CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 28, 2017

H.R. 918
Veteran Urgent Access to Mental Healthcare Act

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

SUMMARY

H.R. 918 would change the fees charged to veterans who obtain loans guaranteed by the Department of Veterans Affairs (VA). CBO estimates that enacting the bill would increase direct spending by $688 million over the 2026-2027 period. Because enacting the bill would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

The bill also would require VA to provide an initial mental health assessment and subsequent mental health care to certain former service members who are currently not eligible for such care. CBO estimates that implementing that provision would cost $15 million over the 2017-2022 period, assuming appropriation of the necessary amounts.

CBO estimates that enacting H.R. 918 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 918 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 effects of H.R. 918 are 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	2023	2024	2025	2026	2027	2017-2022	2017-2027
INCREASES IN DIRECT SPENDING													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	340	348	0	688
Estimated Outlays	0	0	0	0	0	0	0	0	0	340	348	0	688
INCREASES IN SPENDING SUBJECT TO APPROPRIATION													
Estimated Authorization Level	0	4	3	3	3	3	n.a.	n.a.	n.a.	n.a.	n.a.	16	n.a.
Estimated Outlays	0	3	3	3	3	3	n.a.	n.a.	n.a.	n.a.	n.a.	15	n.a.

Note: n.a. = not applicable.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 918 will be enacted near the beginning of fiscal year 2018 and that the estimated amounts will be appropriated each year. Estimated outlays are based on historical spending patterns for the affected programs.

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 lenders a payment of up to 25 percent of the outstanding balances (subject to some limitations on the original loan amounts) in the event that a veteran defaults on a guaranteed loan. Section 3 would decrease 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] The subsidy cost of VA loan guarantees are paid from mandatory appropriations. Hence, by increasing the subsidy cost, lowering those fees would increase direct spending.

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

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.

exempt from paying the fee. The fees that would be affected by section 3 are currently set as follows:

- 2.15 percent of the loan amount for loans with no down payment on the first use of the guarantee benefit,
- 3.30 percent of the loan amount for loans with no down payment on subsequent uses of the guarantee benefit,
- 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, 2027, to 1.40 percent, 1.25 percent, 0.75 percent, and 0.50 percent, respectively.

Under section 3, that scheduled fee reduction would occur two years earlier, on September 30, 2025. Reducing the fees from their current level would decrease collections by VA, thereby increasing the subsidy cost of the loan guarantees. Based on data from VA regarding the number and initial principal value of the loans it guarantees each year, CBO estimates that enacting section 3 would increase direct spending by $688 million over the 2026-2027 period.

Spending Subject to Appropriation

Under current law, former service members are eligible for VA health care benefits if they separated from military service with an honorable discharge or a discharge characterized as “General, Under Honorable Conditions.” Individuals whose discharges are characterized as “Under Other Than Honorable Conditions (OTH),” Bad Conduct, or Dishonorable are generally not eligible for those benefits. Section 2 would require VA to provide an initial health assessment and any necessary mental health services to former service members who received an OTH discharge and have requested an upgrade of that status, if they were deployed to a theater of combat operations, participated in combat operations or hostilities, or experienced sexual trauma. That period of special eligibility would end once the Department of Defense (DoD) has made a determination on the veteran’s request to have the character of their discharge changed.

On the basis of data from DoD and VA, CBO estimates that roughly 340 additional former service members would use medical services through VA each year under this provision. On average, costs at VA for the first year of treatment for mental health conditions is about $10,000 (including costs for the initial mental health assessments). In total, CBO estimates that implementing this section would cost $15 million over the 2017-2022 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 H.R. 918, the Veteran Urgent Access to Mental Healthcare 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	0	340	348	0	688

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. 918 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATES

The language in H.R. 918, the Veteran Urgent Access to Mental Healthcare Act that affects loan guarantee fees is similar to language in the following bills that were ordered reported by the House Committee on Veterans' Affairs on July 19, 2017:

- H.R. 95, the Veterans' Access to Child Care Act, and

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

However, CBO’s estimate of the loan guarantee fees in H.R. 918 differs from those in the above mentioned bills because of different proposed extension periods and the enactment of S. 114, the VA Choice and Quality Employment Act of 2017, on August 12, 2017.

When H.R. 918 was ordered reported on July 19, 2017, the loan fees were scheduled to decline on September 30, 2024. S. 114, the VA Choice and Quality Employment Act of 2017 (Public Law 115-46), which was enacted on August 12, 2017, postponed the date on which those fees would decline to September 30, 2027. Compared with the law prior to enactment of that act, section 3 would have postponed the date on which the fees would have declined by one year. Thus, absent the enactment of S. 114, section 3 would have reduced direct spending by $332 million in 2025, CBO estimates.

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