Congressional Budget Office
Cost Estimate

September 29, 2023

At a Glance

H.R. 542, Elizabeth Dole Home Care Act

As ordered reported by the House Committee on Veterans' Affairs on July 26, 2023

By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	0	27	-94
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	27	-94
Spending Subject to Appropriation (Outlays)	0	51	120

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	< $2.5 billion	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	< $5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

The bill would

- Require the Department of Veterans Affairs (VA) to expand access to health care teams outside of the department that would furnish all-inclusive care to elderly veterans living in the community
- Require VA to update information technology capabilities to assist veterans and caregivers using long-term health care and support services
- Require VA to carry out a pilot program for homemaker and health aide services to veterans
- Increase the limit on amounts that VA would pay for long-term care provided outside of VA facilities
- Require reports and studies on related programs
- Extend the higher rates for fees that VA charges borrowers for home loan guarantees

Estimated budgetary effects would mainly stem from

- Increasing payments for veterans' health care
- Increasing the number of veterans receiving care in the community
- Updating technological capabilities to assist veterans and caregivers
- Extending the higher rates for fees charged by VA for home loan guarantees

Areas of significant uncertainty include

- Estimating the number of veterans who would enroll in the Program of All-Inclusive Care for the Elderly

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Bill Summary

H.R. 542 would require the Department of Veterans Affairs (VA) to establish agreements with outside providers to furnish medical and social services to veterans who are not in VA nursing homes. The bill also would require VA to improve in-home assistance and support for caregivers of veterans and raise the limit on expenses for nursing home care provided outside of VA facilities. In addition, the bill would require VA to conduct several studies related to medical and health services for elderly veterans and report on those topics. Finally, the bill also would make changes to VA's home loan guarantee program.

Estimated Federal Cost

The estimated budgetary effects of H.R. 542 are shown in Table 1. The costs of the legislation fall within budget function 700 (veterans benefits and services).

Table 1.
Estimated Budgetary Effects of H.R. 542

	By Fiscal Year, Millions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
Increases in Spending Subject to Appropriation													
Estimated Authorization	0	6	8	13	12	12	13	13	14	14	15	51	120
Estimated Outlays	0	6	8	13	12	12	13	13	14	14	15	51	120
Increases or Decreases (-) in Direct Spending													
Estimated Budget Authority	0	2	3	7	7	8	9	10	11	-164	13	27	-94
Estimated Outlays	0	2	3	7	7	8	9	10	11	-164	13	27	-94

Basis of Estimate

For this estimate, CBO assumes that the legislation will be enacted at the beginning of fiscal year 2024 and that the estimated amounts will be appropriated each year. Estimated outlays are based on historical spending patterns for the affected programs.

Provisions That Affect Both Spending Subject to Appropriation and Direct Spending

H.R. 542 would increase costs for health care programs that have typically been paid from discretionary appropriations. Some of the beneficiaries of those programs would be veterans who have been exposed to environmental hazards; thus, CBO expects that some of the costs of implementing the bill would be paid from the Toxic Exposures Fund (TEF) established by

Public Law 117-168, the Honoring our PACT Act.[1] The TEF is a mandatory appropriation that VA uses to pay for health care, disability claims processing, medical research, and information technology modernization that benefit veterans who were exposed to environmental hazards.

Additional spending from the TEF occurs if legislation increases the costs of similar activities that benefit veterans with such exposure. Therefore, in addition to increasing spending subject to appropriation, the bill would increase amounts paid from the TEF, which are classified as direct spending.

In CBO's projections, the percentage of costs paid by the TEF is estimated to grow over time based on the amount of formerly discretionary appropriations that CBO estimated will be provided through the mandatory appropriation as specified in the Honoring our PACT Act. For purposes of this estimate, those growing percentages are applied to the estimated increase in costs under H.R. 542. Accordingly, CBO estimates that 24 percent of the costs of the changes from this bill would be paid from the TEF in 2024, increasing to 47 percent in 2033. All told, CBO estimates, implementing the health care provisions of H.R. 542 (all-inclusive care for elderly veterans, caregiver support, in-home assistance, and alternative nursing home care, discussed below) would increase spending subject to appropriation by $119 million and direct spending by $82 million over the 2023-2033 period.

All-Inclusive Care for Elderly Veterans. Section 3 would require VA to partner with the Program of All-Inclusive Care for the Elderly (PACE) to provide care for veterans who are served by VA medical centers in areas also served by PACE. Through the Centers for Medicare & Medicaid Services, PACE provides health care to elderly people who do not live in nursing homes. In addition to coordinated care from visiting health care providers, beneficiaries receive transportation, home care, prescription filling, and hospital visits. Recipients must be eligible either for Medicare or for Medicaid, they must require nursing-home-level care, and they must be able to safely live in the community with the help of PACE services.

There are 10 regions where PACE organizations operate near VA medical centers. VA has active agreements with PACE organizations in 4 of them. Those organizations currently serve about 70 veterans annually, and VA pays for the long-term-care portion of the PACE benefit for Medicare-eligible veterans who are not also eligible for Medicaid. CBO expects that VA would establish agreements with PACE organizations at the remaining 6 locations, increasing the number of veterans who use PACE. Using historical information on PACE enrollment and accounting for the projected growth in the number of Medicare-eligible

1. For additional information about spending from the TEF, see Congressional Budget Office, "Statement for the Record Regarding How CBO Would Estimate the Effects of Future Authorizing Legislation on Spending From the Toxic Exposures Fund" (December 2022), www.cbo.gov/publication/58843.

veterans who enroll with VA health care, CBO estimates that VA would pay for an average of 350 veterans to use the PACE benefit each year at an average annual cost of $48,000.

In total, CBO estimates, implementing section 3 would cost $189 million over the 2023-2033 period, of which $110 million would be spending subject to appropriation and $79 million would be direct spending.

Caregiver Support. Sections 5 and 6 would require VA to provide information about programs that support caregivers.

Section 5 would require VA to determine whether a caregiver who is not eligible for the department's support programs is eligible for other in-home and community-based programs. It also would require that a VA support coordinator help caregivers move from one program to another. In addition, section 5 would require VA to regularly inform caregivers about new services. Using information from VA, CBO expects that the department would hire one full-time administrative employee and would develop a system to provide caregivers with updates about new services.

Section 6 would require VA to establish and regularly update a website detailing information and resources related to all VA programs that benefit caregivers. That website would include an assessment tool providing extensive information on eligibility and participation.

Using information on average salaries and costs for similar information technology efforts, CBO estimates that, in total, satisfying the requirements of sections 5 and 6 would cost $5 million over the 2023-2033 period, of which $4 million would be spending subject to appropriation and $1 million would be direct spending.

In-Home Assistance. Section 7 would require VA to establish a three-year pilot program for providing homemaker and home health aide services to veterans who reside in areas with shortages of home health aides. The program would take place in at least 10 locations, and VA could hire new nursing assistants or reassign current assistants to provide care to veterans. In 2022, the department initiated a similar program at 3 locations. CBO expects that the program would partially satisfy the requirement of section 7.

VA reports that it has had difficulty hiring and recruiting home health aides. CBO expects that the department would expand the program to 7 additional locations and offer premium pay to new nursing aides. CBO estimates that VA would hire five new nursing assistants for each location at an average cost of $69,000 for salaries, benefits, and travel expenses.

In total, CBO estimates that implementing the program at those additional locations would cost $7 million over the 2023-2033 period, of which $5 million would be spending subject to appropriation and $2 million direct spending.

Alternative Nursing Home Care. Section 2 would increase the limit on amounts that VA pays for long-term care provided outside of its facilities. Under current law, VA may pay providers for long-term health care and services delivered to veterans outside of VA nursing homes until those payments reach 65 percent of what the annual cost to the department would be if it had provided care to the veteran in a VA nursing home that serves the region where the veteran resides. The average cost of care for veterans who reached that cap in 2022 was $840,000. When the cost of a veteran's care exceeds that amount, that veteran must move to a VA nursing home to have their care paid for by VA. Section 2 would increase the amount VA would pay to 100 percent of the cost of providing care at a VA facility. VA could pay more than 100 percent of its in-house cost to care for veterans with amyotrophic lateral sclerosis (ALS), a spinal cord injury, or a similar condition. According to VA, on average, 40 veterans reach the current limit each year. Implementing the section could reduce overall costs to VA in cases where the cost of a veteran's care outside of VA facilities exceeds the current limit but is less than VA's cost of providing care directly. Conversely, CBO expects that VA would pay more for some veterans with ALS, a spinal cord injury, or a similar condition. Because of the small number of people affected and the offsetting effects on costs, CBO estimates that implementing section 2 would have an insignificant net effect on the budget over the 2023-2033 period.

Spending Subject to Appropriation

Spending subject to appropriation would increase by $119 million as a result of implementing the provisions described above. In addition, H.R. 542 would require VA to conduct five studies and deliver six reports to the Congress on program management, staffing, and the availability of services provided in homes and in the community. Based on the costs of similar studies and reports, CBO estimates that satisfying those requirements would cost $1 million over the 2023-2033 period.

In total, implementing H.R. 542 would increase costs paid for by discretionary appropriations by $120 million over the 2023-2033 period, CBO estimates (see Table 2).

Table 2.
Estimated Increases in Spending Subject to Appropriation Under H.R. 542

	By Fiscal Year, Millions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
All-Inclusive Care for Elderly Veterans													
Estimated Authorization	0	2	5	10	12	12	13	13	14	14	15	41	110
Estimated Outlays	0	2	5	10	12	12	13	13	14	14	15	41	110
Caregiver Support													
Estimated Authorization	0	2	1	1	*	*	*	*	*	*	*	4	4
Estimated Outlays	0	2	1	1	*	*	*	*	*	*	*	4	4
In-Home Assistance													
Estimated Authorization	0	1	2	2	*	*	*	*	0	0	0	5	5
Estimated Outlays	0	1	2	2	*	*	*	*	0	0	0	5	5
Studies and Reports													
Estimated Authorization	0	1	*	*	0	0	0	0	0	0	0	1	1
Estimated Outlays	0	1	*	*	0	0	0	0	0	0	0	1	1
Total Changes													
Estimated Authorization	0	6	8	13	12	12	13	13	14	14	15	51	120
Estimated Outlays	0	6	8	13	12	12	13	13	14	14	15	51	120

* = between zero and $500,000.

Direct Spending

The provisions that would change long-term support and service programs (described above in "Provisions Affecting Both Spending Subject to Appropriation and Direct Spending") would increase direct spending by $82 million over the 2023-2033 period. In addition, the bill would increase the fees paid by borrowers for VA home loan guarantees, which would be reflected in the budget as negative outlays. CBO estimates that enacting the bill would decrease net direct spending by $94 million over the 2023-2033 period (see Table 3).

Loan Fees. The bill would extend—for about two months—the higher fees that VA charges borrowers for its loan guarantees. VA provides loan guarantees to lenders that allow eligible borrowers to obtain better loan terms—such as lower interest rates or smaller down payments—to purchase, build, improve, or refinance a home. VA typically pays lenders up to 25 percent of the outstanding mortgage balance if a borrower's home is foreclosed upon.

Those payments, net of fees paid by borrowers and recoveries by lenders, constitute the subsidy cost for the loan guarantees.[2]

Under current law, the rates for most fees that borrowers pay to VA for loans guaranteed on or after November 14, 2031, will drop from a weighted average of about 2.4 percent to about 1.2 percent of the loan amount. Section 9 of the bill would extend the higher rates through January 26, 2032, thereby reducing the subsidy cost of loans guaranteed during that four-month period. Using information from VA, CBO estimates that extending the higher rates would decrease direct spending by $176 million over the 2023-2033 period.

Table 3.
Estimated Changes in Direct Spending Under H.R. 542

	By Fiscal Year, Millions of Dollars												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
Loan Fees													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	-176	0	0	-176
Estimated Outlays	0	0	0	0	0	0	0	0	0	-176	0	0	-176
All-Inclusive Care For Elderly Veterans													
Estimated Authorization	0	1	2	6	7	8	9	10	11	12	13	24	79
Estimated Outlays	0	1	2	6	7	8	9	10	11	12	13	24	79
Caregiver Support													
Estimated Authorization	0	1	*	*	*	*	*	*	*	*	*	1	1
Estimated Outlays	0	1	*	*	*	*	*	*	*	*	*	1	1
In-Home Assistance													
Estimated Authorization	0	*	1	1	0	0	0	0	0	0	0	2	2
Estimated Outlays	0	*	1	1	0	0	0	0	0	0	0	2	2
Total Changes													
Estimated Authorization	0	2	3	7	7	8	9	10	11	-164	13	27	-94
Estimated Outlays	0	2	3	7	7	8	9	10	11	-164	13	27	-94

* = between zero and $500,000.

2. 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 or 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 or modified. A positive subsidy indicates that the loan results in net outlays from the Treasury; a negative subsidy indicates that the loan results in net receipts to the Treasury.

Uncertainty

CBO's estimate of the costs of implementing changes to PACE is subject to uncertainty largely because of the difficulty in projecting the number of veterans who would enroll in that program. Costs would differ if that factor is higher or lower than CBO estimates.

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 Table 3.

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 542 would increase net direct spending by less than $2.5 billion in any of the four consecutive 10-year periods beginning in 2034.

CBO estimates that enacting H.R. 542 would increase on-budget deficits by less than $5 billion in any of the four consecutive 10-year periods beginning in 2034.

Mandates: None.

Previous CBO Estimate

On March 10, 2023, CBO transmitted a cost estimate for S. 141, the Elizabeth Dole Home Care Act, as ordered reported by the Senate Committee on Veterans' Affairs on February 16, 2023. Most of the provisions of the bills related to health care are similar and the estimated costs are the same. H.R. 542 includes an additional provision that would increase the reimbursement cap for veterans using alternative nursing home options; CBO estimates that the budgetary effects of that provision would be insignificant. H.R. 542 also would extend the higher fees that VA charges borrowers for its loan guarantees, reducing direct spending. S. 141 does not include a similar provision and the estimated effects on direct spending of that bill are higher as a result.

Estimate Prepared By

Federal Costs:

Etaf Khan (veterans' health care)

Paul B.A. Holland (veterans' education and housing benefits)

Mandates: Grace Watson

Estimate Reviewed By

David Newman
Chief, Defense, International Affairs, and Veterans' Affairs Cost Estimates Unit

Kathleen FitzGerald
Chief, Public and Private Mandates Unit

Christina Hawley Anthony
Deputy Director of Budget Analysis

Estimate Approved By

Phillip L. Swagel
Director, Congressional Budget Office