



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 30, 2002

H.R. 4904 **Health Care for Filipino World War II Veterans Act**

As introduced on June 11, 2002

SUMMARY

H.R. 4904 would increase benefits administered by the Department of Veterans Affairs (VA) for Filipino veterans who served in the Philippine Commonwealth Army or the New Philippine Scouts during World War II and their dependents. The bill would increase dependency and indemnity compensation (DIC) benefits for eligible survivors of veterans of both military organizations who reside in the United States. H.R. 4904 also would increase compensation and burial benefits for certain veterans of the New Philippine Scouts. Finally, the bill would expand health care benefits for certain Filipino veterans.

CBO estimates that enacting H.R. 4904 would increase direct spending for veterans' compensation and burial benefits by about \$3 million in 2003, \$18 million over the 2003-2007 period, and \$38 million over the 2003-2012 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply. In addition, H.R. 4904 would modify provisions governing discretionary spending for veterans' health care programs, which CBO estimates would result in outlays of \$8 million in 2003 and \$65 million over the 2003-2007 period, assuming appropriation of the estimated amounts.

H.R. 4904 does not contain any intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4904 is shown in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 4904

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	3	3	4	4	4
Estimated Outlays	0	3	3	4	4	4
SPENDING SUBJECT TO APPROPRIATION						
Baseline Spending Under Current Law for Veterans' Health 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						
Estimated Authorization Level	0	9	16	15	14	13
Estimated Outlays	0	8	15	15	14	13
Spending Under H.R. 4904 for Veterans' Health Care						
Estimated Authorization Level	22,178	22,893	23,700	24,715	25,276	26,107
Estimated Outlays	22,202	22,873	23,500	24,204	24,992	25,814

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

BASIS OF ESTIMATE

For this estimate CBO assumes that the bill will be enacted near the beginning of fiscal year 2003, and that estimated amounts will be appropriated each year.

Direct Spending

H.R. 4904 would affect direct spending in several veterans' programs, including DIC, disability compensation, and burial benefits. Table 2 summarizes those effects, and the individual provisions that would affect direct spending are described below.

TABLE 2. ESTIMATED CHANGES IN DIRECT SPENDING FOR DIC, DISABILITY COMPENSATION, AND BURIAL BENEFITS UNDER H.R. 4904

Description of Provision	By Fiscal Year, Outlays in Millions of Dollars				
	2003	2004	2005	2006	2007
DIC Benefits	3	3	3	3	4
Disability Compensation Benefits	a	a	a	a	a
Burial Benefits	<u>a</u>	<u>a</u>	<u>a</u>	<u>a</u>	<u>a</u>
Total Changes in Compensation, DIC, and Burial Benefits	3	3	4	4	4

a. Less than \$500,000.

Dependency and Indemnity Compensation Benefits. Under current law, surviving spouses and dependents of Filipino veterans who served in the Philippine Commonwealth Army or the New Philippine Scouts during World War II and live in the United States are eligible to receive half the amount of the DIC payment that survivors of veterans of the U.S. armed forces receive. Sections 3 and 4 of the bill would require that these survivors be paid at the full DIC rate.

Based on information provided by VA, CBO estimates that about 420 survivors of veterans who served in the Philippine Commonwealth Army or the New Philippine Scouts currently receive DIC payments at the 50 percent rate and that about 120 additional survivors would become eligible for these payments over the 2003-2012 period. According to VA, the average DIC payment in fiscal year 2001 was \$11,942. CBO assumes that the survivors of these Filipino veterans received about half that amount. Such payments are adjusted annually for increases in the cost of living. CBO estimates that, under the bill, the average DIC payment to these survivors would be \$14,160 for fiscal year 2003, an increase of \$7,080. After accounting for the expected mortality of these veterans and their eligible survivors, CBO estimates that enacting these provisions would raise direct spending for DIC by about \$3 million in 2003, \$16 million over the 2003-2007 period, and about \$35 million over the 2003-2012 period.

Disability Compensation Benefits. Under current law, former New Philippine Scouts residing in the United States are eligible to receive half the amount of disability compensation currently available to veterans of the U.S. armed forces. Section 4 would increase disability compensation for these veterans to the full rate. Based on information provided by VA, CBO estimates that there are currently about 100 former New Philippine

Scouts residing in the United States today. In 2001, the average compensation payment was \$6,785. CBO assumes that eligible former New Philippine Scouts received about half that amount. Such payments are adjusted annually for increases in the cost of living. CBO estimates that the average disability compensation payment to these veterans would total \$7,072 for fiscal year 2003, an increase of \$3,536. After accounting for expected mortality rates, CBO estimates that enacting this provision would increase direct spending for veterans' compensation by less than \$500,000 in 2003, by about \$2 million over the 2003-2007 period, and by about \$3 million over the 2003-2012 period.

Burial Benefits. Under current law, veterans who die of service-connected disabilities are eligible for a \$2,000 burial benefit. Veterans who receive compensation or pension benefits but die of a nonservice-connected condition are eligible for a \$300 burial and funeral expenses benefit and another \$300 allowance if the veteran is not interred in a cemetery that is under U.S. government jurisdiction. Veterans of the New Philippine Scouts are currently eligible for half of the burial benefit amounts provided to veterans of the U. S. armed forces. Under section 5, veterans of the New Philippine Scouts would receive burial and plot allowances at the full rate if they are naturalized U.S. citizens living in the United States. Based on information provided by VA, CBO estimates that only a handful of these veterans would become eligible for the increase in burial benefits each year. Thus, CBO estimates that section 5 would have no significant effect on direct spending over the 2003-2012 period.

Spending Subject to Appropriation

Two provisions in H.R. 4904 would affect veterans' spending that is subject to appropriation. The bulk of this estimated impact on discretionary spending is for a provision that would make certain Filipino veterans eligible for VA health care benefits.

Health Care. Under current law, only certain Filipino veterans who served during World War II are eligible for health care benefits from VA. Under H.R. 4904, any individual who is a veteran of the Philippine Commonwealth Army or a former New Philippine Scout living legally in the United States would be eligible for VA health care benefits. Using information from VA, CBO estimates that in 2003 about 11,000 Filipino veterans would qualify for this new benefit. CBO estimates that about 2,000 of these veterans would use VA health care benefits in 2003 at an estimated cost of \$4,200 per person. After adjusting for mortality, CBO expects that the number of eligible Filipino veterans using VA health care benefits would grow to 2,700 by 2007 as more of these veterans become aware of the benefit. Accordingly, CBO estimates that providing health care benefits to these Filipino veterans would cost \$8 million in 2003 and \$65 million over the 2003-2007 period, assuming appropriation of the necessary amounts. Costs could be significantly higher—if a much greater percentage of the eligible Filipino veterans apply for the health benefits.

Burial in National Cemeteries. U.S. veterans are eligible for burial in a national cemetery if they were discharged or separated from active duty under conditions other than dishonorable. Members of the armed forces who die on active duty and spouses and minor children of veterans are also eligible. Section 5 would extend this eligibility to veterans of the New Philippine Scouts and their dependents. Based on information provided by VA, CBO estimates that only a handful of these veterans and their dependents would request burial in a national cemetery each year. Thus, CBO estimates that this new eligibility would not lead to a significant increase in the number of burials in national cemeteries.

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 3. For the purposes of enforcing pay-as-you-go procedures, only the effects through fiscal year 2006 are counted.

TABLE 3. ESTIMATED IMPACT OF H.R. 4904 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	3	3	4	4	4	4	4	4	4	4	
Changes in receipts	Not applicable											

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4904 does not contain any intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On July 19, 2002, CBO transmitted a cost estimate for H.R. 3645, the Veterans Health Care Items Procurement Reform and Improvement Act of 2002, as ordered reported by the House Committee on Veterans' Affairs on July 16, 2002. That bill contained a provision to provide health care to certain Filipino veterans that is almost identical to the provision in H.R. 4904. H.R. 3645, as ordered reported, would require that the Secretary of VA certify that VA had

sufficient funds to provide health care to the Filipino veterans before the provision would take effect. H.R. 4904 does not contain this requirement. Because both cost estimates assume that the necessary appropriations are provided, the estimated costs are the same in both bills.

H.R. 3645, as ordered reported, contains other provisions including the reform of VA's procurement practices, increased authority to enter into enhanced-use leases, and the provision of dental benefits to certain former prisoners of war. These provisions are not contained in H.R. 4904. H.R. 4904 also contains provisions that would provide increased compensation and burial benefits for veterans and increased dependency and indemnity compensation for certain surviving spouses. These provisions are not contained in H.R. 3645. The differences in the cost estimates reflect these differences in the legislation.

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