



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 21, 1999

S. 1076

Veterans Benefits Act of 1999

As ordered reported by the Senate Committee on Veterans' Affairs on June 23, 1999

SUMMARY

The Veterans Benefits Act of 1999 contains provisions that would affect a wide range of veterans' programs, including medical care, disability compensation, dependency and indemnity compensation (DIC), and the American Battle Monuments Commission (ABMC). CBO estimates that enacting the bill would increase direct spending by about \$66 million in 2000, \$385 million over the 2000-2004 period, and \$802 million over the 10-year period 2000-2009. Because the bill would affect direct spending, pay-as-you-go procedures would apply. In addition, the bill would authorize funding or modify provisions governing a number of discretionary veterans' programs, which would result in additional outlays of \$138 million in 2000 and \$1,885 million over the 2000-2004 period, assuming appropriation of the necessary amounts. S. 1076 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in Table 1. The costs of this legislation fall within budget function 700 (veterans affairs).

BASIS OF ESTIMATE

Direct Spending

The bill would affect direct spending in memorial affairs and veterans' programs for disability compensation, DIC, and burial benefits (see Table 2).

TABLE 1. BUDGETARY IMPACT OF S. 1076, AS ORDERED REPORTED BY THE SENATE COMMITTEE ON VETERANS' AFFAIRS

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
DIRECT SPENDING						
Proposed Changes						
Estimated Budget Authority	0	72	75	142	78	79
Estimated Outlays	0	66	75	87	78	79
SPENDING SUBJECT TO APPROPRIATION						
Proposed Changes						
Estimated Authorization Level	a	366	330	395	422	443
Estimated Outlays	a	138	364	457	465	461
a.	Less than \$500,000.					

Payments to Veterans in Institutions. Under current law, the Department of Veterans Affairs (VA) withholds benefit payments from certain incompetent veterans who are institutionalized at the government's expense and whose estates are valued above \$1,500. Section 205 would repeal this \$1,500 limit, thereby enabling more veterans to receive benefit payments.

The budgetary impact of this provision would depend on how many veterans would begin receiving benefits and the value of the benefits. Information from VA indicates that about 3,300 veterans each month would benefit from the bill. Those veterans have neither a spouse nor a child and are being furnished hospital treatment or domiciliary care without charge. Based on information from VA, CBO expects that 90 percent of those veterans are considered totally disabled and thus would be eligible to receive benefits of about \$24,500 a year, and that the remaining 10 percent would receive annual benefits of about \$7,000, an amount corresponding to an average disability rating of 50 percent. Thus, CBO estimates that implementing this provision would raise direct spending by about \$75 million a year.

Spouses of Former Prisoners of War. Section 204 would authorize the payment of DIC to the surviving spouses of certain former prisoners of war (POW) who, at the time of death, had a service-connected disability rated totally disabling for at least one year.

TABLE 2. ESTIMATED CHANGES IN DIRECT SPENDING UNDER S. 1076 AS ORDERED REPORTED
(By fiscal year, outlays in millions of dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
DISABILITY COMPENSATION											
Spending Under Current Law	17,968	18,761	19,495	20,113	20,645	21,152	23,469	22,266	20,954	23,353	23,945
Proposed Changes											
Veterans in Institutions	0	66	74	75	75	76	83	77	71	77	78
Spouses of Former POWs	0	a	1	2	3	3	4	5	6	7	8
Subtotal	0	66	75	77	78	79	87	82	77	84	86
Spending Under S. 1076	17,968	18,827	19,570	20,190	20,723	21,231	23,556	22,348	21,031	23,437	24,031
AMERICAN BATTLE MONUMENTS COMMISSION											
Spending Under Current Law	13	11	7	6	85	13	5	1	1	0	0
Proposed Changes											
Borrowing Authority	0	0	0	10	0	0	0	0	0	0	0
Spending Under S. 1076	13	11	7	16	85	13	5	1	1	0	0
TOTAL PROPOSED CHANGES											
Estimated Outlays ^a	0	66	75	87	78	79	87	82	77	84	86

a. Less than \$500,000.

Under current law, DIC payments are authorized for survivors of service-members or veterans who died from a disease or injury that was incurred or aggravated while on active duty or from a disability compensable by VA. DIC payments may also be made if the veteran's death was not the result of a service-connected disability if the veteran was continuously rated totally disabled for a period of 10 or more years immediately preceding death or the veteran was so rated for a period of at least five years from the date of military discharge. Section 204 would change current law by allowing surviving spouses of former POWs to qualify for DIC benefits if the veteran had been rated as totally disabled for at least one year at the time of death.

Information from the VA indicates that approximately 1,900 former POWs receive disability compensation, are totally disabled, and have a spouse. CBO uses age-specific mortality rates to estimate that about 80 of these veterans will die each year. Based on data from VA, the estimate recognizes that some of the spouses will remarry, making them ineligible for DIC

benefits, and that an increasing percentage of spouses will be eligible for benefits under current law. In addition to veterans who are already totally disabled, CBO expects that a few former POWs who now have a rating lower than 100 percent will become totally disabled in future years. Some of the spouses of those veterans would also gain eligibility to DIC as a result of the bill. Based on this analysis, CBO expects that in 2000 about 30 spouses would begin receiving payments, which in that year would average about \$11,700 annually. By 2004 the total number of spouses receiving benefits under this proposal would increase to about 250. CBO estimates that enacting the bill would raise direct spending by less than \$500,000 in 2000 and by about \$39 million over the 2000-2009 period.

American Battle Monuments Commission. Title II would grant borrowing authority and expand other fund-raising authorities of the American Battle Monuments Commission to expedite the establishment of the World War II memorial in the District of Columbia. CBO estimates that the bill would not have a significant budgetary impact in 2000 but that it would increase spending by about \$10 million over the 2000-2009 period.

The ABMC is responsible for maintaining and constructing U.S. monuments and memorials commemorating the achievements in battle of the armed forces. In 1993, the Congress authorized the ABMC to establish a memorial in the District of Columbia to honor members of the armed forces who served in World War II. The ABMC was granted the authority to solicit and accept private contributions for this memorial.

In addition to extending these authorities, title III would authorize the ABMC to borrow up to \$65 million from the Treasury to ensure that the groundbreaking, construction, and dedication of the memorial are completed in a timely manner. Since the initial authorization in 1993, a fund-raising campaign has raised over \$25 million in private contributions, and the location and design concept of the memorial have been approved. The Commemorative Works Act of 1986 requires the ABMC to show that it has sufficient funds before obtaining a construction permit from the Department of the Interior to complete construction of the memorial. Data from the ABMC indicates that it will not have sufficient funds available in 2000 to meet this requirement. The borrowing authority in the bill would enable the ABMC to satisfy this requirement and to break ground in 2000. Assuming enactment of the bill, the total costs of the memorial are estimated to be about \$145 million through 2005.

The budgetary impact of the bill would depend on the amount of borrowing authority the ABMC would use and when it would be repaid. Based on information from the ABMC, CBO estimates that it would borrow and spend \$10 million in 2002. The ABMC expects that contributions and other income would allow it to repay the loan plus interest in 2003 and 2004. However, there is a chance that the ABMC will be unable to raise sufficient funds from private donors, especially if the borrowing authority that the bill would provide discourages such donations. Also, construction costs could exceed the ABMC's estimates.

Thus, CBO estimates that the bill would be likely to raise direct spending by \$10 million, although the actual amount could be more or less than that.

Other Provisions. The bill contains other provisions that would have little or no impact on direct spending.

Burial Benefits for Certain Filipino Veterans. Under section 201, certain Filipino veterans of the Philippine Commonwealth Army during World War II (WWII) would receive new or increased burial and plot allowances if they are naturalized U.S. citizens living in the United States. Under current law, some of those Filipino veterans receive a total allowance of about \$225 or half the rate paid for U.S. veterans; the bill would increase the benefit to the full rate. It would also grant the full allowance of \$450 for certain Filipino veterans who do not now receive any benefit, if they meet the income and disability tests for veterans' pensions and are U.S. citizens living in the United States.

Information from the Department of Veterans Affairs indicates that about 80,000 surviving Filipino veterans of WWII served in units covered by the bill. According to data from the Immigration and Naturalization Service (INS), 20,000 Filipino veterans have become naturalized U.S. citizens since 1990, but INS does not know where those veterans reside. CBO has no information on the number or residence of the veterans who became citizens prior to 1990 and would be affected by this bill.

CBO estimates that the costs of section 201 would be below \$500,000 annually. This estimate is based on projected mortality rates and two additional judgments, which indicate that the number of beneficiaries of this bill is likely to be small. First, most Filipino veterans who have become U.S. citizens since 1990 probably live in the Philippines because the Immigration Act of 1990 (Public Law 101-649) does not require them to reside in the United States and because individuals at their ages are unlikely to emigrate. (These veterans would have been at least in their mid-60s when they became citizens.) Second, based on census information, it is likely that many of the targeted veterans who reside in the United States do not meet the income or disability tests for benefits under the bill. Therefore, CBO expects that only a small percentage of the 80,000 veterans covered by the bill would be able to qualify for new or increased benefits.

Health Examinations for Dependents of Gulf War Veterans. Section 135 would extend the Persian Gulf Spouse and Children Examination Program until December 31, 2002. This program, which expires on December 31, 1999, requires VA to provide diagnostic testing and health examinations, but not treatment, to dependents of Gulf War veterans who volunteer for testing in order to study the association between illnesses of veterans and illnesses of their family members. According to VA, approximately \$500,000 has been spent on over 1,100 exams since the inception of this program in 1996. VA currently has

another 500 exams pending, and CBO expects that spending will be less than \$500,000 annually.

Enhanced-Use Leases. Section 111 would expand VA's program of enhanced-use leases. Such leases provide VA with cash or other items of value in exchange for the right to use assets of the department. Under current law, these arrangements usually result in barter rather than cash payments to VA because cash proceeds must be returned to the Treasury; thus, section 111 would not significantly affect the budget.

Spending Subject to Appropriation

Table 3 shows estimated effects of S. 1076 on discretionary programs, assuming that appropriations are provided in the amount of the estimated authorizations.

Reimbursement for Emergency Care. Section 131 would significantly expand VA's authority to reimburse veterans and institutions for emergency care. It would allow VA to pay for care stemming from life- or health-threatening emergencies involving a veteran who is enrolled with VA for care and has no other coverage for emergencies. CBO estimates that this provision would increase spending by about \$80 million in 2000 and about \$400 million a year by 2004, assuming appropriation of the necessary amounts. Those costs would stem from the costs of emergency room care and any subsequent hospital care.

Of the 3 million veterans enrolled with VA, CBO estimates that about 750,000 are uninsured and would be eligible for benefits under the bill. Emergency room care represents about 3 percent of the costs of private health plans. Emergency room costs would be two to three times greater for veterans covered by the bill, however, based on their generally poorer health. Thus, CBO estimates that the immediate costs of emergencies would amount to about \$155 million annually (in 2000 dollars).

CBO estimates that two-thirds of all visits to the emergency room would be urgent and that 16 percent of those visits would lead to admitting the veteran for an inpatient stay. For veterans under 65 years of age, the average hospital stay would cost about \$7,000. For veterans 65 years old or older, Medicare would cover the hospital costs, but VA would pay physicians' costs for those veterans without Part B coverage. CBO estimates that those costs would average about \$1,000 for the small fraction of veterans who lack Part B coverage. The costs of the subsequent hospital stay would raise the annual bill to VA under this provision by about \$195 million (also in 2000 dollars).

TABLE 3. ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER S. 1076, AS ORDERED REPORTED (By fiscal year, in millions of dollars)

	1999	2000	2001	2002	2003	2004
VETERANS' MEDICAL CARE						
Spending Under Current Law						
Estimated Authorization Level ^{ab}	17,862	17,862	17,862	17,862	17,862	17,862
Estimated Outlays	17,609	17,958	17,975	17,782	17,751	17,751
Proposed Changes						
Reimbursement for Emergency Care						
Estimated Authorization Level	0	90	270	380	390	400
Estimated Outlays	0	80	250	360	380	400
Services for Homeless Veterans						
Estimated Authorization Level	0	50	50	15	32	43
Estimated Outlays	0	45	50	19	31	42
Medical Expenses for Alaskan Veterans						
Estimated Authorization Level	c	3	0	0	0	0
Estimated Outlays	c	3	c	0	0	0
Subtotal - Proposed Changes						
Estimated Authorization Level	c	143	320	395	422	443
Estimated Outlays	c	128	300	379	411	442
Spending Under S. 1076						
Estimated Authorization Level ^a	17,862	18,005	18,182	18,257	18,284	18,305
Estimated Outlays	17,609	18,086	18,275	18,161	18,162	18,193
CONSTRUCTION OF MEDICAL FACILITIES						
Spending Under Current Law						
Budget Authority	142	0	0	0	0	0
Estimated Outlays	255	244	194	131	80	52
Proposed Changes						
Authorization Level	0	213	0	0	0	0
Estimated Outlays	0	9	57	69	51	19
Spending Under S. 1076						
Authorization Level ^a	142	213	0	0	0	0
Estimated Outlays	255	253	251	200	131	71

(Continued)

TABLE 3. ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER S. 1076, AS ORDERED REPORTED (By fiscal year, in millions of dollars)

	1999	2000	2001	2002	2003	2004
REINTEGRATION OF HOMELESS VETERANS						
Spending Under Current Law						
Budget Authority	3	0	0	0	0	0
Estimated Outlays	2	3	1	0	0	0
Proposed Changes						
Authorization Level	0	10	10	0	0	0
Estimated Outlays	0	1	7	9	3	0
Spending Under S. 1076						
Authorization Level ^a	3	10	10	0	0	0
Estimated Outlays	2	4	8	9	3	0
TOTAL PROPOSED CHANGES						
Estimated Authorization Level ^d	c	366	330	395	422	443
Estimated Outlays ^d	c	138	364	457	465	461

- a. The figure shown for 1999 is the amount appropriated for that year.
- b. The estimate assumes that funding under current law will remain at the level appropriated for 1999 without adjustment for inflation. If funding over the 2000-2004 period is adjusted for inflation, the base amounts would increase by about \$600 million annually, but the cost of the proposed changes would remain as shown.
- c. Less than \$500,000.
- d. This table excludes the budgetary impact of sections 101 and 132, which CBO cannot fully estimate.

Services for Homeless Veterans. Section 122 would authorize \$50 million for fiscal years 2000 and 2001 for grants and operating expenses under the Homeless Veterans Comprehensive Service Programs Act. That act allowed VA to share in the costs of establishing facilities for homeless veterans and to make contributions toward subsequent operating costs. The authorized amount would cover new grants and operating expenses stemming from past grants.

Based on current costs of the program, CBO estimates that \$34 million of the \$100 million authorized for 2000-2001 would be spent for operating expenses. The remaining \$66 million would be used over two years for grants to subsidize the creation of about 6,600 new beds for homeless veterans. To subsidize the operational costs of the additional units, CBO estimates that VA would need about \$90 million through 2004 and \$327 million

through 2009. The total cost of the provision, including the explicit authorizations for 2000 and 2001, would be about \$427 million over the 2000-2009 period.

Medical Expenses of Alaskan Veterans. Section 137 would require VA to keep its current rates for reimbursing the medical expenses of Alaskan veterans for one year. Under current law, in August 1999 VA plans to change its reimbursement rates from its present fee-for-service payment schedule to the Participating Physician Fee Schedule used by the Medicare program. The bill would also require VA to report on its proposal to change reimbursement rates. Based on information from VA on medical expenses and reimbursements for 1998, CBO estimates this provision would cost less than \$500,000 in 1999 and approximately \$3 million in 2000.

Construction of Medical Facilities. Section 141 would authorize appropriations of \$213.1 million to complete three projects that are specified in the bill and to continue certain projects authorized under current law.

Reintegration of Homeless Veterans. Section 302 would authorize appropriations of \$10 million annually for fiscal years 2000 and 2001 for a program to reintegrate homeless veterans. Funding for the program was \$3 million in fiscal year 1999. CBO estimates that outlays would follow historical spending patterns, assuming appropriation of the authorized amounts.

Mental Health Services. Section 132 would require VA to enhance its programs of specialized mental health services, especially for veterans suffering from post traumatic stress disorder (PTSD) and substance abuse disorders. VA currently provides inpatient and outpatient services for both disorders and spends almost \$110 million on veterans with PTSD and approximately \$412 million on substance abuse treatment programs. Under the bill, VA could establish additional outpatient and residential treatment facilities, offer new services, and enhance services in areas with unmet need. CBO cannot provide a specific estimate because the language allows VA considerable flexibility, but expects the annual cost of this provision would be in the tens of millions of dollars.

Other Provisions. Section 101 would expand the adult day health care program by removing the requirement that veterans must have had a prior hospital, nursing home, or domiciliary stay. VA currently provides adult day health care to over 1,100 veterans a day at an annual cost of roughly \$30 million.

On balance, CBO believes that this provision would raise VA's costs for this program, but it cannot provide a specific estimate. The higher costs would stem from a greater number of eligible veterans, but the budgetary impact of the provision could also include reductions

in costs for hospital, nursing home, and domiciliary stays that would not be necessary for a veteran to be eligible for the program.

Section 133 would allow VA to treat military personnel on active duty for alcohol or drug abuse provided that the Department of Defense (DoD) reimburses VA for the cost. Under current law, VA can only provide treatment to individuals during the last month of their enlistment period and treats fewer than 1,000 individuals each year under this program. CBO expects that the net budgetary impact on both agencies would be insignificant.

Section 136 would require VA and DoD to report to Congress on the cooperation by both agencies in procuring pharmaceuticals and medical supplies. CBO expects this provision would cost less than \$500,000.

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 net changes in direct spending 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										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	0	66	75	87	78	79	87	82	77	84	86
Changes in receipts	Not applicable										

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1076 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

CBO prepared estimates for two bills that contain provisions that are similar or identical to provisions in S. 1076. On June 28, 1999, CBO prepared a cost estimate for H.R. 2116, which contained provisions on emergency care and Homeless Veterans Comprehensive

Service Programs comparable to sections 131 and 122, respectively, of S. 1076. On June 29, 1999, CBO prepared a cost estimate for H.R. 2280, which contained provisions that would affect spouses of former POWs, the American Battle Monuments Commission, and the reintegration of homeless veterans. Those provisions correspond to section 204, title II, and section 302, respectively, of S. 1076. In some cases, the cost estimates for corresponding provisions are the same because the provisions are identical or not sufficiently different to change estimated costs. In other cases, the estimates differ because the provisions are substantially different.

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