



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 29, 2002

H.R. 3734
Injured Veterans Benefits Eligibility Act of 2002

As introduced on February 13, 2002

SUMMARY

H.R. 3734 would allow veterans who are injured or die in a Department of Veterans Affairs (VA) hospital because of negligence, carelessness, or similar reasons, and veterans who are injured or die because of VA-sponsored rehabilitation or training to qualify for certain benefits. The dependents and surviving spouses of those veterans also would qualify for some benefits. Under current law, those veterans who are injured or die under the above conditions, their dependents, and their surviving spouses are eligible for compensation as if the injury or death were service-connected. However, they are not eligible for all of the benefits awarded to veterans with service-connected disabilities. Under H.R. 3734, any death or injury that occurred under the above conditions would be considered a service-connected disability for the purpose of administering all benefits to those veterans, dependents, and surviving spouses. Thus, enacting this legislation would increase the number of people eligible for third-party health insurance, readjustment benefits, burial benefits, insurance benefits, and guaranteed home loans.

CBO estimates that enacting the bill would increase direct spending by about \$2 million in 2003, \$10 million over the 2003-2007 period, and \$23 million over the 2003-2012 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply. In addition, H.R. 3734 would modify provisions governing discretionary spending for veterans' health care programs, which CBO estimates would result in additional outlays of about \$2 million in 2003 and about \$32 million over the 2003-2007 period, assuming appropriation of the estimated amounts.

H.R. 3734 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 estimated budgetary impact of H.R. 3734 is shown in Table 1. This estimate assumes the legislation will be enacted by October 1, 2002. The costs of this legislation fall within budget function 700 (veterans benefits and services).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 3734

	By Fiscal Year, in Millions of Dollars				
	2003	2004	2005	2006	2007
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	2	2	2	2	2
Estimated Outlays	2	2	2	2	2
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	2	4	7	9	10
Estimated Outlays	2	4	7	9	10

BASIS OF ESTIMATE

Under current law, those veterans who are injured in a VA hospital because of negligence or carelessness or from participation in a VA-sponsored rehabilitation or training program are eligible for compensation as if they had a service-connected disability. The surviving spouses of those veterans who die under the above conditions are also eligible for dependency and indemnity compensation as if the veteran had died from a service-connected disability. The above veterans, their surviving spouses, and their dependents are, however, generally not eligible for other benefits, like readjustment benefits, that depend on having a service-connected condition. H.R. 3734 would require that injury or death under the conditions stipulated in the bill be considered service-connected for all benefits that VA provides to veterans, their dependents, and their surviving spouses.

Thus, under H.R. 3734, those veterans, their dependents, and their surviving spouses would realize increased benefits. Those benefits would consist of burial benefits, readjustment benefits, guaranteed home loans, eligibility for a life insurance policy, and third-party health insurance.

Although the benefits under H.R. 3734 would begin only after enactment of the bill, the benefits would retroactively apply to all veterans who were injured or died under the conditions stipulated in the bill and their surviving spouses and dependents regardless of when the injury or death occurred. After extrapolating from recent data provided by VA and adjusting for mortality, remarriage, and the aging of children, CBO estimates that in 2003, a total of about 1,800 veterans, about 1,200 spouses (including surviving spouses), and about 3,000 dependent children would be eligible for benefits under H.R. 3734.

Direct Spending

This estimate would affect direct spending in veterans' programs for insurance, readjustment benefits, burial benefits, and housing. Table 2 summarizes those effects, and the individual provisions that would affect direct spending are described below. In total, CBO estimates that enacting this legislation would raise direct spending by about \$2 million in 2003, \$10 million over the 2003-2007 period, and \$23 million over the 2003-2012 period.

Insurance Benefits. Currently, veterans with service-connected disabilities are eligible to obtain a \$10,000 life insurance policy from the VA at a reduced premium. The rates for Service-Disabled Veterans Insurance (S-DVI) are based on the premiums a comparable healthy individual would be charged. For veterans who are totally disabled, the premiums are waived entirely. Since the collected premiums are not large enough to cover the cost of the program, VA subsidizes this program.

Most veterans who are treated in a VA hospital already have a service-connected disability and thus are already eligible for the life insurance benefit. Based on data provided by VA, about 30 percent of veterans who are injured under the conditions stipulated in this bill would be newly eligible for this benefit, CBO estimates. Under H.R. 3734, CBO estimates that about 550 veterans would become eligible for S-DVI in 2003 and that about 50 additional veterans would become eligible to apply each year after 2003. CBO assumes that the first group of veterans would obtain S-DVI over a three-year period. Given an average subsidy of \$2,500 needed for each new policy issued, CBO estimates that the additional cost attributable to this bill would be almost \$1 million per year.

TABLE 2. ESTIMATED CHANGES IN DIRECT SPENDING UNDER H.R. 3734

	By Fiscal Year, in Millions of Dollars				
	2003	2004	2005	2006	2007
CHANGES IN DIRECT SPENDING					
Veterans Insurance					
Estimated Budget Authority	1	1	1	1	1
Estimated Outlays	1	1	1	1	1
Readjustment Benefits					
Estimated Budget Authority	1	1	1	1	1
Estimated Outlays	1	1	1	1	1
Burial Benefits					
Estimated Budget Authority	a	a	a	a	a
Estimated Outlays	a	a	a	a	a
Home Loans					
Estimated Budget Authority	a	a	a	a	a
Estimated Outlays	a	a	a	a	a
Total Changes					
Estimated Budget Authority	2	2	2	2	2
Estimated Outlays	2	2	2	2	2

a. Less than \$500,000.

Readjustment Benefits. Under current law, spouses and children of certain deceased veterans or veterans with a total disability that is service-connected are eligible for an education benefit. In addition, veterans with a service-connected disability are eligible for certain readjustment benefits. Under H.R. 3734, these same benefits would be extended if the veteran died or became disabled as the result of careless or negligent care while in a VA hospital or while participating in a VA-sponsored rehabilitation or training program. CBO estimates that the additional cost to provide these education and readjustment benefits would be \$1 million in 2003, \$5 million over the 2003-2007 period, and \$13 million over the 2003-2012 period.

Education Benefits. Spouses and children of totally disabled or deceased veterans are eligible for an education benefit if the veterans' death or disability is service-connected. These dependents are currently entitled to receive \$670 a month if they are full-time students. That stipend is available for a total of 45 months. For part-time students, the

monthly benefit is reduced proportionately but can be spread over a larger number of months up to the equivalent of 45 months of full-time training. The benefit increases by an annual cost-of-living allowance (COLA). Under H.R. 3734, CBO estimates that an additional 120 spouses and children would use these benefits in 2003, based on current usage data from VA. Using an average annual benefit of about \$4,700 in 2003 and adjusting for the annual COLA, CBO estimates the cost of providing these education benefits would total about \$6 million over the 2003-2012 period.

Vocational Rehabilitation and Grants to Adapt Cars and Homes. Under this bill, veterans who become disabled or who are rated at a higher disability as a result of careless or negligent care while in a VA hospital or while participating in a VA-sponsored rehabilitation or training program would become eligible for vocational rehabilitation benefits and grants to adapt cars and homes to make living easier for the disabled veteran. Based on current usage rates provided by VA, CBO estimates that the number of disabled veterans receiving vocational rehabilitation would increase by about 80 veterans per year over the 2003-2012 period, at an average annual cost per person of \$8,200. CBO also expects that 10 additional veterans would receive grants to adapt homes and cars each year, at an average annual cost of about \$4,500 per person over the 2003-2012 period. Thus, under H.R. 3734, CBO estimates that outlays for vocational rehabilitation and grants to adapt cars and homes would increase by about \$7 million over that period.

Other Provisions. The following benefits would also be provided under H.R. 3734, but CBO estimates that the budgetary impact of providing these benefits would be less than \$500,000 a year.

- *Burial Benefits.* Veterans who die of service-connected disabilities are eligible for a \$2,000 burial benefit. CBO estimates that the cost for providing this benefit under H.R. 3734 would be less than \$100,000 per year.
- *Guaranteed Home Loans.* CBO estimates that enacting this the bill would result in fewer than 100 new loan originations each year and that the subsidy cost of these new loans would be less than \$150,000 each year.

Spending Subject to Appropriation

Table 3 shows the estimated effects of H.R. 3734 on discretionary spending for veterans' medical care, assuming that appropriations are provided in the amount of the estimated authorization.

Under current law, VA provides third-party health insurance to the spouses and children of veterans who have a total and permanent disability, veterans who die as a result of a service-connected disability, and veterans who died and were totally disabled because of a service-connected disability. This third-party health insurance is called CHAMPVA. Under H.R. 3734, spouses and children of veterans who died or were injured and rated 100 percent disabled because of negligence or carelessness while receiving treatment at a VA hospital or because of participation in a VA-sponsored rehabilitation or training program also would be eligible for CHAMPVA.

Using information provided by VA, CBO estimates that, under this legislation, about 4,250 spouses and children would be eligible for CHAMPVA in 2003. According to VA, only about 60 percent of eligible spouses and children actually file claims under CHAMPVA. CBO also estimates that the cost of providing this health insurance to these new beneficiaries would be about \$3,000 per person in 2003. Accounting for a four-year adjustment period, CBO estimates that H.R. 3734 would increase costs for the CHAMPVA program by \$2 million in 2003 and by \$32 million over the 2003-2007 period, assuming appropriation of the estimated amounts.

TABLE 3. ESTIMATED SPENDING SUBJECT TO APPROPRIATION FOR H.R. 3734

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
Spending Under Current Law for Veterans' Medical Care						
Estimated Authorization Level ^a	22,178	22,884	23,684	24,700	25,262	26,094
Estimated Outlays	22,202	22,865	23,485	24,189	24,978	25,801
Proposed Changes—CHAMPVA						
Estimated Authorization Level	0	2	4	7	9	10
Estimated Outlays	0	2	4	7	9	10
Spending Under H.R. 3734						
Estimated Authorization Level	22,178	22,886	23,688	24,477	25,271	26,104
Estimated Outlays	22,202	22,867	23,489	24,196	24,987	25,811

a. The 2002 level is the estimated net amount appropriated for that year. The current-law amounts for the 2003-2007 period assume that appropriations remain at the 2002 level, with adjustments for inflation.

PAY-AS-YOU-GO CONSIDERATIONS

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 outlays that are subject to pay-as-you-go procedures are shown in Table 4. For the purposes of enforcing pay-as-you-go procedures, only the effects through fiscal year 2006 are counted.

TABLE 4. ESTIMATED IMPACT OF H.R. 3734 ON DIRECT SPENDING AND RECEIPTS

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	0	2	2	2	2	2	2	2	3	3	3
Changes in receipts											

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3734 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs:

Veterans' Health Care: Sam Papenfuss

Readjustment Benefits: Sarah Jennings

Insurance and Burial Benefits: Michelle H. Patterson

Home Loans: Sunita D'Monte

Impact on State, Local, and Tribal Governments: Elyse Goldman

Impact on the Private Sector: Sally Sagraves Maxwell

ESTIMATE APPROVED BY:

Peter H. Fontaine

Deputy Assistance Director for Budget Analysis