



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

July 28, 2008

**H.R. 5892
Veterans Disability Benefits Claims Modernization Act of 2008**

As ordered reported by the House Committee on Veterans' Affairs on April 30, 2008

SUMMARY

H.R. 5892 would increase the number of veterans eligible for disability compensation by modifying the requirements for eligibility. The bill also would require the Department of Veterans Affairs (VA) to conduct several studies and complete several reports on various matters relating to the delivery of veterans disability benefits and the Court of Appeals for Veterans Claims (CAVC), and for other purposes. CBO estimates that enacting H.R. 5892 would increase direct spending by \$60 million in 2009, by \$1.5 billion over the 2009-2013 period, and by \$4.8 billion over the 2009-2018 period. In addition, CBO estimates that implementing H.R. 5892 would increase discretionary costs by \$5 million over the 2009-2013 period, assuming appropriation of the necessary amounts. Enacting the bill would have no impact on revenues.

H.R. 5892 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 costs of this legislation fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars										Total	Total
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-2013	2009-2018
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	60	165	360	420	480	540	600	670	730	800	1,485	4,825
Estimated Outlays	60	165	360	420	480	540	600	670	730	800	1,485	4,825

Note: In addition, H.R. 5892 would increase spending subject to appropriation by \$5 million over the 2009-2013 period.

Direct Spending

To receive disability compensation from VA, veterans must demonstrate, generally through documentation in official records, that their disabilities are related to their service in the military. Veterans who have engaged in combat with the enemy face a much lower burden of proof. Those veterans' disabilities can be presumed to be service-connected if any type of evidence—verification from other members of the veteran's unit, for example—is consistent with the circumstances of the veterans' service. According to VA regulations, engaging in combat with the enemy means personal participation in events constituting an actual fight or encounter with a military foe or hostile unit or instrumentality. It includes presence during such events either as a combatant or servicemember performing duty in support of combatants, such as providing medical care to the wounded.

Section 101 would expand the definition of combat with the enemy to include service on active duty in a theater of combat operations—as determined by VA in consultation with the Secretary of Defense—during a period of war. Many veterans cannot have their disability presumed to be service-connected because they cannot prove that they engaged in combat with the enemy. Section 101 would alleviate the evidentiary burden of proof of personal participation as long as the veteran could prove that he or she served in a theater of combat operations during a period of war.

Based on data from VA, CBO expects that most of the population affected would be veterans seeking disability compensation for post-traumatic stress disorder (PTSD). VA reports that 50 percent of disability claims for PTSD are approved and that the majority of denials are because of lack of evidence of service-connection.

In total, CBO estimates that enacting section 101 would increase direct spending by \$4.8 billion over the 2009-2018 period; those costs would include amounts for new accessions (newly approved beneficiaries), veterans currently on the rolls, and surviving spouses and dependents.

New Accessions. CBO expects that implementing section 101 would increase both the number of disability claims that VA would receive for PTSD, and the approval rate for such claims. Over the 2002-2006 period, VA received about 188,000 (on average) initial claims for disability compensation each year. About 80 percent of those claims were approved. Of those new accessions to the disability compensation rolls, about 15 percent involved PTSD (about 20,000 per year).

Based on data from VA, CBO estimates that enacting H.R. 5892 would increase applications for disability compensation for PTSD by 20 percent and the approval rate for such claims by 25 percent. Thus, CBO estimates that about 11,000 additional veterans would be eligible to receive compensation in 2009. Of those, CBO further estimates that 25 percent would apply and be approved for benefits in 2009—the remainder would be approved over the next two years—and that, on average, they would receive one-half of the annual benefit. Consistent with CBO's baseline assumptions for new accessions, CBO estimates that the number of veterans who would be newly eligible each year would decline to about 6,800 by 2018.

In 2006 (2007 data are unavailable), the average disability rating for a veteran with PTSD was 40 percent and the average annual benefit payment for a disability rated at 40 percent was \$6,516 (or \$543 monthly). Adjusting for cost-of-living increases, the annual payment for a veteran rated at 40 percent in 2009 would be about \$7,080. After accounting for mortality and cost-of-living adjustments, CBO estimates that, under section 101, direct spending for new accessions would increase by \$10 million in 2009, by about \$770 million over the 2009-2013 period, and by \$3 billion over the 2009-2018 period.

Veterans Currently on the Rolls. Section 101 also would make some veterans who are currently receiving disability compensation for other disabilities eligible to receive compensation for PTSD as well. Many veterans who are receiving a disability compensation payment are rated for more than one disability. The average rating for veterans on the disability compensation rolls in 2007 was 40 percent and the average combined rating—a combination of all disabilities for which a veteran is receiving compensation—for veterans with PTSD was 70 percent.

About 12,600 veterans who are currently receiving compensation, and who served in Iraq, Afghanistan, and or elsewhere in the war on terrorism, had disability claims for PTSD denied over the period from October 2001 through March 2008, because their PTSD could not be

verified as service-connected. Of those, CBO estimates 80 percent (or about 10,000 veterans) would be eligible for an increase in their disability payment under H.R. 5892. CBO expects that such veterans would see their disability ratings increase from 40 percent to 70 percent.

In 2006, the average annual disability payment for a veteran rated at 40 percent was \$6,516 and the average payment for a veteran rated at 70 percent was \$22,326—a difference of \$15,810. CBO estimates that, in 2009, the annual difference between a 40 percent and a 70 percent rating would be \$17,175 and that it would increase with cost-of-living adjustments to about \$20,800 by 2018. After also adjusting for mortality, and assuming a three-year phase-in of veterans re-applying for benefits, CBO estimates that enacting section 102 would increase direct spending for existing recipients by about \$1.6 billion over the 2009-2018 period.

Surviving Spouses and Dependents. VA provides dependency and indemnity compensation (DIC) payments to the surviving spouses of certain deceased veterans. CBO expects that some of the veterans who would become eligible for disability compensation under H.R. 5892 would die over the 2009-2018 period, leaving survivors who would be eligible for DIC payments. Currently, about 25 percent of veterans' deaths result in new accessions to the DIC rolls. Assuming an average age for a DIC accession of 63 years and accounting for mortality of surviving spouses, CBO estimates that about 30 surviving spouses would receive a DIC payment in 2009, increasing to about 1,800 in 2018. The average annual DIC benefit payment in 2007 was \$13,667. After adjusting for cost-of-living increases, CBO expects the annual DIC benefit payment would average about \$14,430 in 2009 and would increase to about \$17,500 in 2018. We estimate that enacting section 101 would increase direct spending for surviving spouses by about \$120 million over the 2009-2018 period.

Discretionary Spending

H.R. 5892 includes several provisions that, in total, would increase discretionary costs by \$5 million over the 2009-2013 period, assuming appropriation of the necessary amounts.

Reports. The bill would require VA to complete a series of reports and studies for the Congress on varying topics. Those studies include: an overhaul of the disability compensation ratings system; the employee work credit system of the Veterans Benefits Administration (VBA); the work management system of VBA, which is designed to improve claims processing times for benefits delivery; an assessment of VBA's quality assurance program; the employment of medical professionals to provide expert medical advice in

evaluating disability claims; a review of VA's information technology systems for processing claims and a comprehensive plan for improving those systems; and workload reports for the CAVC. Based on information from VA, CBO estimates that completing those reports would cost about \$3 million over the 2009-2013 period.

Advisory Committee on Disability Compensation. Section 102 would establish the Advisory Committee on Disability Compensation. The committee would provide recommendations and advice to the Congress and the Secretary about maintaining and periodically adjusting the schedule for VA disability ratings. Based on information from the General Services Administration on the cost of administering and staffing an advisory committee, CBO estimates that implementing section 102 would cost about \$2 million dollars over the 2009-2013 period, assuming availability of appropriated funds.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5892 contains no intergovernmental or private-sector mandates as defined in the UMRA and would impose no costs on state, local, or tribal governments.

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