



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 16, 2005

### **H.R. 2046**

#### **Servicemembers' Health Insurance Protection Act of 2005**

*As ordered reported by the House Committee on Veterans' Affairs on May 11, 2005*

H.R. 2046 would limit premium increases on health insurance for reservists who return to their civilian jobs after serving on active duty and ensure that reservists whose activation is cancelled before they report for duty can reinstate their health care coverage. It also would allow disabled servicemembers to qualify for a housing grant provided by the Department of Veterans Affairs (VA) before being discharged from active duty. Finally, the bill would modify a requirement in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act, 2005 (Public Law 109-13) regarding elections of servicemembers to reduce or decline insurance.

The VA currently administers two grant programs (with direct spending authority) to assist severely disabled veterans in acquiring housing that is adapted to their disabilities, or in modifying their existing housing. The maximum amounts of these two grants are \$50,000 and \$10,000, respectfully. Section 4 would allow members of the armed forces who become severely disabled to receive these grants while still on active duty. Because the eligibility requirements for these grants are very restrictive, CBO believes that very few servicemembers would qualify, and that these servicemembers would be separating from the military within 12 months of the time they become eligible for these grants. Thus, this section would simply shift their eligibility forward by six months, on average. On that basis, CBO estimates enacting this bill would increase direct spending for these grants by less than \$500,000 over the 2006-2015 period. (Enacting the bill would have no effect on revenues.)

H.R. 2046 contains both intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Current law imposes a mandate on public and private-sector entities that provide health insurance by requiring them to allow servicemembers and reservists on active duty to continue policies or reinstate those policies without delay when they return from service. Section 2 would prohibit those entities that provide insurance from raising premiums for servicemembers when they return from active-duty service and choose to reinstate or continue previously held policies.

Section 3 of this bill would expand current law to require that certain reservists whose notice for active duty is later cancelled are also eligible to continue or reinstate health policies without delay. That expansion would increase the cost for both public and private-sector providers to comply with an existing mandate.

Based on information from the Department of Defense and industry representatives, CBO estimates that only a small number of servicemembers would benefit from those provisions. The total direct cost for providers to comply with those mandates, thus would be minimal and well below the annual thresholds established by UMRA (\$62 million in 2005 and \$123 million in 2005, respectively, adjusted annually for inflation).

This estimate was prepared by Michelle S. Patterson, and approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.