



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

February 27, 2008

H.R. 797 **Dr. James Allen Veteran Vision Equity Act of 2007**

*As passed by the Congress on December 17, 2007,
and signed by the President on December 26, 2007*

SUMMARY

H.R. 797, enacted as Public Law 110-157, contains provisions that both increase and decrease spending for veterans' benefits. The act increases the disability benefits available for certain veterans with impaired vision and expands certain burial benefits. It also allows the Department of Veterans Affairs (VA) to access the National Directory of New Hires (NDNH) database for income verification purposes and extends VA's authority to provide assistance to persons performing qualifying work-study activities.

For purposes of enforcing the fiscal year 2008 budget resolution, CBO estimates that enacting H.R. 797 will decrease net direct spending for veterans' benefits by \$9 million over the 2008-2012 period and by \$2 million over the 2008-2017 period. (Because of a net increase in direct spending anticipated for 2018, CBO estimates that enacting H.R. 797 will increase net direct spending by \$1 million over the 2008-2018 period.) H.R. 797 has no impact on federal revenues.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 797 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

ESTIMATED CHANGES IN DIRECT SPENDING UNDER H.R. 797

	Outlays by Fiscal Year, in Millions of Dollars											2008-2008-	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013	2018
National Directory of New Hires	-1	-2	-4	-6	-5	-3	-3	-2	-2	-2	-1	-21	-31
Impairment of Vision Involving Both Eyes	*	1	1	2	2	2	3	3	3	3	3	8	24
Expansion of Special Monthly Compensation	*	*	*	*	*	*	1	1	1	1	1	1	5
Grave Markers	*	1	*	*	*	*	*	*	*	*	*	1	2
Work Study	<u>*</u>	<u>1</u>	<u>*</u>	<u>0</u>	<u>1</u>	<u>1</u>							
Total Changes	0	*	-3	-4	-3	-1	1	2	2	3	3	-10	1

Notes: Components may not sum to totals because of rounding; * = less than \$500,000.

For each line in the table, budget authority equals outlays.

BASIS OF ESTIMATE

H.R. 797 will reduce direct spending through a new income verification program to determine eligibility for certain benefit programs; it also will increase direct spending for several benefit programs. On balance, CBO estimates that enacting this legislation will decrease net direct spending for veterans' benefits by \$10 million over the 2008-2013 period and increase net direct spending by \$1 million over the 2008-2018 period.

National Directory of New Hires

Section 301 temporarily authorizes VA to use the NDNH database maintained by the Department of Health and Human Services to verify veterans' income levels and their eligibility for certain veterans' benefits, such as disability pensions and disability compensation for veterans whose disability rating is based on a finding of individual unemployability. That authority will expire on September 30, 2011. Currently, VA employs an income verification match with the Internal Revenue Service (IRS) for that purpose, but

that authority expires on September 30, 2008. In addition, VA has recently re-instituted the use of an annual certification form that requires all individuals whose VA benefits are subject to a means test to certify their employment and income.

The NDNH database will allow VA to analyze more recent wage and income data than the IRS data, which is up to a year and a half old when the data comparison is run. However, according to a Government Accountability Office report, unlike the IRS income match, the NDNH data does not include complete information on independent contractors, self-employed individuals, subcontractors, or individuals who provide services such as child-care for private homes. According to the Department of Labor, about 15 percent of the total workforce will fall into one of those categories.

As another method to reduce improper benefit payments, VA has recently re-instituted the use of an annual certification form that requires all individuals receiving means-tested veterans benefits to certify their employment and income with VA. Use of this annual certification was dropped in the late 1990s, and VA reports that the number of cases where individuals have been discovered to have received these means-tested benefits fraudulently has since increased significantly.

In part reflecting VA's renewed use of the annual certification of employment form and the NDNH database's lack of ability to account for the total workforce population in the income match, CBO estimates that the incremental savings from utilizing the NDNH database will be about \$2 million per year. These savings will continue in subsequent years, with cost-of-living and mortality adjustments, but savings will decline after the authority to use NDNH data expires in 2011. CBO estimates that section 301 will reduce direct spending by about \$1 million in 2008, \$21 million over the 2008-2013 period, and \$31 million over the 2008-2018 period.

Impairment of Vision Involving Both Eyes

Prior to enactment of H.R. 797, veterans with a service-connected vision impairment in one eye were required to be diagnosed as blind in both eyes in order for vision impairment that was not caused by military service to be considered for the purposes of disability compensation. Section 102 allows certain veterans who receive veterans' disability compensation for a severe, service-related impairment of vision in one eye (the impairment will have to reduce visual acuity to 20/200 or less or reduce the peripheral field to 20 degrees or less) to receive additional compensation if their other eye develops a comparable, nonservice-related, vision impairment. That change in eligibility standards will increase the amount of compensation paid to those veterans. In total, CBO estimates that under section

102, direct spending for veterans' compensation will increase by less than \$500,000 in 2008, \$8 million over the 2008-2013 period, and \$24 million over the 2008-2018 period.

Veterans Already Receiving Disability Compensation for Vision Impairment. The Department of Veterans Affairs reports that, as of September 30, 2006, it was paying disability compensation for about 125,000 incidences of service-connected, eye-related disability among veterans. This figure, however, does not reflect the number of unique veterans who receive disability compensation for eye-related disabilities, since a veteran may exhibit more than one eye-related disability and thus be counted more than once in the reported data. VA also reports, as of that same date, that there were about 45,000 unique veterans receiving disability compensation primarily due to eye disease or impairment of vision. VA data does not indicate whether those veterans were receiving such compensation for impairments in one or both eyes.

Based on information from VA, CBO assumes, for this estimate, that the population of roughly 45,000 veterans receiving disability compensation primarily because of eye disease or impairment of vision will most likely constitute the bulk of veterans that will be affected by this act. Of that population, CBO estimates that about 1,150 veterans will qualify for increased benefits under section 102. CBO estimates that 40 percent of the affected population are currently receiving disability compensation for service-connected disabilities in both eyes, and therefore, will have disability ratings that will be unaffected by the modified requirements under section 102. Thus, CBO estimates that about 700 veterans in 2008 will qualify for an increase in their disability rating under this act.

Veterans receiving disability compensation are, on average, 57 years old. According to information from the National Institutes of Health and a report on vision loss prepared by researchers at the University of Washington, the most common causes of impairment of vision in persons age 40 and older are age-related maculopathy, cataracts, and glaucoma. Those organizations report that about 30 percent of persons over the age of 40 experience increased impairment of vision due to one or more of those conditions. Because VA does not track the progression of vision impairment in the veterans population, CBO assumes that veterans experience vision impairment from these same conditions at that same rate.

Thus, CBO estimates that about 200 of the roughly 700 veterans discussed above will likely experience additional vision loss that could qualify them for a disability rating increase under the act. Using data provided by VA, CBO estimates that about 15 percent of veterans who are already receiving disability compensation apply for a reevaluation of their rating each year. After adjusting for claims processing times, CBO estimates that just over 30 of those veterans will receive an increase in their disability rating in 2008 and that number will reach 200 veterans by 2018.

In addition, based on VA data, CBO estimates that about 150 veterans who currently have a disability rating for eye disease or vision impairment between 20 percent and 60 percent (20 percent is the lowest rating a veteran can receive for a service-connected visual acuity of 20/200 in one eye) will apply to have their rating reevaluated sometime over the 2008-2014 period and will have the nonservice-disabled eye evaluated with a visual acuity of 20/200 or less or a peripheral field of 20 degrees or less.

The disability rating for a veteran receiving disability compensation for a visual acuity of 20/200 or less or a peripheral field of 20 degrees or less in both eyes is 70 percent, and in 2006 the average annual compensation payment for that rating was \$22,326. Using data from VA about the average rating increase for veterans currently on the disability compensation rolls with a 70 percent rating, CBO expects that the average disability rating for veterans qualifying under the act will increase to 80 percent and that the average annual disability compensation payment will increase by \$2,388 (expressed in 2006 dollars). For veterans with a disability rating between 20 percent and 60 percent, and with a visual acuity in one eye of 20/200 or less or a peripheral field of 20 degrees or less who come in for a reevaluation, CBO expects that they will now qualify under section 102 and their average disability ratings will increase to 70 percent. After adjusting for cost-of-living increases and information from VA on individuals moving to 70 percent on the disability rolls, CBO estimates that this provision will increase direct spending for veterans' disability compensation for veterans currently on the rolls by less than \$500,000 in 2008, \$7 million over the 2008-2013 period, and \$21 million over the 2008-2018 period.

New Accessions. According to information from VA, in 2006 there were roughly 2.7 million veterans receiving veterans' disability compensation and less than 2 percent of those veterans were rated disabled primarily due to eye disease or vision impairment. Using discharge data from the Department of Defense, information from VA on new compensation cases that enter the rolls at 70 percent disabled, the information and assumptions above regarding common eye disabilities for persons over age 40, and the rate at which veterans return to be reevaluated, CBO also estimates that, over the 10-year period, about 170 veterans who will enter the rolls for the first time due to vision impairment will be eligible for a higher disability rating under the act.

Assuming that disability ratings for veterans qualifying under the act will increase from 70 percent to 80 percent, that the average annual disability compensation payment will increase by \$2,388 (expressed in 2006 dollars), and that payments are adjusted for cost-of-living increases, CBO estimates that enacting this provision will increase direct spending for veterans' disability compensation for veterans coming onto VA's disability compensation rolls (i.e., for new accessions after enactment) by less than \$500,000 in 2008, \$1 million over the 2008-2013 period, and \$3 million over the 2008-2018 period.

Expansion of Special Monthly Compensation

Section 101 expands the number of veterans with impaired vision who can qualify to receive a special monthly compensation (SMC) payment from VA. Under prior law, a veteran who is rated for both service-connected total blindness with 5/200 visual acuity or less and bilateral deafness rated at 60 percent or more (eligible for a combination rating of 100 percent) was eligible for a SMC payment of \$4,313 (in 2006 dollars) per month. Section 101 reduces the threshold for visual impairment from 5/200 or less to 20/200 or less.

A veteran rated for service-connected total blindness with 20/200 visual acuity or less and bilateral deafness rated at 60 percent or more is eligible for a combined disability rating of 80 percent. Based on information from VA on the number of veterans rated at 80 percent or greater for visual impairment who are probably not receiving SMC (about 330 veterans) and the percentage of the veterans population with hearing impairment (about 2 percent), CBO estimates that fewer than 10 veterans currently on the rolls will be newly eligible for SMC based upon both their visual impairment of 20/200 or less and a bilateral hearing loss rated at 60 percent or more.

Using data provided by VA, CBO estimates that about 15 percent of veterans who are already receiving disability compensation apply for a reevaluation of their rating each year. After adjusting for claims processing times, CBO estimates that under section 101 very few veterans will receive an increase in disability rating over the next few years, and that number will increase to about 10 veterans by 2018.

Also, section 101 increases the number of new accessions to the disability compensation rolls who will be eligible for SMC. According to information from VA, of the roughly 2.7 million veterans receiving veterans' disability compensation, less than 2 percent were rated disabled primarily due to eye disease or vision impairment. Using discharge data from the Department of Defense, information from VA on new compensation cases that enter the rolls with a disability rating of 80 percent or greater, and the estimated percentage of veterans with both a visual impairment and hearing loss (2 percent), CBO estimates that under section 101, about 20 new veterans will become eligible for SMC over the 2008-2018 period.

In 2006 dollars, a veteran rated at 80 percent will receive a monthly payment of \$2,068 (\$24,800 annually), on average. The SMC for a person with 20/200 or less visual acuity and a hearing loss rated at 60 percent or greater is \$4,313 per month (\$51,800 annually) for an annual difference of about \$27,000. After adjusting for cost-of-living increases and mortality rates for veterans currently on the rolls and for new accessions, CBO estimates that enacting this provision will increase direct spending for veterans' disability compensation by about \$1 million over the 2008-2013 period and \$5 million over the 2008-2018 period.

Grave Markers

Section 203 allows VA to provide a marker or headstone to be placed on a marked grave or other appropriate location in a private cemetery to commemorate a veteran's military service for those veterans who were buried after November 11, 1990. Previously, veterans buried in a private cemetery were eligible for a second marker or headstone only if they were buried after September 11, 2001. In addition, section 203 indefinitely extends the period during which a marker or headstone may be requested.

Based on VA projections regarding veterans' death rates and the number of veterans who will be buried in private cemeteries, CBO estimates that about 22,000 requests for headstones or markers will be submitted over the 2008-2018 period. The estimate also reflects information from a VA study that showed that only 27 percent of private cemeteries allow second markers and that less than 5 percent of those eligible will participate in this program. According to VA, a marker or headstone costs about \$100 on average. CBO estimates that this provision will result in an increase in spending for burial benefits of \$1 million over the 2008-2013 period and \$2 million over the 2008-2018 period.

Work Study

VA can compensate certain individuals for specific work-study programs associated with the department. Authority for several of those programs expired in June of 2007. Section 302 extends those expired programs for another two years, through June 2010. Based on information from VA regarding the number of individuals who participated in the expired programs, CBO estimates that this provision will increase direct spending by less than \$500,000 in 2008 and \$1 million over the 2008-2010 period.

PREVIOUS CBO ESTIMATES

On August 3, 2007, CBO transmitted a cost estimate for S. 1163, the Blinded Veterans Paired Organ Act of 2007, as ordered reported by the Senate Committee on Veterans' Affairs on June 27, 2007. Several sections of H.R. 797, as signed by the President, are similar to sections in S. 1163. Differences in the estimated costs of H.R. 797 and S. 1163 reflect differences in the legislation.

On March 20, 2007, CBO transmitted a cost estimate for H.R. 797 as ordered reported by the House Committee on Veterans' Affairs on March 15, 2007. The two versions of H.R. 797 have several similar provisions. Differences in the estimated costs of the two versions of H.R. 797 reflect differences in the legislation.

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