CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 24, 2017

H.R. 3262
Grow Our Own Directive: Physician Assistant Employment and Education Act of 2017

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

SUMMARY

H.R. 3262 would require the Department of Veterans Affairs (VA) to modify compensation levels for physician assistants (PAs) and to carry out a five-year pilot program to provide educational assistance to veterans training to be PAs at the department. CBO estimates that implementing the bill would cost $120 million over the 2017-2022 period, assuming appropriation of the necessary amounts.

The bill also would increase the fees charged to certain veterans who obtain loans guaranteed by VA. CBO estimates that enacting H.R. 3262 would decrease direct spending by $83 million over the 2017-2027 period. Because enacting the legislation would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

CBO estimates that enacting H.R. 3262 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 3262 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 effect of H.R. 3262 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						
	2017	2018	2019	2020	2021	2022	2017-2022
INCREASES IN SPENDING SUBJECT TO APPROPRIATION							
Competitive Pay for Physician Assistants							
Estimated Authorization Level	0	12	18	18	21	23	92
Estimated Outlays	0	10	17	17	20	22	86
Pilot Program							
Estimated Authorization Level	0	2	7	10	11	6	36
Estimated Outlays	0	2	6	9	11	6	34
Total Changes							
Estimated Authorization Level	0	14	25	28	32	29	128
Estimated Outlays	0	12	23	26	31	28	120

Note: In addition to the costs shown above, enacting H.R. 3262 would decrease mandatory spending by $83 million in 2025.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3262 will be enacted near the start of 2018, that the estimated amounts will be appropriated each year, and that outlays will follow historical spending patterns for affected programs.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 3262 would increase personnel and administrative costs at VA by a total of $120 million over the 2017-2022 period, subject to appropriation of the necessary amounts.

Competitive Pay for Physician Assistants. Section 4 would require VA to compensate PAs at rates that are competitive with those paid by other health care providers. Currently, VA employs about 2,200 physician assistants. Based on wages paid in the private sector, CBO estimates that pay for those employees would increase by 5 percent in 2018 (from $114,000 to $120,000) if VA paid competitive rates. In addition, CBO expects 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. Based on data from VA on hiring and retaining nurses who are paid at competitive rates, CBO estimates that under the bill VA would increase the number of PAs it employs by about 4 percent above the current staffing level. On that basis, CBO estimates that implementing the section would cost $86 million over the 2017-2022 period.

Pilot Program. One of VA's largest staffing shortages is for PAs. Section 2 would require VA to establish a five-year pilot program to improve the recruitment and retention of PAs by providing educational assistance to certain former members of the Armed Forces. Participants in the pilot program must agree to work as PAs for VA for at least three years. The pilot program would offer scholarships to at least 250 candidates and provide no less than 35 scholarships each year.

A master's degree program in physician assistant studies takes two years to complete, with an average annual cost of $40,000. CBO expects that VA would cover the full tuition of 35 people in 2018 and up to 145 people a year by 2021. After accounting for anticipated inflation, CBO estimates that costs for tuition would total $30 million over the 2017-2022 period.

Section 2 also would require VA to hire two senior administrators to oversee and coordinate the pilot program. On the basis of information from VA on salaries of senior officials, CBO estimates that the salary and fringe benefits would be roughly $150,000 (the equivalent of a GS-15 level) for each person. In addition, CBO expects VA would need to hire a recruiter, with annual costs of $70,000, and an administrative assistant, with annual costs of $47,000. In total, CBO estimates that the administrative costs of implementing the pilot program would be $4 million over the 2017-2022 period.

Direct Spending

Under its Home Loan program, VA guarantees mortgages made to veterans; those guarantees enable veterans to get better loan terms, such as lower interest rates or smaller down payments. The loan guarantee provides a lender a payment of up to 25 percent of the outstanding loan balances (subject to some limitations on the original loan amounts) in the event that a veteran defaults on a guaranteed loan. Section 3 would increase some of the fees that VA charges veterans for providing those guarantees. Those fees lower the subsidy cost of the guarantees by partially offsetting the costs of subsequent defaults.[1]

Under current law, the up-front fee varies on the basis of the size of the down payment and whether the veteran has previously used the loan-guarantee benefit. Borrowers who are members of the reserve component pay an additional fee of 0.25 percent of the loan amount. Veterans who receive compensation for service-connected disabilities are exempt from paying the fee. The current fees that would be affected by section 5 are:

1. Under the Federal Credit Reform Act of 1990, the subsidy cost of a loan guarantee is the net present value of estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other expenses, offset by any payments to the government, including origination fees, other fees, penalties, and recoveries on defaulted loans. Such subsidy costs are calculated by discounting those expected cash flows using the rate on Treasury securities of comparable maturity. The resulting estimated subsidy costs are recorded in the budget when the loans are disbursed.

- 2.15 percent of the loan amount for loans with no down payment,
- 1.50 percent of the loan amount for loans with a 5 percent down payment, and
- 0.75 percent of the loan amount for loans with a 10 percent down payment.

Those fees are scheduled to decline on October 1, 2024, to 1.40 percent, 0.75 percent, and 0.50 percent, respectively.

Under section 5, that scheduled fee reduction would be delayed by three months, until December 31, 2024. Continuing the fees at their current level would increase collections by VA, thereby lowering the subsidy cost of the loan guarantees. Based on data from VA, CBO estimates that enacting section 5 would reduce direct spending by $83 million in 2025.

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. 3262, the Grow Our Own Directive: Physician Assistant Employment and Education Act of 2017, 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 [ON-BUDGET] DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	0	0	0	0	0	0	-83	0	0	0	-83

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 3262 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. 3262 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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