitative benefits by about $170 million over the 2017-2026 period.

In total, enacting section 502 would reduce direct spending by $3.4 billion over the 2017-2026 period.

Transferred Education Benefits. Service members who earn benefits under the Post-9/11 GI Bill can use those benefits themselves or transfer them to their dependents. Section 202 would modify the authorities under which service members may make such transfers. On net, those changes would reduce direct spending by about $800 million over the 2017-2026 period, CBO estimates.

Housing Allowance. Section 202 would reduce by half the monthly housing allowance paid to children who use transferred benefits. That reduction would apply to benefits that are transferred to children180 days or more after the bill is enacted. Based on current payment levels and adjusting for the effect of section 502 as discussed above and for expected inflation, CBO estimates that the annual payment for the housing allowance under the Post-9/11 GI Bill will average about $7,600 in 2017 and $8,500 over the 2017-2026 period. (That annual payment may represent an academic years' worth of benefits for one student or portions of an academic year for two or more students.)

Based on data from DoD, CBO estimates that about 38,000 service members will transfer their education benefits to their children each year. Less than 10 percent of children who receive transferred benefits will be college-aged at the time of the transfer and only half will reach college age during the subsequent 10-year period. Thus, the reduction in the housing allowance would affect a small number of annual payments initially—about 1,700 in 2017. The number of reduced payments would increase over time to about 40,000 annual payments in 2026. CBO estimates that the number of annual payments that would be cut in half under section 202 would total roughly 210,000 over the 2017-2026 period, reducing direct spending by $940 million.

Conditions for Transferring Benefits. Section 202 also would change the terms under which service members may transfer Chapter 33 benefits to their spouses and children. Under current law, members must serve at least six years and agree to serve another four years to be eligible to transfer their benefits. Spouses are able to begin using those transferred benefits immediately, while children must wait until the member has completed 10 years of service. Under section 202, members would have to serve at least 10 years, and agree to serve an additional two years in order to transfer benefits. Spouses and children could begin using benefits as soon as they are transferred by the member.

CBO expects that those changes would cause some service members who, under current law, would choose to transfer benefits, to instead leave the military and use their benefits themselves. Because service members would have to wait four more years before committing to additional military service, they would have more opportunities to leave the armed forces. Also, spouses would have to wait an additional four years to use transferred benefits, somewhat reducing their value to the spouse. Finally, the length of service required from the member would increase from 10 years to 12 years.

Based on the rate at which personnel leave the military between their 6th and 10th years of service, CBO estimates that each year about 1,800 members who would have committed to additional service in order to transfer benefits under current law would, under this provision, leave the military and retain those benefits for their own use. That change would have several offsetting effects that would, on net, increase direct spending by $125 million over the 2017-2026 period, CBO estimates. Those effects include:

- Increased costs of $520 million for an additional 17,000 service members who would separate and use additional benefits;

- Increased costs of $40 million for the roughly 1,400 additional recruits who would replace some of those separating service members and then later separate and use education benefits near the end of the budget window;

- Decreased costs of $245 million because spouses who do receive transferred benefits would have to wait an additional four years to use them, reducing the total number of spouses who attend school over the next 10 years by about 5,500;

- Decreased costs of $90 million because about 3,700 fewer spouses would receive transferred benefits; and

- Decreased costs of $100 million because about 14,000 fewer children would receive transferred benefits, about 1,700 of whom would have reached college age during the next 10 years.

Restoration of Education Benefits. Section 201 would increase the education benefits that VA provides under the Post-9/11 GI Bill by restoring some of those benefits to students who attend institutions that permanently close during an academic term.

Under current law, VA pays educational institutions at the start of the academic term for beneficiaries' tuition and fees. It then reduces the months of education benefits available to those students by the duration of that term. If a school permanently closes during the term, students will have been charged for use of the benefit, but may not have received academic credit. Additionally, VA discontinues payment of the monthly housing allowance to students at the time the school closes. Military personnel earn 36 months of Chapter 33 benefits if they serve on active duty after September 11, 2001; however, beneficiaries may have fewer than 36 months available if service members transfer a portion of the benefit to dependents or use education benefits under a different VA education program. The bill would direct VA to restore lost months of education benefits to students who do not receive credit for a term as a result of school closures occurring in 2015 or thereafter.

Restoring benefit months would increase VA's payments only for those students who would otherwise use every month of education benefit currently available to them. In addition, those new costs would not begin to accrue for a beneficiary until that individual had used each month of eligibility available to them under current law and continued on to use months newly available under this provision. Thus, CBO expects that additional costs resulting from closures in a particular year would occur over several subsequent years.

On the basis of data from VA regarding usage rates for its education programs, CBO expects that roughly 900 students using the Post-9/11 GI Bill will be affected by school closures each year and that about half of those beneficiaries will use every month of education benefit available to them under the current program. Thus, CBO estimates that under section 201, about 450 beneficiaries a year would receive about five months of restored eligibility that they would use over the succeeding years. CBO further estimates that the average cost of that additional usage would be $6,300 in 2017 and would increase with inflation in subsequent years. On that basis, restoring benefits under section 201 would increase direct spending by $28 million over the budget window, CBO estimates.

Section 201 also would require VA to continue to pay the monthly housing allowance to beneficiaries affected by school closures for the lesser of four months or the remainder of the cancelled term. Under that requirement, CBO estimates that 900 students a year would receive an average of three additional months of housing allowance at a cost of $1,900 per person in 2017. After incorporating annual inflation, those additional payments would increase direct spending by a total of $18 million over the 2017-2026 period, CBO estimates.

In total, enacting section 201 would increase direct spending by $46 million over the 2017-2026 period.

Credit for Time in Medical Care. Section 210 would allow the time a reservist serves on active duty while receiving medical care or undergoing a medical evaluation to count as qualifying service for accruing education benefits under the Post-9/11 GI Bill. To qualify for full benefits under Chapter 33, veterans must serve 36 months on active duty or receive a disability retirement. Reduced benefits, between 40 percent and 90 percent of the full benefit, are available to veterans who serve less than 36 months but at least 90 days.

On the basis of historical data from the Department of Defense regarding activations for medical evaluations or care, CBO estimates that about 1,000 reservists will be called to active duty for those reasons annually, and spend an average of seven months in that status. That additional qualifying service would increase benefit payments for those reservists who would not qualify for full Chapter 33 benefits under current law. That change would apply to benefits used after 2017. On the basis of average benefits, CBO estimates that those reservists who would receive an additional $2,600 in benefits in 2018. That amount would increase annually to reflect the increased cost of higher education.

Based on personnel data from DoD, CBO estimates that under section 210, about 25 percent of the reservists who are activated for medical care would receive and use additional benefits as a result of that service. Because beneficiaries typically attend school over several years, approximately 1,000 people would receive a larger benefit each year. In total, the additional payments from VA for those benefits would increase direct spending by $34 million over the 2017-2026 period, CBO estimates.

Fry Scholarships. The Marine Gunnery Sergeant John David Fry Scholarship provides 36 months of education benefits under the Post-9/11 GI Bill to spouses and children of service members who died on active duty at any time after September 11, 2001. Section 209 would allow recipients of the Fry scholarship to receive additional benefits under the Yellow Ribbon GI Education Enhancement Program (YRP). As part of the Post-9/11 GI Bill, that program provides additional payments for some students—such as those at certain private schools and out-of-state students attending public schools—who face tuition and fees above what VA will typically cover. Institutions participating in the YRP agree to cover a portion of the difference between the tuition charged and the amount that VA would otherwise pay. VA then matches that financial assistance, thereby reducing or eliminating students' out-of-pocket expenses.

In 2014, VA made payments averaging $5,700 for 4 percent of the students who were eligible for the Yellow Ribbon Program. About 5,600 people with Fry Scholarships will attend school each year, CBO estimates. Assuming the same percentage of students with

Fry Scholarships get similar YRP benefits (incorporating annual inflation), those additional payments would increase direct spending by $26 million over the 2017-2026 period, CBO estimates.

Medal of Honor Pensions. Effective one year from the date of enactment, section 102 would increase the special monthly pension rate paid to Congressional Medal of Honor recipients from $1,299 per month to $3,000 per month, and adjust it annually thereafter for inflation. As of 2015, there were 79 individuals receiving a special monthly pension for the Medal of Honor. While CBO estimates that, on average, one new living recipient will receive a Metal of Honor and thus a special monthly pension each year, expected mortality rates for the existing population will cause the total number of recipients to decline gradually over the coming years. After accounting for projected mortality, new recipients, and inflation, CBO estimates that section 102 would increase direct spending for those pensions by $14 million over the 2018-2026 period.

Spending Subject to Appropriation

S. 425 contains a number of provisions that would enhance the support services provided to homeless veterans. Other provisions would modify VA's administration of its health care programs and expand eligibility and benefits for caregivers. In total, CBO estimates that implementing the bill would cost $3.5 billion over the 2017-2021 period, assuming appropriation of the necessary amounts (see Table 3).

Health Care Administration. Title IV would modify certain aspects of VA's health care program. In total CBO estimates implementing the provisions under title IV would cost $3.4 billion over the 2017-2021 period.

Expansion of Caregivers Program. The Family Caregivers program provides stipends, health insurance, respite care, training, and other forms of support to caregivers of eligible veterans who are enrolled in the program. Eligible veterans are those who require assistance in daily activities such as bathing, eating, or grooming as a result of injuries incurred during military service on or after September 11, 2001. Section 451 would open that program, in two stages, to eligible veterans of any era, and would expand the benefits offered under the program to include legal and financial planning services. In total, CBO estimates that implementing this section would cost $2.9 billion over the 2017-2021 period.

TABLE 3. ESTIMATED EFFECTS OF S. 425 ON SPENDING SUBJECT TO APPROPRIATION

	By Fiscal Year, in Millions of Dollars					
	2017	2018	2019	2020	2021	2017-2021
Health Care Administration						
Expansion of Caregivers Program						
Estimated Authorization Level	10	12	310	969	1,768	3,069
Estimated Outlays	9	12	278	895	1,673	2,867
Overtime for Medical Staff						
Estimated Authorization Level	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5
Competitive Pay for Physician Assistants						
Estimated Authorization Level	0	16	16	17	17	66
Estimated Outlays	0	14	16	17	17	64
Competitive Pay for Directors						
Estimated Authorization Level	0	19	22	26	27	94
Estimated Outlays	0	17	21	25	27	90
Guidelines for Opioid Therapy						
Estimated Authorization Level	1	7	14	16	17	55
Estimated Outlays	1	6	13	16	17	53
Opioid Safety Measures						
Estimated Authorization Level	18	20	20	21	22	101
Estimated Outlays	16	20	20	21	22	99
Pain Management Boards						
Estimated Authorization Level	0	9	9	9	10	37
Estimated Outlays	0	8	9	9	10	36
Assessment of Opioid Therapy						
Estimated Authorization Level	0	1	3	3	3	10
Estimated Outlays	0	1	3	3	3	10
Office of Patient Advocacy						
Estimated Authorization Level	*	*	1	1	1	3
Estimated Outlays	*	*	1	1	1	3
Community Meetings						
Estimated Authorization Level	*	1	1	1	1	4
Estimated Outlays	*	1	1	1	1	4

(Continued)

TABLE 3. CONTINUED

	By Fiscal Year, in Millions of Dollars					
	2017	2018	2019	2020	2021	2017-2021
Complementary and Integrative Health						
Estimated Authorization Level	0	6	7	7	0	20
Estimated Outlays	0	5	7	7	1	20
IT System						
Estimated Authorization Level	1	1	*	*	*	2
Estimated Outlays	1	1	*	*	*	2
Agreements for Extended Care						
Estimated Authorization Level	0	4	10	0	0	14
Estimated Outlays	0	4	9	1	0	14
State Veterans Homes						
Estimated Authorization Level	0	50	80	0	0	130
Estimated Outlays	0	40	80	10	0	130
Subtotal, Health Care Administration						
Estimated Authorization Level	31	147	494	1,071	1,867	3,610
Estimated Outlays	28	130	459	1,007	1,773	3,397
Homeless Veterans						
Dental Care						
Estimated Authorization Level	*	8	15	24	25	72
Estimated Outlays	*	7	14	23	25	69
Homeless Veterans Reintegration Program						
Estimated Authorization Level	4	4	4	4	4	20
Estimated Outlays	*	3	4	4	4	15
Case Management						
Estimated Authorization Level	*	1	1	1	1	4
Estimated Outlays	*	1	1	1	1	4
Legal Services for Homeless Veterans						
Estimated Authorization Level	*	1	1	2	2	6
Estimated Outlays	*	1	1	2	2	6
Subtotal, Homeless Veterans						
Estimated Authorization Level	4	14	21	31	32	102
Estimated Outlays	*	12	20	30	32	94

(Continued)

TABLE 3. CONTINUED

	By Fiscal Year, in Millions of Dollars					
	2017	2018	2019	2020	2021	2017-2021
Other Matters						
Court of Appeals for Veterans Claims						
Estimated Authorization Level	0	*	1	1	1	3
Estimated Outlays	0	*	1	1	1	3
Internal Audits						
Estimated Authorization Level	*	1	2	2	2	7
Estimated Outlays	*	1	2	2	2	7
Training for Managers						
Estimated Authorization Level	*	*	*	*	*	1
Estimated Outlays	*	*	*	*	*	1
Subtotal, Other Matters						
Estimated Authorization Level	*	1	3	3	3	11
Estimated Outlays	*	1	3	3	3	11
Reports, Studies, and Evaluations						
Estimated Authorization Level	5	*	*	*	*	5
Estimated Outlays	5	*	*	*	*	5
Total Spending Subject to Appropriation						
Estimated Authorization Level	40	162	518	1,105	1,902	3,728
Estimated Outlays	33	143	182	1,040	1,808	3,507

Note: IT = Information Technology; details do not add to totals because of rounding; * = less than $500,000.

Stage one of this provision would open eligibility for the Family Caregivers program to eligible veterans who were injured during service on or before May 7, 1975. That stage would begin within two years of the date of enactment (after VA develops and certifies a new IT system to track benefits, as required under section 452). The second stage would begin two years after stage one, and would open the program to the remaining eligible veterans—those injured during service after May 7, 1975, and before September 11, 2001. For the purposes of this estimate, CBO assumes that S. 425 will be enacted by October 2016, that stage one of the proposal will begin in October 2018, and that stage two will begin in October 2020.

In 2015, costs for the Family Caregivers Program totaled $454 million, about $18,300 per participating veteran. Most of that cost resulted from stipends paid to caregivers. To qualify as a caregiver, individuals must be at least 18 years of age and either a member of a veteran's extended family or live with the veteran full time. Stipends are paid monthly and are based on the hours of daily care the veteran requires and the prevailing wage for home health aides. In 2015, stipends paid under the program ranged from $7,700 to $29,000 on an annual basis, and averaged roughly $15,600. Caregivers also are eligible to participate in CHAMPVA, a program run by VA that provides health insurance for dependents and survivors of certain disabled veterans. In addition, the Family Caregiver Program provides up to 30 days a year of respite care, as well as training and other support services. In 2015, costs under the Family Caregivers Program for CHAMPVA and the remaining services averaged about $2,700 per veteran.

CBO's estimate of the cost of expanding the Caregivers program is based on the usage and average costs of the existing program, and the number of veterans with significant, service-connected disabilities in the cohorts that would be newly eligible. However, to account for the advanced age of the newly eligible veterans, our estimate reflects the following findings from a recent RAND study:[1]

- Disabled veterans rely more heavily on assistance for daily activities as they age,

- Older veterans tend to rely on older caregivers, and

- Health care costs for caregivers increase with age.

For stage one, CBO estimates that about 20,000 additional veterans would benefit from the program in 2019, growing to roughly 44,000 by 2021. CBO expects that the youngest members of this cohort will be in their late 60s. After factoring in a heavier reliance on caregiver assistance for activities of daily living and higher health care costs for caregivers because of advanced age we estimate that the average cost per participant would be about $30,000 in 2019. However, through the General Caregiver Program—which provides limited support services to caregivers of eligible veterans from all eras—VA already provides respite care to assist some caregivers. Accounting for those current benefits in our estimate reduces the average added cost per participant to $29,400. After accounting for gradual implementation and incorporating annual inflation, CBO estimates that stage one of this proposal would cost $2.5 billion over the 2019-2021 period.

1. Ramchand, Rajeev, Terri Tanielian, Michael P. Fisher, Christine Anne Vaughan, Thomas E. Trail, Caroline Batka, Phoenix Voorhies, Michael Robbins, Eric Robinson and Bonnie Ghosh-Dastidar. *Hidden Heroes: America's Military Caregivers*. Santa Monica, CA: RAND Corporation, 2014.

In the second stage of expansion we estimate that about 29,000 additional veterans would use the Family Caregivers program in 2021. Because veterans in this group would be younger than those under the initial expansion we expect they would have less reliance on caregiver assistance (lower stipend amount) and the caregivers would be younger (lower CHAMPVA costs). On average, in 2021, we estimate the incremental cost per participant would be $28,000, after accounting for existing benefits under the General Caregiver Program. After factoring in a gradual implementation for the second stage of expansion and incorporating annual inflation, CBO estimates additional costs for the Family Caregivers Program of $367 million in 2021. Those costs would grow to be in the tens of billions of dollars over the 10-year window, CBO estimates.

In addition, under this section CBO estimates that roughly 34,000 caregivers in the current Family Caregivers Program (for veterans injured during service after September 11, 2001) would receive legal and financial support services. On the basis of the resources necessary to provide counseling under the existing program, we estimate an average annual cost of $130 per beneficiary for legal and financial services. CBO estimates it would cost $23 million over the 2017-2021 period to provide those benefits to individuals eligible for the Family Caregivers Program under current law. The costs of providing that additional benefit for individuals newly eligible for the Family Caregivers Program under this provision are included in the above estimates of adding those individuals to the program.

Furthermore, in anticipation of the surge of new applications upon expansion of the Family Caregivers Program, VA would need to hire and train additional staff to manage the program (caregiver support line, outreach activities, and monitoring). On the basis of the overhead costs to manage the existing program of $7 million in 2014 for 19,000 participants and incorporating annual inflation, CBO estimates staffing costs of $400 per participant. To handle roughly 20,000 new beneficiaries starting in 2018, CBO estimates additional overhead costs of $16 million in 2017 and 2018.

Overtime for Medical Staff. Section 412 would allow VA to offer flexible work hours (above or below 80 hours on a biweekly basis) to physicians or physician assistants (PAs) who work for VA on a full-time basis, provided the total work hours in a calendar year did not exceed 2,080. VA reports that the department does not compensate physicians for overtime; however, it does offer overtime pay to PAs at a premium rate of 25 percent of the employee's basic hourly rate.

VA employs roughly 1,800 PAs on a full-time basis. Using the average weekly hours for PAs in the private sector (where overtime pay is offered) of 40.63 hours, we estimate that PAs will work an average of 33 hours over the calendar year at the overtime pay rate (about $14 above their basic hourly rate of $55, which includes the pay increase under section 413). After factoring in the time to prepare regulations, we estimate that implementing the section would cost $5 million over the 2017-2021 period.

Competitive Pay for Physician Assistants. Beginning one year after enactment, section 413 would require VA to compensate PAs at rates that are competitive with those paid by health care providers in the private sector. Currently, VA employs about 1,850 physician assistants. On the basis of wages paid by private-sector providers, we estimate that the pay rate for those employees would increase by about 6 percent in 2018 (from $112,000 to $120,000) if VA paid competitive rates.

In addition, we expect that the higher pay level would help ameliorate VA's current difficulties in recruiting and retaining physicians' assistants, and would thus increase the total number of PAs employed by VA. On the basis of data from VA on hiring and retaining nurses, who are paid at competitive rates, CBO estimates that under section 413 VA would employ roughly 2,000 physicians' assistants by 2021 (or an 8 percent increase above the current staffing level). On that basis, CBO estimates that implementing this section would cost $64 million over the 2018-2021 period.

Competitive Pay for Directors. One year after enactment, section 415 would allow VA to offer competitive pay (based on compensation in the private market) to directors of regional and medical facilities at the department. VA employs about 130 directors at an average compensation amount of $220,000 in 2015. On average, compensation for medical directors in the private sector is about $320,000. As a result of the increase in salary, CBO estimates that VA would be able to fully staff the 140 Medical Director positions by 2021. After factoring in a one-year delay and additional hiring, CBO estimates that implementing this provision would cost $90 million over the 2018-2021 period.

Guidelines for Opioid Therapy. Within one year of enactment of this bill, section 421 would require VA and DoD to jointly update their guidelines for managing opioid therapy for chronic pain. The updated guidelines would require VA to expand participation in the state-run Prescription Drug Monitoring Program (PDMPs) to include all VA medical facilities and to conduct both routine and random urine drug tests for patients receiving opioid therapy.

On the basis of information from VA and DoD, we estimate minimal costs to update the VA/DoD Clinical Practice Guideline for Management of Opioid Therapy for Chronic Pain. In 2015, the PDMPs cost about $4 million to operate at 64 percent of the VA medical facilities. CBO estimates that increasing the program nationwide would cost an additional $2 million each year. After factoring in a one-year period to update the guidelines, we estimate expanding the PDMPs would cost $9 million over the 2017-2021 period.

According to VA, about 255,000 (or 77 percent) of the 333,000 patients being treated for pain had at least one urine drug screening in 2015. After accounting for the growth in the number of such patients, we estimate about 100,000 additional urine tests would need to be completed each year at an average cost of about $110 per test to meet the updated requirements. After factoring in the necessary time to update the guidelines, we estimate that conducting urine tests would cost $44 million over the 2017-2021 period.

In total, CBO estimates that implementing this section would cost $53 million over the 2017-2021 period.

Opioid Safety Measures. Section 422 would require VA to expand its safety measures by improving training on providing pain management and prescribing opioids, establishing pain management teams at each medical facility, and improving patient tracking through electronic reports.

This provision would create pain management teams throughout the VA health care system. According to VA, each medical facility currently has its own methods to manage and oversee pain therapy; however, they do not always have designated pain management teams. Under this provision, VA would be required to implement a protocol for such teams. Based on information from VA, we expect that establishing and implementing such protocols at roughly 1,000 medical facilities would require very little additional work and would have an annual cost of roughly $6,500 per facility. On that basis, CBO estimates that establishing the pain management teams nationwide would cost $33 million over the 2017-2021 period.

Section 422 also would require VA to expand the nationwide availability of certain treatments such as Naloxone kits for opioid overdose. According to VA, it currently has roughly 55,000 patients with opioid-use disorder and roughly 28,000 Naloxone kits in its inventory. CBO estimates that it would cost roughly $14 million each year to ensure the availability of kits (at a cost of about $400 per kit) for those 55,000 patients who have the greatest potential risk of overdose. On that basis, CBO estimates it would cost $66 million over the 2017-2021 period to expand the availability of such treatments.

This section also would require VA to enhance the ability of the electronic Opioid Therapy Risk Report (OTRR) to access information on prescribed drugs through the Prescription Drug Monitoring Programs. According to VA, such modifications to the OTRR would require minimal analyst and programming support. CBO estimates that implementing that requirement would cost less than $500,000 over the 2017-2021 period.

In total, CBO estimates that implementing section 422 would cost $99 million over the 2017-2021 period.

Pain Management Boards. One year after enactment of this bill, section 424 would require VA to establish Pain Management Boards in each of the 21 VA health care regions to do the following:

- Consult with patients and family members,

- Oversee use of best practices in managing pain and issue recommendations for treating difficult cases, and

- Host educational and public events.

Under this provision, CBO expects that the regional boards—whose members might be spread across multiple states—would usually hold regular board meetings via phone or virtual conferencing. However, face-to-face meetings may be needed on occasion; thus, CBO estimates annual per diem and travel costs of $250 for 315 individuals (based on 15 board members in each of the 21 VA health care regions). CBO also expects VA would hire roughly 60 support staff (or 3 support staff per board) with an average compensation of $120,000. After factoring in a one-year delay, CBO estimates that implementing this section would cost $36 million over the 2017-2021 period.

Assessment of Opioid Therapy. Under section 425, within two years of enactment of the bill, VA would be required to enter into a contract with an independent entity to assess and report on opioid prescribing practices at VA medical facilities. Beginning no later than one year after enactment, this section also would require VA to collect and analyze data on prescription rates of opioids and usage of opioid therapy at all VA medical facilities and to provide annual reports to the Congress on those matters. CBO estimates that implementing those requirements would cost about $1 million each year for data collection and coordination at all medical facilities.

On the basis of information from VA and independent entities who worked on similar studies, CBO estimates an independent review would take three years and cost $2 million each year, beginning in 2019. In total, CBO estimates it would cost $10 million over the 2017-2021 period to implement section 425.

Office of Patient Advocacy. Within a year of enactment, section 431 would establish a new Office of Patient Advocacy under the Undersecretary of Health at VA. According to VA, the department has already established a Client Services Response Team (CSRT) that reports directly to the Undersecretary of Health's office. We expect this provision would mostly codify existing practice; however, we think VA would hire two additional support staff and a director (with an average compensation level of $200,000 for each new employee) to assist the CSRT's efforts. After factoring in the time to hire the new staff, we estimate it would cost $3 million over the 2017-2021 period to implement this section.

Community Meetings. Section 432 would require VA Medical Centers and Community Based Outpatient Clinics to host community meetings on an annual and quarterly basis, respectively. Those meetings would be open to the public. VA currently hosts town hall meetings to get feedback from veterans, their family members and other community stakeholders. On the basis of information from VA, CBO estimates that VA would need to hold an additional 500 such meetings a year to meet the requirements of this provision.

Based on costs in the private sector, we estimate VA would spend roughly $1,500 per meeting for audio visual equipment, staff time, and supplies. In total, CBO estimates implementing this provision would cost $4 million over the 2017-2021 period.

Complementary and Integrative Health. Section 442 would require VA to operate a three-year program at 15 VA Medical Centers to assess the feasibility of integrating complementary and alternative medicine with traditional care. On the basis of VA's implementation of other pilot programs of similar scope (such as using meditation for veterans with Post Traumatic Stress Disorder), CBO expects that developing and operating the program would require two additional medical practitioners at each of the 15 facilities to provide nontraditional care, as well as two additional employees at each facility to engage in research, training, and assessment of the program.

The use of complementary and alternative medicine also would partially displace the use of traditional care (emergency care, primary care, and physical therapy) but would lead to greater use of medical services on balance, than under current law. Specifically, CBO estimates that the net cost to deliver medical services, after adjusting for the expected reduction in usage of traditional health care services would be roughly $66,000 per medical provider, resulting in costs of roughly $2 million annually during the three-year pilot program.

On the basis of information from VA, CBO further estimates that the annual cost per person for the research and training personnel was $127,000 in 2015. Thus, in total, implementing section 442 would cost $20 million over the 2018-2021 period, CBO estimates.

IT System. By December 31, 2016, section 452 would require VA to develop and implement an IT system to track and assess data of the Family Caregiver Program. VA reports that it is currently working on enhancing its existing IT system, the Caregivers Application Tracker system, to allow for an easier application process, as well as tracking stipend awards and other benefits. As a result, we estimate this requirement would mostly codify existing practice and would have no budgetary effect. However, the provision also includes assessment and reporting requirements that CBO estimates would cost $2 million over the 2017-2021 period.

Agreements for Extended Care. Section 461 would temporarily—through 2019—exempt VA from the requirements of the Federal Acquisition Regulation (FAR) for the purposes of entering into agreements to provide long-term care to veterans in private facilities. The FAR is a set of rules that governs the conditions under which most federal agencies may purchase goods and services. VA has faced continuing challenges securing access to certain long-term care facilities because of the high cost of the contractual requirements (mostly related to reporting, compensation, and fringe benefits) under the FAR. Under this provision, CBO expects that VA will be able to contract for long-term care for more veterans than is possible under current law. This section also would require VA to develop a system, similar to that used by Medicare, to monitor the care provided to veterans in such extended care facilities.

According to VA, there are a total of 150 extended care facilities that have terminated their contracts with VA due to the strict requirements of the FAR. After factoring in the time for VA to place veterans, CBO estimates that by 2018 VA would enter into non FAR agreements with about 30 of those facilities. Based on information from VA, we estimate that, on average, veterans would occupy three beds at each of those facilities at a per diem rate of $280—with an average length of stay of 113 days. Based on information from the department, we expect that after the authority provided under this section expires in 2019, VA would lose access to the extended stay facilities under non FAR agreements, and would therefore have to place veterans in facilities with existing contracts. Thus, we estimate no additional costs after 2019.

CBO also estimates that VA would incur administrative costs of $1 million each year to increase its monitoring of care provided to veterans in extended care facilities by expanding its use of existing data gathered by the states and the Centers for Medicare and Medicaid on extended care facilities. In total we estimate discretionary costs of $14 million over the 2017-2021 period.

State Veterans' Homes. Section 462 would temporarily—through 2019— waive the requirements of the FAR for contracts and agreements that VA enters into with state-run nursing homes for veterans. Under current law, the state veterans' homes (SVHs) are required to fill 75 percent of their beds with veterans. VA is required to pay SVHs the full cost of care for veterans with a service-connected disability (SCD) rating of 70 percent or more, under a contract or agreement. For all other veterans, VA pays SVHs a grant based on a fixed daily allowance.

According to VA, in 2015 the Department used such agreements to reimburse state-run nursing homes at a daily rate of $380 for each veteran with a SCD of 70 percent or more—at an annual cost of roughly $350 million (or 37 percent of the total reimbursements to SVHs). However, those agreements do not comply with the FAR, and VA does not expect to be able to enter into FAR agreements with any of the SVHs. In the absence of this legislation, CBO expects that VA will gradually phase out the use of such agreements as those veterans who are currently under that payment structure die or leave the SVHs. We expect those veterans would be replaced by veterans under the lower daily allowance rate of roughly $100 per patient. By allowing VA to enter into non FAR agreements, CBO estimates that this proposal would nearly triple VA's reimbursements to SVHs for veterans with severe SCDs.

As a result, after factoring in a gradual phase out of using non FAR agreements, CBO estimates that enacting this provision would cost $130 million over the 2018-2021 period. The additional costs from waiving the FAR requirements would begin in 2017. However, appropriations have already been provided for such agreements in 2017, so we estimate no additional funding would be necessary in that year.

Homeless Veterans. Title III would authorize VA to expand benefits provided to homeless veterans, such as dental care, employment assistance, and legal services. In total, CBO estimates implementing those requirements would cost $94 million over the 2017-2021 period.

Dental Care. One year after enactment of the bill, section 303 would expand eligibility for dental care to veterans receiving certain forms of housing assistance. Under current law, veterans who receive short-term housing assistance through VA may receive limited dental care to alleviate pain, as part of treatment for a more severe periodontal disease, or to aid in getting a job. This section would provide that same out-patient dental care to certain veterans receiving longer-term housing assistance through the Department of Housing and Urban Development-VA Supportive Housing (HUD-VASH) program and transitional housing through a non-VA entity.

Based on an analysis of information from VA, CBO estimates about 3,700 veterans would take advantage of this benefit in 2018, growing to about 10,000 by 2020. At an average cost of about $2,000 per veteran in 2018, and incorporating the effects of medical inflation and a one-year delay in implementation, CBO estimates that providing dental care to those additional homeless veterans would cost $69 million over the 2018-2021 period.

Homeless Veterans Reintegration Program. Section 304 would expand the eligibility for the Homeless Veterans Reintegration Program (HVRP). HVRP provides grants to agencies and organizations that provide job placement, training, and vocational counseling to homeless veterans.

This section would extend the benefits to veterans receiving longer-term housing assistance through HUD-VASH, newly released veterans who were incarcerated, and certain veterans who are Native Americans. According to VA, roughly 17,000 veterans would become eligible for the HVRP program under this proposal. Based on the current participation levels for HVRP, we estimate that under section 304 about 1,800 new beneficiaries would seek job placement annually at an average cost of $2,000 in 2017.

CBO estimates that implementing this provision would cost $15 million over the 2017-2021 period.

Case Management. Within one year of enactment of the bill, section 306 would require VA to conduct a pilot program to assess the feasibility of using intensive case management practices for certain homeless veterans who are enrolled in the VA health care system. The pilot program would operate in at least six locations in the VA health care system and would include no fewer than 20 veterans at each location.

Based on the size of the pilot program and information from VA, CBO expects that implementing this provision would require the department to hire six full-time case managers at an average salary of $100,000. After adjusting for projected salary increases for federal workers, CBO estimates a total cost of $4 million over the 2017-2021 period.

Legal Services for Homeless Veterans. Section 308 would allow VA to collaborate with public and private entities to provide legal assistance (in areas such as housing, family law, and criminal defense) to veterans at risk of homelessness. On the basis of existing rates of participation in the Supportive Service Low Income Vets and Families program, which currently provides limited legal services to veterans at risk of homelessness, CBO estimates that roughly 15,000 veterans would take advantage of the proposed legal assistance.

Further, given the number and dollar amount of stipends provided to the health professional trainees (which includes fellows, residents, and students) rotating through VA, CBO estimates that VA would award stipends of $20,000 (incorporating annual inflation) to about 90 legal fellows to provide services to veterans. Because of the time necessary to write regulations and to develop partnerships, CBO expects that this program would not be fully implemented for several years. As a result, CBO estimates that implementing section 308 would cost $6 million over the 2017-2021 period.

Other Matters. Title V would extend the temporary increase in the number of judges for the Court of Appeals for Veterans Claims, establish a program of internal audits within VA, and provide training to managers throughout VA. CBO estimates that implementing title V would cost $11 million over the 2017-2021 period.

*Court of Appeals for Veterans Claims***.** Section 501 would extend, through January 1, 2021, the authority for the Court of Appeals for Veterans Claims (CAVC) to appoint a new judge to the court should a position become vacant. Previous legislation allowed for the court to expand from seven judges to nine in order to address the workload of the court. The authority to appoint a new judge to maintain nine judges expired on January 1, 2013.

According to the CAVC, the cost of a judge and his or her chamber is about $1 million per year. CBO expects that one judge will leave or retire over the next several years; thus, under section 501 one new judge would be appointed. Therefore, CBO estimates that implementing section 201 would cost $3 million over the 2017-2021 period.

Internal Audits. Section 503 would establish an office and program of internal audits—independent of other offices within VA—to do periodic risk assessments and analysis of various organizations and staff offices within the department. Based on information from VA, CBO expects that VA would hire 10 additional support staff and a director (with an average compensation level of $200,000 per staff member) to carry out the internal audits. After factoring in the time to hire the new staff, we estimate that implementing this provision would cost $7 million over the 2017-2021 period.

Training for Managers. Section 504 would require VA to provide training to managers in several areas. Such training would cover: ensuring rights of whistleblowers, effectively managing and motivating employees, and managing employees who are performing at an unacceptable level. According to VA, while managers are currently required to undergo training similar to that required by section 504, the agency would need to add new and updated content to meet all the requirements of the bill. On the basis of VA's current practices, CBO expects that VA would enter into a contract with a private entity to implement those changes at a cost of $1 million over the 2017-2021 period.

Reports, Studies, and Evaluations. The bill would require VA to produce a total of 13 reports on matters such as opioid therapy, patient advocacy, and benefits to caregivers of injured veterans. It also would require a study by the Government Accountability Office of programs offered to homeless veterans. Based on the costs of similar studies and reports, CBO estimates that meeting those requirements would cost a total of $5 million over the 2017-2021 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 shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 425 as ordered reported by the Senate Committee on Veterans' Affairs on December 9, 2015

	By Fiscal Year, in Millions of Dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	-13	-151	-300	-426	-453	-485	-517	-554	-585	-617	-1,345	-4,102

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting S. 425 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2026.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 425 contains no intergovernmental or private-sector mandates as defined in UMRA and would benefit public entities, including educational institutions and health care providers, that provide services to veterans. Any costs those entities might incur would be incurred as conditions of participating in a voluntary federal program.

PREVIOUS COST ESTIMATES

On June 3, 2015, CBO transmitted a cost estimate for S. 1376, the National Defense Authorization Act for Fiscal Year 2016, as ordered reported by the Senate Committee on Armed Services on May 19, 2015. Section 605 of that bill is similar to section 502 of S. 425. The estimates differ because other legislation has been enacted in the interim that changed costs under current law and because VA provided additional information on how it would implement the provision.

On November 19, 2015, CBO transmitted a cost estimate for H.R. 3016, the Veterans Employment, Education, and Healthcare Improvement Act, as ordered reported by the House Committee on Veterans' Affairs on September 17, 2015. Section 301 of that bill is similar to section 202 of S. 425. The costs of section 202 are higher because of interactive effects with other provisions of the bill. Section 302 of that earlier bill also would increase benefits under the Fry Scholarships in a more expansive manner than would section 209 of S. 425, thus, the costs in this estimate are lower. Section 210 of S. 425 is similar to section 307 of H.R. 3016 and section 103 of H.R. 475 the GI Bill Processing Improvement and Quality Enhancement Act of 2015, as ordered reported by the House Committee on Veterans' Affairs on May 21, 2015. Section 210 would credit military service before the date of enactment of the bill; the previous bills would not. However, the estimate for the proposal has been updated for new information. Thus, on net, the cost of section 210 is less than the previous estimates.

On May 4, 2016, CBO transmitted a cost estimate for H.R. 4063, the Promoting Responsible Opioid Management and Incorporating Scientific Expertise Act, as ordered reported by the House Committee on Veterans' Affairs on February 25, 2016. Sections 102 and 201 of that bill are similar to sections 422 and 432 respectively of S. 425, and the estimated costs for those provisions are the same. Section 302 of H.R. 4063 is similar to section 442 of S. 425, but would be effective one year later. The estimated costs for those provisions differ only because of that timing effect.

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