



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 25, 2004

H.R. 4175 **Veterans' Compensation Cost-of-Living Adjustment Act of 2004**

As ordered reported by the House Committee on Veterans' Affairs on May 19, 2004

H.R. 4175 would increase the amounts paid to veterans for disability compensation and to their survivors for dependency and indemnity compensation by the same cost-of-living adjustment (COLA) payable to Social Security recipients. The increase would take effect on December 1, 2004, and the results of the adjustment would be rounded to the next lower dollar. In addition, the bill would add osteoporosis to the list of diseases that are presumed service-connected for former prisoners-of-war (POWs), and codify the cost-of-living adjustments (COLAs) provided by the Veterans' Compensation Cost-of-Living Adjustment Act of 2003 (Public Law 108-147).

The COLA that would be authorized by this bill is assumed in CBO's baseline, pursuant to section 257 of the Balanced Budget and Emergency Deficit Control Act, and savings from rounding it down were achieved by the Balanced Budget Act of 1997 (Public Law 105-33) and extended to 2013 by the Veterans Benefits Act of 2003 (Public Law 108-183).

Because the COLA is assumed in the baseline, the COLA provision would have no budgetary effect relative to the baseline. Relative to current law, CBO estimates that enacting this provision would increase spending for these programs by about \$466 million in 2005. (The annualized cost would be about \$620 million in subsequent years.) This estimate assumes that the COLA effective on December 1, 2004, would be 1.5 percent.

Section 4 of the bill would add osteoporosis to the list of disabilities that the Department of Veterans Affairs (VA) assumes are service-connected for former POWs. Thus, under the bill, former POWs with osteoporosis would be eligible for disability compensation and, if a former POW dies as a result of this condition certain, survivors would be eligible for dependency and indemnity compensation (DIC).

Based on information provided by VA, CBO estimates that there are currently 37,000 living former POWs. Applying prevalence rates for osteoporosis obtained from the National Center for Health Statistics and other sources, CBO estimates that in 2005, about 440 former POWs would become newly eligible for disability compensation for osteoporosis under section 4.

CBO assumes that about 50 percent of former POWs who are not already receiving disability compensation and 60 percent of former POWs who are currently receiving disability compensation would apply for the new benefit. CBO assumes that new compensation cases would phase in over three years so that by 2007 about 120 new compensation cases would begin receiving disability compensation for osteoporosis. This figure excludes veterans who already have a disability rating of 100 percent for other service-connected disabilities and who would therefore not be eligible for an increase in their disability compensation rating.

CBO derived the weighted average of payments made to veterans currently receiving disability compensation for osteoporosis to determine the increase in disability compensation payments under section 4. Based on information provided by VA, veterans receiving payments for osteoporosis were paid on average about \$1,300 in 2003 in disability compensation payments. These payments are adjusted annually for increases in COLA. Former POWs not receiving disability compensation payments for other disabilities would receive this amount, while former POWs currently receiving disability compensation would receive an increase above their current level of disability compensation, unless they are already rated at 100 percent disabled.

Under current law, certain survivors of former POWs can qualify for DIC if one of the following two criteria:

- The former POW died of a service-connected disability; or
- The former POW was continuously rated 100 percent for a service-connected disability for one year prior to death.

Survivors of veterans who meet one of these criteria would already be eligible for DIC under current law. Because osteoporosis would be considered a service-connected disability under section 4, certain survivors of veterans who die as a result of one of the diseases would become newly eligible for DIC under the bill.

CBO was unable to obtain mortality rates for osteoporosis; however, because the disease has a low prevalence rate in men and does not generally lead directly to death, we estimate that the potential increase in spending for DIC payments under section 4 from former POWs dying as a result of osteoporosis would be insignificant.

Taken together, CBO estimates that enacting section 4 would increase payments for disability compensation and DIC by less than \$500,000 in 2005, about \$1 million over the 2005-2009 period, and \$2 million over the 2005-2014 period.

H.R. 4175 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

On January 29, 2004, CBO transmitted a cost estimate for H.R. 348, as introduced on January 27, 2003. H.R. 348 included five additional diseases as presumed service-connected diseases for former POWs—heart disease, stroke, diabetes mellitus, liver disease, and osteoporosis. CBO’s estimate of the cost of adding osteoporosis to the list of presumed service-connected diseases contained in H.R. 348 is identical to the cost estimated for Section 4 of H.R. 4175.

The CBO staff contact for federal costs is Dwayne M. Wright. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.