



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 29, 2004

H.R. 348
Prisoner of War Benefits Act of 2003
As introduced on January 27, 2003

SUMMARY

H.R. 348 would expand veterans benefits for former prisoners of war (POWs), including disability compensation and dependency and indemnity compensation (DIC). CBO estimates that enacting the bill would increase direct spending by \$9 million in 2004, \$472 million over the 2004-2009 period, and about \$800 million over the 2004-2014 period.

The legislation 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. 348 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CHANGES IN DIRECT SPENDING											
Estimated Budget Authority	9	80	105	100	93	85	77	72	65	59	55
Estimated Outlays	9	80	105	100	93	85	77	72	65	59	55

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted by the summer of 2004.

Direct Spending

Under current law, the Department of Veterans Affairs (VA) pays disability compensation to veterans with disabilities or diseases incurred or aggravated during active-military service. Generally, VA deems a disability or disease to be service-connected based on military medical records and physical examinations. For former POWs who were held captive for more than 30 days, current law specifies a list of diseases and disabilities that VA assumes are service-connected because, according to VA, military medical records do not cover periods of captivity and may not provide adequate documentation for eligibility for disability compensation benefits.

Section 1 of H.R. 348 would add new diseases to this list of presumed service-connected conditions for former POWs and would remove the 30-day requirement for eligibility. CBO estimates that enacting section 1 would increase direct spending for veterans disability compensation and DIC by \$9 million in 2004, by \$472 million over the 2004-2009 period, and by about \$800 million over the 2004-2014 period. Based on information provided by VA, in fiscal year 2003 compensation payments totaled about \$19.5 billion and DIC payments totaled about \$3.8 billion.

New Presumed Service-Connected Diseases for Former POWs. H.R. 348 would add heart disease, stroke, diabetes mellitus, and osteoporosis to the list of disabilities that VA assumes are service-connected for former POWs.¹ Under the bill, former POWs with these diseases would be eligible for disability compensation. Moreover, if a former POW dies as a result of one of these diseases, certain survivors would be eligible for DIC.

Disability Compensation. Based on information provided by VA, CBO estimates that there are currently about 37,000 living former POWs. Applying prevalence rates for heart disease, stroke, diabetes mellitus, and osteoporosis obtained from the National Center for Health

1. The bill also would add liver disease to the list of disabilities that VA assumes are service-connected for former POWs. Public Law 108-183, signed by the President on December 16, 2003, included cirrhosis of the liver as a presumed service-connected disability for former POWs. According to the National Institute of Health, liver disease and cirrhosis of the liver are closely related disabilities. CBO did not include costs resulting from liver disease in the cost estimate for this legislation because we assume that most of the costs of providing compensation for liver disease to former POWs under H.R. 348 now included under current law. CBO estimates that any additional costs from adding liver disease to the list of presumed service-connected disabilities for former POWs would be insignificant.

Statistics and other sources, CBO estimates that in 2004 about 23,000 former POWs would become newly eligible for disability compensation for these diseases under H.R. 348.² CBO assumes that about 50 percent of former POWs who are not already receiving disability compensation and 60 percent of former POWs who are currently receiving disability compensation would apply for the new benefit. CBO assumes that new compensation cases would phase in over three years so that by 2006 about 10,000 former POWs would begin receiving disability compensation for the five diseases included in the bill. Of the 10,000 estimated new cases, CBO expects that about 64 percent, or about 6,400, would be for heart disease, while roughly 24 percent would be for stroke and over 10 percent would be for diabetes. CBO expects that less than 2 percent of the cases would be for osteoporosis. This figure excludes veterans who already have a disability rating of 100 percent for other service-connected disabilities and who would therefore not be eligible for an increase in their disability compensation rating.³

CBO derived the weighted average of the payments made to veterans currently receiving disability compensation for each of the five diseases to determine the increase in disability compensation payments under H.R. 348. For example, based on information provided by VA, veterans receiving compensation for heart disease were paid on average about \$9,000 in 2003 in disability compensation payments. These payments are adjusted annually for increases in the cost of living. Former POWs not receiving disability compensation for other disabilities would receive this amount, while former POWs currently receiving disability compensation would receive an increase above their current level of disability compensation.

CBO estimates that enacting H.R. 348 would increase payments for disability compensation by \$9 million in 2004, \$422 million over the 2004-2009 period, and \$648 million over the 2004-2014 period. (Such disability compensation for all veterans totaled about \$19.5 billion in 2003.)

Dependency and Indemnity Compensation. Under current law, certain survivors of former POWs can qualify for DIC if one of the following two criteria are met:

- The former POW died of a service-connected disability; or
- The former POW was continuously rated 100 percent for a service-connected disability for one year prior to death.

2. CBO obtained prevalence rates for heart disease, stroke, and diabetes from the National Center for Health Statistics.

3. Under current law, diabetes mellitus cases in veterans of the Vietnam War are already presumed to be service-connected. For this reason, CBO excluded former POWs who served in Vietnam from the estimate of diabetes cases because they are already eligible for compensation under current law.

Survivors of veterans who meet one of these criteria would already be eligible for DIC under current law. Because the four diseases would be considered service-connected disabilities under H.R. 348, certain survivors of veterans who die as a result of one of the diseases would become newly eligible for DIC under the bill.

After applying mortality rates obtained from the National Center for Health Statistics heart disease, stroke, and diabetes mellitus to the population of former POWs, CBO estimates that in 2005 about 660 survivors of former POWs would become newly eligible for DIC under H.R. 348, increasing to about 2,600 by 2014. CBO was unable to obtain mortality rates for osteoporosis; however, because the disease has a low prevalence in men and does not generally lead directly to death, we estimate that the potential increase in DIC payments from former POWs dying as a result of osteoporosis would be insignificant.

Assuming that 55 percent of survivors who would become eligible for DIC under the bill would apply for and begin receiving the benefit, CBO estimates that enacting H.R. 348 would increase the number of DIC recipients by about 360 in 2005, increasing gradually to 1,000 by 2009 and to 1,500 by 2014.

According to data provided by VA, the average annual payment for new DIC recipients was \$11,900 in 2003. Such payments are adjusted annually for increases in the cost of living. CBO estimates that spending for DIC would increase under H.R. 348 by less than \$500,000 in 2004, \$50 million over the 2004-2009 period, and \$153 million over the 2004-2014 period. (DIC payments to veterans' dependents totaled about \$3.8 billion in 2003.)

Repeal of Minimum Period of Internment for Presumed Service-Connected Conditions

Under current law, to be eligible for disability compensation for conditions presumed to be service-connected for former POWs, a veteran must have been held captive for 30 days or more. However, a former POW can still be eligible for disability compensation for one of these diseases if he can prove that it is connected to military service.

H.R. 348 would remove the 30-day minimum requirement, making all former POWs eligible regardless of how long they were held captive. Based on information provided by VA, CBO estimates that of the 37,000 living former POWs, no more than 400 were held captive for less than 30 days. About 70 percent, or around 280, of these former POWs are already receiving disability compensation based on their eligibility as a veteran. Due to the small number of former POWs who would become eligible for the new benefit and the fact that many are

already receiving disability compensation, CBO estimates that the cost of eliminating the 30-day requirement would be less than \$500,000 a year.

Other Presumed Service-Connected Conditions. The bill also contains a provision that would allow the Secretary of Veterans Affairs to add other diseases to this list of presumed service-connected disabilities if he determines that they can be connected to the experience of being a POW. CBO cannot estimate the cost of any increase in compensation payments that may result from the Secretary adding other diseases to the list of presumed service-connected disabilities because we have no way of knowing which or how many diseases he would add. It is possible, however, that the costs of this provision would be significant depending on the prevalence of the newly added diseases among former POWs.

Spending Subject to Appropriation

Section 2 would allow all former prisoners of war to receive free dental care from VA regardless of the length of their internment. The Veterans Health Care, Capital Asset, and Business Improvement Act of 2003 (Public Law 108-170) signed by the President on December 6, 2003, contains a provision identical to section 2 of this bill. Therefore, CBO estimates there will be no additional costs associated with implementing this provision.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 348 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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