

At a Glance

S. 3163, Reform and Update Rural Access to Local Exams Act of 2021

As ordered reported by the Senate Committee on Veterans' Affairs on December 15, 2021

By Fiscal Year, Millions of Dollars	2022	2022-2026	2022-2031
Direct Spending (Outlays)	1	10	21
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	1	10	21
Spending Subject to Appropriation (Outlays)	0	0	not estimated

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 2032?	< \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

The bill would

- Require the Department of Veterans Affairs (VA) to inspect facilities of contractors who provide medical examinations for VA benefits related to a veteran's disability
- Require VA to offer financial incentives to contractors that provide medical examinations for VA benefits related to a veteran's disability
- Require VA to improve data collection on medical disability examinations in rural areas
- Require several reports and studies

Estimated budgetary effects would mainly stem from

- Inspecting contractor facilities
- Providing financial incentives for timely medical examinations
- Satisfying data collection and reporting requirements

Areas of significant uncertainty include

- Estimating the number of facilities VA would inspect each year
- Anticipating the type of financial incentives or disincentives offered to contractors for medical disability examinations in rural areas

Detailed estimate begins on the next page.

Bill Summary

S. 3163 would make changes to VA's processes for administering medical disability examinations to veterans in rural areas.

Estimated Federal Cost

The estimated budgetary effect of S. 3163 is shown in Table 1. The costs of the legislation fall within budget function 700 (veterans benefits and services).

**Table 1.
 Estimated Budgetary Effects of S. 3163**

	By Fiscal Year, Millions of Dollars										2022-2026	2022-2031
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031		
	Increases in Direct Spending											
Inspections	*	1	1	1	1	1	1	1	1	1	5	10
Financial Incentives	0	1	1	1	1	1	1	1	1	1	4	9
Studies and Reports	*	*	*	*	*	*	*	*	*	*	1	2
Total Direct Spending	1	2	10	21								

Components may not sum to totals because of rounding; budget authority equals outlays, * = between zero and \$500,000.

Basis of Estimate

For this estimate, CBO assumes that outlays will follow historical spending patterns for affected programs and that S. 3163 will be enacted during the middle of fiscal year 2022.

Direct Spending

Under current law, VA provides veterans with medical examinations to determine their eligibility for certain VA benefits programs. VA contracts with private companies to provide many of those exams. According to VA, all costs for providing, administering, and overseeing those contract examinations are paid from mandatory appropriations. Because S. 3163 would affect the administration of those contract exams, spending under the bill would be classified as direct spending.

Section 6 of the bill would require VA to inspect each facility where contractors conduct medical disability exams. VA would be required to inspect a statistically significant sample of facilities each year, including a proportional number of facilities in rural areas. Using information from VA on the number of facilities used by VA contractors, CBO estimates that the department would inspect about 60 facilities per year, and hire the equivalent of four full-time employees to complete the facility inspections at an average cost \$150,000 per year for salaries and expenses. Travel costs related to facility inspections would average \$3,000

per facility visited. In total, CBO estimates personnel and travel costs to inspect facilities would increase direct spending by \$10 million over the 2022-2031 period.

Section 5 of the bill would require VA to use financial incentives or penalties to encourage contractors to provide timely medical disability exams to veterans who live in rural areas or who are housebound. According to VA, the agency's contractors provided about 42,000 medical disability exams in rural areas in 2021. CBO estimates that by 2031, that number will increase to 48,500. Based on information from VA on the type and dollar value of incentives it uses, CBO expects VA to offer contractors an incentive of \$25 per exam under the bill. As a result, CBO estimates VA would offer incentives for about 45,000 exams, on average, each year. CBO expects that VA will begin including provisions for those incentives in contracts beginning in fiscal year 2023. Thus, satisfying the requirements of section 5 would increase direct spending by \$9 million over the 2022-2031 period.

Other provisions of the bill would require VA to produce studies and reports, and to collect data on medical disability examinations. Based on information on the cost of similar studies and reports and current VA data practices, CBO estimates those provisions would increase direct spending by \$2 million over the 2022-2031 period.

Uncertainty

The number of facilities VA will inspect in each year, the number of personnel required to conduct those inspections, and the type of financial incentives VA would use for contract exams could differ from CBO's estimates. The cost of enacting the bill could be higher or lower as a result.

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 1.

Increase in Long-Term Deficits:

CBO estimates that enacting S. 3163 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2032.

Mandates: None.

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