



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 4, 2010

Examination of Exposures to Environmental Hazards During Military Service and Health Care for Camp Lejeune and Atsugi Naval Air Facility Veterans and their Families Act of 2010

As ordered reported by the Senate Committee on Veterans' Affairs on January 28, 2010

SUMMARY

This bill would authorize a new federal health benefit for former military members and their dependents whose health was affected by exposure to environmental contaminants at Camp Lejeune, North Carolina, or at the Atsugi Naval Air Facility in Japan. The bill also would establish a new advisory board to study environmental contamination at other military facilities and would authorize health benefits for former military personnel and their dependents who were present at sites identified by the board as having environmental hazards.

CBO expects that the determination that individuals were exposed to environmental contaminants on military installations would increase the likelihood that certain disability compensation claims submitted to the Department of Veterans Affairs (VA) would be deemed “service-connected.” Those additional claims would increase VA compensation payments and CBO estimates that direct spending would increase by about \$2.7 billion over the 2012-2020 period.¹ In addition, CBO estimates that implementing the bill would increase spending subject to appropriation by about \$4 billion over the 2011-2020 period, mainly to cover the cost of the new health benefits and the administration of claims.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. Pursuant to section 311 of the Concurrent Resolution on the Budget for Fiscal Year 2009 (S. Con. Res. 70), CBO estimates this bill would increase projected deficits by more than \$5 billion in at least one of the four consecutive 10-year periods starting in 2020.

1. Different time periods are relevant for enforcing the current pay-as-you-go rules in the Senate and the House of Representatives. CBO estimates that enacting the bill would increase direct spending by \$80 million over the 2010-2014 period and \$1,655 million over the 2010-2019 period.

The bill includes new subpoena authority that would impose an intergovernmental and private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates the cost of complying with the mandate would be small and well below the thresholds established in UMRA (\$70 million for intergovernmental mandates and \$141 million for private-sector mandates in 2010, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of this bill is shown in the following table. The costs of this legislation fall within budget functions 050 (national defense) and 700 (veterans benefits and services). This estimate assumes that the bill will be enacted near the beginning of fiscal year 2011.

	By Fiscal Year, in Millions of Dollars										2011-	2011-
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020
CHANGES IN DIRECT SPENDING												
Veterans Compensation												
Estimated Budget Authority	0	5	25	50	75	100	225	450	725	1,075	155	2,730
Estimated Outlays	0	5	25	50	75	100	225	450	725	1,075	155	2,730
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Health Care Benefits												
Estimated Authorization Level	0	5	25	50	75	125	275	525	875	1,325	155	3,280
Estimated Outlays	0	4	21	44	68	113	241	466	788	1,210	137	2,955
Administrative Costs												
Estimated Authorization Level	50	100	100	100	100	100	100	125	125	150	450	1,050
Estimated Outlays	40	88	97	98	99	99	99	119	123	143	421	1,004
Total Changes in Spending Subject to Appropriation												
Estimated Authorization Level	50	105	125	150	175	225	375	650	1,000	1,475	605	4,330
Estimated Outlays	40	92	117	142	167	212	340	585	911	1,353	558	3,958

BASIS OF ESTIMATE

This bill would authorize a new federal health benefit for former military members and their dependents whose health was affected by environmental contamination at Camp Lejeune, North Carolina, or at the Atsugi Naval Air Facility in Japan. It is alleged that the drinking water at Camp Lejeune was contaminated from 1957 through 1987 and that the air around the Atsugi Naval Air Facility was contaminated by a nearby trash incinerator

from 1985 through 2001, causing higher incidence rates of cancer, birth defects, and other physical ailments associated with exposure to toxic substances. The bill also would establish a new advisory board to study environmental contamination at other military facilities and would authorize health benefits for former military personnel and their dependents who would be determined to have been exposed at those facilities.

Veterans can currently receive compensation from VA for disabilities incurred as a result of their time in the service. However, because studies of contamination at Camp Lejeune, Atsugi Naval Air Facility, and other military bases are not yet complete, VA compensation for ailments allegedly caused by environmental contamination at those facilities is generally approved only after overwhelming evidence is submitted. CBO expects that the determination by the government that the affected population has suffered health effects from exposure to environmental contamination on military bases would increase the likelihood that disability compensation claims submitted to the VA by such veterans would be deemed “service-connected,” causing an increase in VA compensation payments relative to the expected payments under current law. CBO estimates those additional payments would increase direct spending by about \$2.7 billion over the 2012-2020 period.

In addition, CBO estimates that implementing this bill would increase spending subject to appropriation by about \$4 billion over the 2011-2020 period, mainly to cover the cost of the new health benefits and the costs to administer claims. This bill also would create a new federal advisory board to study and make recommendations on benefits to individuals affected by environmental contamination at military facilities and would require the Secretary of Defense to compile lists of all individuals exposed to contamination at Camp Lejeune and Atsugi.

Estimating the Number of Potential Claims

To estimate the number of people who would eventually be approved for government benefits under this bill, CBO divided the potential population into two groups: the first group consists of those potentially affected by contamination at Camp Lejeune and Atsugi; and the second population consists of potential claims from other military facilities that would be identified by the new advisory board. CBO then used observed take-up rates from other government programs for occupational illnesses to estimate the number of individuals who would eventually receive benefits.

Camp Lejeune and Atsugi Naval Air Facility. Based on information from the Department of Defense (DoD), CBO estimates about 675,000 military personnel and dependents lived or worked at Camp Lejeune and the Atsugi Naval Air Facility during the periods of alleged contamination. In the first 10 years after enactment of this bill, CBO estimates that about 20,000 of those former members and dependents would be

approved for benefits. That estimate is based on take-up rates for two other government programs that provide compensation for occupational illnesses: the Radiation Exposure Compensation Program (RECA) and the Energy Employees Occupational Illness Compensation Program (EEOICP). The number of people approved for benefits would be significantly smaller than the population potentially exposed because many of those potential claimants would have long since died, would not have adequate proof of a compensable ailment, or would not be able to be located.

Of those approved for benefits in the first 10 years, CBO estimates just under 75 percent would be former military members, while the rest would be spouses and children of former servicemembers. CBO derived this breakdown by looking at marriage rates as well as prevalence rates for some of the ailments connected with environmental contamination. Disease prevalence rates are typically higher for older males (most of the veterans affected by this legislation would be over the age of 65). CBO assumes that no cases would be approved for benefits prior to fiscal year 2012, because it would take time to establish regulations and train adjudication officials.

Other Military Facilities. The bill also would create a new advisory board that would examine environmental contamination at other military facilities and make recommendations as to whether personnel exposed to contamination at those facilities should receive health benefits or other compensation. DoD would be authorized to provide any health benefits recommended by the advisory board.

A review of information from the Environmental Protection Agency and other sources reveals that environmental contamination at current and former military facilities is a widespread problem. Combined with the fact that military personnel frequently work with hazardous chemicals and other dangerous substances, such as jet fuel and cleaning agents, it is possible that anyone who has ever lived or worked on a military facility was exposed to a variety of contaminants. Depending on how the new advisory board chooses to conduct its work, the number of additional claims that would be approved for benefits could be quite large.

Based on information from VA on the number of living veterans and adjusting that number to account for spouses and children, CBO estimates that as many as 50 million former members and dependents have lived or worked on military installations and are still living. (This figure does not include any civilian employees who may have worked at military installations. Benefits for those individuals are not addressed by this bill.) Because of time and resource constraints, it would take many years for the new advisory board to review all reported instances of environmental contamination. For this estimate, CBO assumes that about half of all military installations could be studied in the first 10 years after enactment of this bill.

To estimate the number of people who would eventually be approved for benefits, CBO applied take-up rates derived from the RECA and EEOICP programs, with adjustments to take into account the higher probability of exposures in those programs.² Using this methodology, CBO estimates that an additional 100,000 claims would be approved for federal benefits by 2020. However, CBO assumes no claims, with the exception of those for Camp Lejeune and Atsugi Naval Air Facility, would be approved prior to 2016, because of the time needed to establish the new advisory board and the time needed by the board to conduct studies and establish benefit procedures for the additional sites identified as having contamination.

In total, CBO estimates the number of people that would be approved for benefits because of environmental exposures under this legislation would total about 700 in 2012 and expand to almost 120,000 by 2020. Of those approved for benefits, just under 75 percent would be veterans and the rest would be dependents of former military personnel.

Direct Spending

VA pays compensation to veterans for disabilities that result from their military service. While VA compensates veterans for various forms of cancer because of exposure to contaminants—Agent Orange, for example—disability compensation related to exposure at Camp Lejeune has only been granted under very limited circumstances. Implementing this bill would result in additional individuals being certified as needing health care because of exposure to contaminants on military facilities. CBO expects that such certification would increase the likelihood that VA would determine that such veterans had compensable, service-connected disabilities. The resulting increase in disability compensation payments would represent an increase in direct spending.

In total, CBO estimates that enacting this bill would increase direct spending by \$2.7 billion over the 2012-2020 period, including costs for new accessions (newly approved beneficiaries), veterans currently on the rolls, and surviving spouses.

2. RECA and EEOICP provide compensation and health benefits to people who worked in the production and testing of nuclear weapons. The exposures that occurred in the nuclear program were widespread, affecting entire factories (in the case of weapons production) or large geographic areas (in the case of testing). While CBO considers it appropriate to apply benefit take-up rates from those programs to the allegedly large-scale exposures at Camp Lejeune and Atsugi, many of the incidents of contamination examined by the new advisory board would be limited to certain sections of military bases, limiting the probability of exposure for the general base populations. Therefore, CBO reduced the estimated take-up rates for the additional sites that would be identified by the board.

New Accessions. Based on the population information described above, CBO estimates that about 75 percent of the newly eligible pool of veterans are not currently receiving veterans disability compensation. Therefore, in 2012—the first year CBO expects veterans to begin receiving disability compensation under this bill—we estimate that about 350 newly eligible veterans would apply for and be granted benefits, increasing to about 60,000 by 2020 as other facilities are identified by the advisory board. VA rates veterans with service-connected disabilities from zero to 100 percent, according to their degree of disability. CBO assumes that the newly eligible veterans would enter the disability compensation rolls at the average disability rating of 40 percent.

In 2009, the average annual benefit payment for a disability rated at 40 percent was \$7,262 (or \$605 monthly). Adjusting for cost-of-living increases, the annual payment for a veteran rated at 40 percent in 2012 would be \$7,356 (or \$613 monthly). After accounting for mortality and cost-of-living adjustments, CBO estimates that, under the bill, direct spending for new accessions would increase by about \$1.3 billion over the 2012-2020 period.

Veterans Currently on the Rolls. The bill also would make some veterans who are currently receiving disability compensation for other disabilities eligible to have their compensation increased because of ailments associated with service-connected, environmental contamination. 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 2009 was 40 percent and the average increased rating—the rate for which a veteran was compensated after receiving an additional compensation rating—was 70 percent.

About 15 percent of the current veterans population (23 million) receives disability compensation from VA. However, CBO assumes that the eligible population under this bill would be more likely to have applied for disability compensation due to the information about environmental contamination available and would thus be more likely to have received a disability rating for some other disability. Therefore, CBO assumes that of the eligible population discussed above, 25 percent would already be receiving disability compensation and would receive an increased rating. In 2012, CBO estimates about 120 veterans would become eligible for and receive an increased rating increasing to about 20,000 by 2020.

In 2009, the average annual disability payment for a veteran rated at 40 percent was \$7,262 and the average payment for a veteran rated at 70 percent was \$23,760—a difference of \$16,498. After adjusting for cost-of-living, CBO estimates that enacting the bill would increase direct spending for existing recipients by about \$1 billion over the 2012-2020 period.

Surviving Spouses. VA provides dependency and indemnity compensation (DIC) payments to the surviving spouses of certain deceased veterans. CBO expects that some of the spouses of veterans who died because of ailments related to exposure to environmental contamination would become eligible for DIC payments under this bill. Based on the population figures derived above, CBO estimates that about 50 spouses would become eligible for and receive DIC payments in 2012 increasing to about 8,500 by 2020. The average annual DIC benefit payment in 2009 was \$14,683. After adjusting for cost-of-living increases, CBO estimates that enacting the bill would increase direct spending for DIC by about \$440 million over the 2012-2020 period.

Other Direct Spending. In addition to the direct spending for VA compensation, this bill could increase mandatory outlays from the Medicare-Eligible Retiree Health Care Fund (MERHCF). Some of the people approved for health benefits (see below) would be military retirees or retiree dependents. While they are already eligible for health care from DoD, it is possible that they could become eligible for treatments not currently available through the regular DoD health programs. In some instances, DoD might seek reimbursement of those expenses from the MERHCF, although CBO estimates those additional expenses would not be significant.

Spending Subject to Appropriation

In addition to the direct spending discussed above, the bill would increase spending subject to appropriation. Those costs would be primarily for the health benefits authorized by the bill as well as for various administrative costs incurred by DoD and, to a lesser extent, VA.

This bill would authorize DoD and VA to provide health care to individuals exposed to environmental contamination at Camp Lejeune, Atsugi, and other military facilities identified by the new advisory board. Based on the cost of health benefits provided by EEOICP and the Federal Black Lung Program, CBO estimates that the annual cost of the new health benefit would be about \$7,700 (in 2010 dollars) for each approved claim. Costs would be lower than the average annual medical costs for persons in those age groups because not everyone would use the new health benefit and the bill specifies that only diseases and conditions directly related to the exposures in question would be covered. CBO estimates that per capita costs would increase by about 6 percent each year, based on national per capita health expenditure projections published by the Centers for Medicare and Medicaid Services. In total, CBO estimates the new health benefit would cost about \$3 billion over the 2012-2020 period, subject to appropriation of the necessary amounts.

This bill also has several requirements that would increase administrative costs for DoD and VA. In addition to the cost of adjudicating and administering claims, appropriations would be needed to fund the activities of the new advisory board. CBO estimates the cost of administering claims and the activities of the advisory board would average about \$65 million per year, or about \$650 million over the 2010-2020 period, subject to appropriation of the necessary amounts. That estimate is based on the administrative costs for the Federal Black Lung Program and the EEOICP, government compensation programs that require complex determinations for health benefits. Administrative costs would increase as the advisory board identifies additional sites and more people seek benefits.

In addition, DoD would be required to compile lists of individuals exposed to contamination. Because older base housing reports are often incomplete or nonexistent, compiling lists of individuals who served at various military installations would be a very labor-intensive process requiring the review of millions of individual service records. Based on information from DoD, CBO estimates that DoD would spend about \$35 million a year for this purpose, subject to appropriation of the necessary amounts.

In total, CBO estimates the administrative costs of this bill would total about \$1 billion over the 2011-2020 period. When combined with the cost of providing the new health benefits, CBO estimates that this bill would have a discretionary cost of about \$4 billion over the 2011-2020 period.

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. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for the Examination of Exposures to Environmental Hazards During Military Service and Health Care for Camp Lejeune and Atsugi Naval Air Facility Veterans and their Families Act of 2010, as ordered reported by the Senate Committee on Veterans' Affairs on January 28, 2010

	By Fiscal Year, in Millions of Dollars												2010- 2015	2010- 2020
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020			
NET INCREASE OR DECREASE (-) IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	0	5	25	50	75	100	225	450	725	1,075	155	2,730	

IMPACT ON LONG-TERM DEFICITS

Pursuant to section 311 of the Concurrent Resolution on the Budget for Fiscal Year 2009 (S. Con. Res. 70), CBO estimates this bill would increase projected deficits by more than \$5 billion in at least one of the four consecutive 10-year periods starting in 2020.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill would impose both intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act because it would establish an advisory board with the authority to subpoena information. State, local, and tribal governments as well as private-sector entities, if subpoenaed by the board, would be required to provide testimony, documents, or other evidence. CBO expects that the advisory board would likely exercise this authority sparingly, and the costs to comply with subpoenas would not be significant. Thus, we estimate that the costs to comply with the mandates would be small and well below the annual thresholds established in UMRA (\$70 million for intergovernmental mandates and \$141 million for private-sector mandates in 2010, adjusted annually for inflation).

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