CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 24, 2017

H.R. 1058
VA Provider Equity Act

As ordered reported by the House Committee on Veterans' Affairs on July 19, 2017

H.R. 1058 would extend the current limitation on pension amounts that can be paid to certain veterans who receive benefits from Medicaid. The bill also would effectively increase the salary for podiatrists employed by the Department of Veterans Affairs (VA).

CBO estimates that enacting the bill would decrease direct spending by $552 million over the 2017-2027 period. CBO also estimates that implementing the bill would cost $53 million over the 2017-2022 period, assuming appropriation of the necessary amounts.

Because enacting the bill would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

CBO estimates that enacting H.R. 1058 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 1058 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 1058 are shown in the following table. The costs of this legislation fall within budget functions 700 (veterans benefits and services) and 550 (health).

	By Fiscal Year, in Millions of Dollars						
	2017	2018	2019	2020	2021	2022	2017-2022
INCREASES IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Authorization Level	0	9	10	10	12	13	54
Estimated Outlays	0	8	10	10	12	13	53

Note: In addition to the budgetary effects shown above, enacting H.R. 1058 would decrease net direct spending by a total of $552 million in 2025 and 2026.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the beginning of 2018, that the estimated amounts will be appropriated each year, and that outlays will follow historical spending patterns for the affected programs.

Spending Subject to Appropriation

Section 2 would add podiatrists to the pay schedule for physicians and dentists and thus increase their pay. Currently, VA employs about 400 podiatrists nationwide at an average annual salary of about $130,000. On the basis of information from VA about the average increase necessary for podiatrists to move to a pay schedule comparable to that of physicians and dentists, CBO estimates that the base salary for podiatrists would increase by about 15 percent to $150,000 in 2018. In addition, using data on hiring from VA, CBO estimates that VA would be able to hire an additional 30 podiatrists because the increased pay would make working at VA more attractive. After accounting for projected pay raises, CBO estimates that implementing the provision would cost $53 million over the 2017-2022 period, assuming appropriations of the necessary amounts.

Direct Spending

Section 3 would extend for two years (from September 30, 2024, to September 30, 2026) the expiration date of a provision that sets a $90 per month limit on pensions paid to any veteran who has no spouse or child and who is receiving Medicaid benefits in a Medicaid-approved nursing home; that provision also applies to any surviving spouse of a veteran who is receiving such coverage. Using data from VA, CBO estimates that about 13,000 veterans and 24,000 surviving spouses would be affected by this provision; the average monthly savings to VA would be about $1,900 per veteran and $1,200 per survivor. (Those estimates account for the effects of inflation, mortality rates, and growth of the affected population.) On that basis, CBO estimates that enacting the provision would reduce VA spending by $1.4 billion over the 2025-2026 period. Because of the reduced pensions, Medicaid would need to make some payments to nursing homes that would otherwise be paid by the veterans and surviving spouses. Those higher Medicaid payments would offset some of the savings from the reduced pensions. CBO estimates that those Medicaid costs would total about $846 million over the two years, resulting in a net reduction in direct spending of $552 million over the 2025-2026 period, as shown in the pay-as-you-go table below.

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 H.R. 1058, the VA Provider Equity Act, as ordered reported by the House Committee on Veterans' Affairs on July 19, 2017

	By Fiscal Year, in Millions of Dollars												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2022	2017-2027
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	0	0	0	0	0	0	-272	-280	0	0	-552

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1058 contains no intergovernmental or private-sector mandates as defined in UMRA.

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