CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 20, 2003

H.R. 241
Veterans Beneficiary Fairness Act of 2003

As introduced on January 8, 2003

SUMMARY

Under current law, if an individual applying for benefits from the Department of Veterans Affairs (VA) dies while his or her claim is being processed, eligible survivors may apply for and receive up to two years worth of benefits awarded to the deceased applicant. H.R. 241 would eliminate the two-year limit, effectively awarding eligible survivors the full amount of benefits due to the deceased applicant.

CBO estimates that enacting H.R. 241 would increase direct spending by about $1 million in 2004, $3 million over the 2004-2008 period, and $7 million over the 2004-2013 period. Direct spending could also increase in fiscal year 2003 should the bill be enacted before the end of this fiscal year, but CBO estimates that any such outlays would be insignificant.

H.R. 241 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 241 is shown in the following table. This estimate assumes the legislation would be enacted by October 1, 2003. The costs of this legislation fall within budget function 700 (veterans benefits and services).

	2003	2004	2005	2006	2007	2008
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	1	1	1	1	1
Estimated Outlays	0	1	1	1	1	1

BASIS OF ESTIMATE

Under current law, when an individual applies for benefits administered by VA, any benefits that are awarded are paid retroactive to the date of application. If the applicant dies before receiving his or her retroactive benefits, certain survivors can apply to receive up to two years worth of the unpaid benefits. VA refers to these benefits that are due but unpaid to deceased applicants as "accrued benefits."

Before December 2002, VA applied the two-year limit on accrued benefits to all cases in which the applicant died before receiving payment. On December 10, 2002, the United States Court of Appeals for Veterans Claims (CAVC) decided in *Bonny v. Principi* that the two-year limit applies differently to the following two groups:

- Applicants who die before VA makes the final decision on the application, and

- Applicants who die after VA makes the final decision on the application but before receiving payment.

CAVC ruled that if the applicant dies before receiving payment but after VA approves the claim, eligible survivors are due the entire amount of the award due to the applicant. Eligible survivors of applicants who die during the processing of the claim but before VA makes a final decision, however, are eligible for only two years of accrued benefits.

H.R. 241 would eliminate the two-year limit on accrued benefits for all eligible survivors, regardless of whether VA has made a final decision on the claim. Based on information provided by VA, CBO estimates that VA awards accrued benefits payments to about 3,700 survivors a year and that, under current law (reflecting the *Bonny* decision), about 18 percent or 670 of these cases would be paid the full amount. Based on information provided by VA, CBO estimates that no more than 10 percent of the roughly 3,000 remaining accrued benefits payments would reflect more than two years of unpaid benefits.

VA only tracks data on the number of claims processed for accrued benefits payments and is unable to identify the number of claims it approves; whether these claims are for disability compensation, veterans pension, or other veterans income security benefits; or the amount of the average payment. Absent this information, CBO assumes that all accrued benefits payments would be for veterans disability compensation because the majority of applications for VA benefits are for such payments. We also assume that all accrued benefits would be paid at an average disability rating of 30 percent, consistent with average benefit payments for new compensation cases, and that, on average, each of these 300 cases would receive an extra six months worth of payments.

According to data provided by VA, in 2002 the average annual compensation payment for a disability rating of 30 percent was $4,092. Such payments are adjusted annually for increases in the cost of living. Thus, CBO estimates that enacting H.R. 241 would increase direct spending by about $1 million in 2004, $3 million over the 2004-2008 period, and $7 million over the 2004-2013 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 241 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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