



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 2, 1998

### **H.R. 3279** **Persian Gulf Veterans Act of 1998**

*As introduced in the House of Representatives  
on February 26, 1998*

#### **SUMMARY**

H.R. 3279 would provide a mechanism for establishing a service connection for illnesses associated with service in the Persian Gulf War and would authorize certain scientific evaluations, diagnostic research, and a health database. CBO estimates that enacting the bill would increase direct spending by about \$23 million in 2000 and \$404 million over the 2000-2003 period; in addition, it would increase discretionary spending by \$3 million in 1999 and by \$172 million over the five-year period, assuming appropriation of the necessary amounts. Because the bill would raise direct spending, pay-as-you-go procedures would apply.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not have any significant effects on the budgets of state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 3279 is shown in the following table. Direct spending costs would stem from payments for disability compensation and dependency and indemnity compensation (DIC). Discretionary spending would increase primarily due to the provision of medical care services, assuming appropriation of the necessary amounts. The costs of this bill would fall within budget function 700 (veterans' affairs).

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
<b>DISABILITY COMPENSATION</b>						
Spending Under Current Law						
Estimated Budget Authority	17,115	18,271	19,296	20,784	22,193	23,587
Estimated Outlays	17,039	18,164	19,252	20,741	22,158	23,554
Proposed Changes						
Estimated Budget Authority	0	0	25	75	130	190
Estimated Outlays	0	0	23	71	125	185
Spending Under H.R. 3279						
Estimated Budget Authority	17,115	18,271	19,321	20,859	22,323	23,777
Estimated Outlays	17,039	18,164	19,275	20,812	22,283	23,739
<b>VETERANS' MEDICAL CARE</b>						
Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	17,739	17,739	17,739	17,739	17,739	17,739
Estimated Outlays	17,615	18,122	17,763	17,739	17,739	17,739
Proposed Changes						
Estimated Authorization Level	0	3	16	34	53	72
Estimated Outlays	0	3	16	32	51	70
Spending Under H.R. 3279						
Estimated Authorization Level <sup>a</sup>	17,739	17,742	17,755	17,773	17,792	177,811
Estimated Outlays	17,615	18,125	17,779	17,771	17,790	17,809
<b>TOTAL PROPOSED CHANGES</b>						
Direct Spending						
Estimated Budget Authority	0	0	25	75	130	190
Estimated Outlays	0	0	23	71	125	185
Spending Subject to Appropriation						
Estimated Authorization Level	0	3	16	34	53	72
Estimated Outlays	0	3	16	32	51	70

a. The 1998 level is the amount appropriated for that year. The current law amounts for 1999-2003 assume that appropriations remain at the 1998 level. If they are adjusted for inflation, the base amounts would rise by about \$600 million a year, but the estimated changes would remain as shown.

## Disability Compensation

Veterans of the Persian Gulf War are entitled to disability compensation under the same conditions as other veterans, but in addition, current law allows VA to award benefits to Gulf War veterans suffering from undiagnosed illnesses. In general, a veteran is eligible for

disability compensation if a diagnosed illness becomes manifest during military service or during the one-year period following discharge—the so-called presumptive period. Gulf War veterans are also eligible for the benefit if they have an undiagnosed illness, but in those cases the presumptive period lasts, under current regulations, until 2001 for illnesses that have chronic symptoms. Based on those criteria and others, VA pays disability compensation to approximately 80,000 Gulf War veterans out of the approximately 697,000 U.S. troops deployed to the Persian Gulf region during Operations Desert Shield and Desert Storm.

H.R. 3279 would set up a mechanism for VA to establish a list of illnesses that would be presumed to have a connection to military service for Gulf War veterans. H.R. 3279 would establish a presumption, unless there is conclusive evidence to the contrary, that ailing Gulf War veterans were exposed to biological, chemical, or other toxic agent or environmental or wartime hazards known or presumed to be associated with service in the Gulf, if VA regulations associate exposure with the illness. The bill would require VA to prescribe regulations presuming that an illness is connected to military service and the period of time when it must occur in a veteran whenever VA determines that sound medical and scientific evidence points to:

- o A positive association between those exposures and diagnosed or undiagnosed diseases or
- o A higher prevalence of the illness among Persian Gulf veterans than a population of matched peers.

In making those determinations, VA would be required to consider several factors including reports by the National Academy of Sciences (NAS) that the bill would require. It would also allow VA to remove existing presumptions for illnesses that VA determines are not warranted based on a NAS report. (Individuals receiving benefits based on the existing presumption would continue to receive them.)

H.R. 3279 would require that NAS determine whether exposure to a toxic agent or environmental or wartime hazard has statistical association with an illness, the increased risk of illness due to exposure, the plausibility of a biological mechanism or other evidence of a causal relationship, and any latency period between exposure and the manifestation of the disease. In addition, NAS would determine whether that disease occurs in Persian Gulf veterans with a prevalence greater than its prevalence in matched peers. Within 18 months of the bill's enactment, NAS would be required to identify the hazards faced by individuals who served in the theater of operations during the war and the illnesses that are manifest in such members. In addition, NAS would review potential treatment models for certain illnesses, review evolving technologies for identifying levels of exposure, and make

recommendations for additional scientific studies. NAS would also be required to conduct ongoing reviews of the evidence and data on exposures and illnesses associated with service during the Persian Gulf War.

The bill would raise spending for disability compensation because it would increase VA's authority to determine what diseases are service connected for Gulf War veterans and when a disease must become manifest before VA would pay benefits. The potential costs are increased by provisions that would define the standards that VA would use and that, under certain conditions, would grant a broad presumption of exposure to the agents, hazards, and vaccines. The standards of statistical association and higher prevalence under the bill could lead to benefits for veterans whose exposure falls short of that which might be found to cause disease. It is also possible that veterans could suffer those diseases from causes apart from their service in the Gulf War—for example, hazards experienced in their subsequent civilian employment—yet be eligible for compensation under the presumed linkages that could be established under the bill. Much would depend on the results of medical research and the length of the presumptive periods determined by VA.

The budgetary impact of the bill could vary widely depending on what NAS and other researchers find and how VA would use its discretion. CBO has no basis for estimating what medical research will uncover regarding the health effects of the agents, hazards, and vaccines listed in the bill. Under current law, roughly 80,000 veterans who do not qualify based on income or diagnosed disabilities come to VA for medical care because of conditions related to service during the Gulf War. This population provides some indication of how many veterans might benefit from the bill—at least for illnesses that occur within 10 years. Some of these veterans might not qualify for disability compensation under the bill, but others who do not come to VA for medical care might qualify—especially veterans whose ailments might occur many years from now.

CBO estimates that these provisions of the bill would raise direct spending by about \$23 million in 2000 and about \$404 million over the 2000-2003 period. The budgetary impact over that period would be driven by the provisions that would allow VA to award benefits if illnesses are more prevalent among Gulf War veterans than a population of matched peers. Although scientific studies by NAS and others would assess relative prevalence, the bill would not limit VA's authority to award benefits under its own criteria, which might be more liberal. Based on the average benefit currently paid to other Gulf War veterans—about \$3,500 annually—the annual costs of providing disability benefits to those 80,000 veterans who are currently patients of VA's medical system could be \$300 million a year. But, the costs would be higher than that because veterans who do not come to VA for medical care would likely seek a cash benefit. This estimate assumes that by 2008 a total of roughly 110,000 veterans or more would be awarded disability compensation. Because

of the time it would take for medical research and manifestation of some diseases, the full budgetary impact of the bill might not be felt for 10 to 20 years.

## Veterans' Medical Care

As shown in the following table, the bill contains several provisions that would raise spending for veterans' medical care, assuming appropriation of the necessary amounts.

	1999	2000	2001	2002	2003
<b>SPENDING SUBJECT TO APPROPRIATIONS</b>					
Proposed Changes					
Priority Care for New Recipients of Compensation (Section 2)					
Estimated Authorization Level	0	9	29	48	67
Estimated Outlays	0	9	27	46	65
Scientific Evaluations by the National Academy of Sciences (Section 3)					
Estimated Authorization Level	1	1	1	1	1
Estimated Outlays	1	1	1	1	1
Database Development (Section 4)					
Estimated Authorization Level	1	5	3	3	3
Estimated Outlays	1	5	3	3	3
Research on Diagnostic Technologies (Section 5)					
Estimated Authorization Level	1	1	1	1	1
Estimated Outlays	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total					
Estimated Authorization Level	3	16	34	53	72
Estimated Outlays	3	16	32	51	70

**Priority Care for New Recipients of Compensation.** Under current law, veterans with compensable service-connected disabilities or income below a certain threshold have priority status for VA medical care. Veterans awarded disability compensation under H.R. 3279 would thereby become eligible for priority medical care from VA. Such eligibility would not begin until 2000, when compensation benefits under this bill are first expected to be awarded.

CBO estimates that VA medical spending would increase by \$9 million in 2000 and \$147 million over the 1999-2003 period because of new recipients of compensation, assuming appropriation of the necessary amounts. The estimate assumes that upon enactment of the bill the first veterans to be awarded compensation would most likely be those getting medical care from VA under authority scheduled to expire on December 31, 1998. (Current law grants all veterans who served in the Southwest Asia theater during the Persian Gulf War priority status for medical care until December 31, 1998.) The estimate assumes that VA would incur costs for medical care under the bill at the same rate as it would under an extension of the authority in current law—about \$1,300 per veteran each year.

The estimate also assumes that starting in 2002 a significant number of veterans who are not now treated by VA would be awarded compensation and that about a third of them would come to VA for priority medical care at an average annual cost of about \$2,200 per veteran. (The marginal costs for this group would be somewhat higher than that for current VA patients because despite the potential expiration of VA's authority to treat Gulf War veterans many of VA's current patients would continue to seek care from VA on a nonpriority basis.) Medical costs would continue to rise after 2003 because an increasing number of veterans would receive compensation and a greater share of them would be veterans who do not use VA for their current health care needs.

**Other Provisions.** Section 3 would require VA to contract with NAS for a review and evaluation of the available scientific evidence regarding associations between illnesses and exposures among Gulf War veterans, a review of potential treatment models and technologies to identify levels of exposure, and additional reviews on an ongoing basis. CBO estimates that implementing these provisions would result in outlays of about \$1 million a year over the 1999-2003 period.

Section 4 would require VA, in consultation with the Department of Defense (DoD), to develop a plan for the creation of a computerized database to collect, store, and analyze information on the health status and health care of Gulf War veterans. The plan would be reviewed by NAS within one year of the bill's enactment and implemented by VA thereafter. Based on costs of similar databases, CBO estimates that this provision would result in outlays of about \$1 million in 1999 and about \$15 million over the 1999-2003 period.

Section 5 would require VA, in consultation with DoD and the Department of Health and Human Services, to carry out a research program on diagnostic technologies and technologies for measuring exposure to certain toxic agents or environmental hazards associated with Gulf War service. CBO estimates that this provision would result in outlays of about \$1 million a year over the 1999-2003 period, based on costs of studies that are similar in scope.

Section 6 would require VA and DoD to carry out ongoing outreach programs to provide Gulf War veterans with information about the health risks associated with service and any services or benefits available to them. CBO estimates that this provision would have no significant budgetary impact because VA is undertaking similar activities under current law.

## **PAY-AS-YOU-GO CONSIDERATIONS**

Section 252 of the Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	0	23	71	125	185	245	330	370	394	447
Changes in receipts	Not Applicable										

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not have any significant effects on the budgets of state, local, or tribal governments.

## **PREVIOUS CBO ESTIMATE**

On September 17, 1998, CBO prepared a cost estimate for S. 2358, a bill that would set up a similar mechanism for establishing service connection for the illnesses of Gulf War veterans. Unlike H.R. 3279, that bill does not include provisions that would allow VA to award disability compensation based on a higher prevalence of illnesses among Gulf War veterans than a population of matched peers.

S. 2358 and H.R. 3980 would extend VA's authority to provide Gulf War veterans with priority medical care after December 31, 1998. (CBO prepared a cost estimate for H.R. 3980

on July 6, 1998.) Because those bills would cover some of the same costs as H.R. 3279, if any of the three bills are cleared by the Congress the estimates of the remaining bills would change.

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