



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

August 3, 2007

**S. 1163
Blinded Veterans Paired Organ Act of 2007**

*As ordered reported by the Senate Committee on Veterans' Affairs
on June 27, 2007*

SUMMARY

S. 1163 contains provisions that would both increase and decrease spending for veterans' benefits. The bill would increase the disability benefits available for certain veterans with impaired vision and expand certain burial benefits. It also would allow the Department of Veterans Affairs (VA) to access the National Directory of New Hires (NDNH) database for income verification purposes. CBO estimates that enacting this legislation would decrease net direct spending for veterans' benefits by \$12 million over the 2008-2012 period and by \$10 million over the 2008-2017 period.

In addition, CBO estimates that implementing this legislation would have discretionary costs of \$5 million in 2008 and \$25 million over the 2008-2012 period, subject to appropriation of the necessary amounts. Enacting S. 1163 would have no effect on receipts.

S. 1163 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). State and local governments would benefit from grant assistance authorized by the bill; any costs they incur would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1163 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 S. 1163

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN DIRECT SPENDING ^a					
Estimated Budget Authority	-1	-1	-3	-4	-5
Estimated Outlays	-1	-1	-3	-4	-5
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	5	5	5	5	5
Estimated Outlays	5	5	5	5	5

a. In addition to the direct spending effects shown here, enacting S. 1163 would have effects on direct spending after 2012 (see Table 2). The estimated net reduction in direct spending sums to \$12 million over the 2008-2012 period and \$10 million over the 2008-2017 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes the bill will be enacted near the beginning of fiscal year 2008 and that the estimated amounts will be appropriated for each year.

Direct Spending

S. 1163 would reduce direct spending through a new income verification program and would increase direct spending for several benefit programs. On balance, CBO estimates that enacting this legislation would decrease net direct spending for veterans' benefits by \$12 million over the 2008-2012 period and by \$10 million over the 2008-2017 period (see Table 2).

National Directory of New Hires. Section 103 would temporarily authorize VA to use the NDNH database maintained by the Department of Health and Human Services to verify veterans' income levels and their eligibility for certain veterans' benefits such as disability pensions and disability compensation for veterans whose disability rating is based on a finding of individual unemployability. That authority would expire on September 30, 2012. Currently, VA employs an income verification match with the Internal Revenue Service (IRS) for that purpose, but that authority expires on September 30, 2008. In addition, VA

has recently re-instituted the use of an annual certification form that requires all individuals to certify their employment and income with VA.

TABLE 2. COMPONENTS OF THE ESTIMATED CHANGES IN DIRECT SPENDING UNDER S. 1163

	Outlays in Millions of Dollars, by Fiscal Year											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2017	2008-2017
National Directory of New Hires	-1	-2	-4	-6	-7	-5	-4	-3	-3	-2	-20	-37
Impairment of Vision Involving Both Eyes	*	1	1	2	2	2	3	3	3	3	6	21
Expansion of Special Monthly Compensation	*	*	*	*	*	*	1	1	1	1	1	4
Grave Markers	<u>*</u>	<u>1</u>	<u>*</u>	<u>1</u>	<u>2</u>							
Total Changes	-1	-1	-3	-4	-5	-2	0	1	1	2	-12	-10

Notes: Components may not sum to totals because of rounding.

* = between -\$500,000 and \$500,000.

According to VA, the current income verification match using IRS data yields, on average, about \$5 million in new, incremental savings per year. CBO assumes the savings for each individual continues until that individual’s death. Thus, if an income matching program yielded \$2 million in savings in the first year, the following year would see that savings of \$2 million continue and even increase slightly due to cost-of-living increases (but reduced by some number of deaths) plus an additional \$2 million in new savings, for a total savings in the second year of about \$4 million.

The NDNH database would allow VA to analyze more recent wage and income data than the IRS data, which is up to a year and a half old when the data comparison is run. However, according to a Government Accountability Office (GAO) report, unlike the IRS income match, the NDNH data does not include complete information on independent contractors, self-employed individuals, subcontractors, or individuals who provide services such as child-care for private homes. According to the Department of Labor, about 15 percent of the total workforce would fall into one of those categories.

As another method to reduce improper benefit payments, VA has recently re-instituted the use of an annual certification form that requires all individuals receiving means-tested veterans benefits to certify their employment and income with VA. Use of this annual certification was dropped in the late 1990s and VA reports that the number of cases where individuals have been discovered to have received these means-tested benefits fraudulently has since increased significantly.

Based on VA's renewed use of the annual certification of employment form and the NDNH database's lack of ability to account for the total workforce population in the income match, CBO estimates that the incremental savings from utilizing the NDNH database would be about \$2 million per year, or slightly less than half of the current \$5 million in annual savings that VA has been achieving using IRS data. As noted above, these savings would continue in subsequent years, with cost-of-living and mortality adjustments. This provision would take effect 270 days after enactment of the bill. Therefore, CBO estimates that enacting section 103 would reduce direct spending by about \$1 million in 2008, \$20 million over the 2008-2012 period, and \$37 million over the 2008-2017 period.

Impairment of Vision Involving Both Eyes. For veterans with a service-connected vision impairment in one eye, current law requires that they must be diagnosed as blind in both eyes for vision impairment that was not caused by military service to be considered for the purposes of disability compensation. Section 102 would allow certain veterans who receive veterans' disability compensation for a severe, service-related impairment of vision in one eye (the impairment would have to reduce visual acuity to 20/200 or less or reduce the peripheral field to 20 degrees or less) to receive additional compensation if their other eye develops a comparable, nonservice-related, vision impairment. That change in eligibility standards would increase the amount of compensation paid to those veterans. In total, CBO estimates that enacting section 102 would increase direct spending for veterans' compensation by less than \$500,000 in 2008, \$6 million over the 2008-2012 period, and \$21 million over the 2008-2017 period.

Veterans Already Receiving Disability Compensation for Vision Impairment. The Department of Veterans Affairs reports that, as of September 30, 2006, it was paying disability compensation for about 125,000 incidences of service-connected, eye-related disability among veterans. This figure, however, does not reflect the number of unique veterans who receive disability compensation for eye-related disabilities, since a veteran may exhibit more than one eye-related disability and thus be counted more than once in the reported data. VA also reports, as of that same date, that there were about 45,000 unique veterans receiving disability compensation primarily due to eye disease or impairment of vision. VA data does not indicate whether these veterans were receiving such compensation for impairments in one or both eyes.

Based on information from VA, CBO assumes, for this estimate, that the population of roughly 45,000 veterans receiving disability compensation primarily because of eye disease or impairment of vision would most likely constitute the bulk of veterans that would be affected by enactment of this bill. Of that population, CBO estimates that about 1,150 veterans would qualify for increased benefits under section 102. That estimate reflects the exclusion of eye diseases that would likely not cause impairment of vision (such as the loss of eyebrows), and veterans rated as either 100 percent disabled or less than 70 percent disabled (ratings that would not be eligible for an increase under the bill—a veteran with a visual acuity of 20/200 or less in both eyes or a peripheral field of 20 degrees or less would be rated at least 70 percent disabled). Finally, while VA data does not indicate whether a veteran's disability rating considered conditions in one or both eyes, VA indicated that between 30 percent and 50 percent of the veterans currently on the rolls for eye disabilities received a service-connected rating for both eyes. Based on that information, CBO estimates that 40 percent of the affected population are currently receiving disability compensation for service-connected disabilities in both eyes, and therefore, would have ratings that would be unaffected by enactment of section 102. Thus, CBO estimates that about 700 veterans in 2008 might qualify for an increase in their disability rating under this bill.

Veterans receiving disability compensation are, on average, 57 years old. According to information from the National Institutes of Health and a report on vision loss prepared by researchers at the University of Washington, the most common causes of impairment of vision in persons age 40 and older are age-related maculopathy, cataracts, and glaucoma. Those organizations report that about 30 percent of persons over the age of 40 experience increased impairment of vision due to one or more of those conditions. Because VA does not track the progression of vision impairment in the veterans population, CBO assumes that veterans experience vision impairment from these same conditions at that same rate.

Thus, CBO estimates that about 200 of the roughly 700 veterans discussed above would likely experience additional vision loss that could qualify them for a disability rating increase under the bill. Using data provided by VA, CBO estimates that about 15 percent of veterans who are already receiving disability compensation apply for a reevaluation of their rating each year. After adjusting for claims processing times, CBO estimates that just over 30 of those veterans would receive an increase in their disability rating in 2008 and that number would reach 200 veterans by 2017.

In addition, based on VA data, CBO estimates that about 150 veterans who currently have a disability rating for eye disease or vision impairment between 20 percent and 60 percent (20 percent is the lowest rating a veteran can receive for a service-connected visual acuity of 20/200 in one eye) would apply to have their rating reevaluated sometime over the

2008-2014 period and would have the nonservice-disabled eye evaluated with a visual acuity of 20/200 or less or a peripheral field of 20 degrees or less.

The disability rating for a veteran receiving disability compensation for a visual acuity of 20/200 or less or a peripheral field of 20 degrees or less in both eyes is 70 percent and in 2006 the average annual compensation payment for that rating was \$22,326. Using data from VA about the average rating increase for veterans currently on the disability compensation rolls with a 70 percent rating, CBO expects that the average disability rating for veterans qualifying under the bill would increase to 80 percent and that the average annual disability compensation payment would increase by \$2,388 (expressed in 2006 dollars). For veterans with a disability rating between 20 percent and 60 percent, and with a visual acuity in one eye of 20/200 or less or a peripheral field of 20 degrees or less who come in for a reevaluation, CBO expects that they would now qualify under section 102 and their average disability ratings would increase to 70 percent. After adjusting for cost-of-living increases and information from VA on individuals moving to 70 percent on the disability rolls, CBO estimates that enacting this provision would increase direct spending for veterans' disability compensation for veterans currently on the rolls by less than \$500,000 in 2008, about \$6 million over the 2008-2012 period, and \$19 million over the 2008-2017 period.

New Accessions. According to information from VA, in 2006 there were roughly 2.7 million veterans receiving veterans' disability compensation and less than 2 percent of those veterans were rated disabled primarily due to eye disease or vision impairment. Using discharge data from the Department of Defense, information from VA on new compensation cases that enter the rolls at 70 percent disabled, the information and assumptions above regarding common eye disabilities for persons over age 40, and the rate at which veterans return to be reevaluated, CBO also estimates that, over the 10-year period, about 150 veterans out of the impairment for the first time each year would be eligible for a higher disability rating under this bill.

Assuming that disability ratings for veterans qualifying under the bill would increase from 70 percent to 80 percent, that the average annual disability compensation payment would increase by \$2,388 (expressed in 2006 dollars), and that payments are adjusted for cost-of-living increases, CBO estimates that enacting this provision would increase direct spending for veterans' disability compensation for veterans coming onto VA's disability compensation rolls (i.e., for new accessions after enactment) by less than \$500,000 in 2008, \$1 million over the 2008-2012 period, and \$2 million over the 2008-2017 period.

Expansion of Special Monthly Compensation. Section 101 would expand the number of veterans with impaired vision who could qualify to receive a special monthly compensation (SMC) payment from VA. Under current law, a veteran who has been rated for both service-

connected total blindness with 5/200 visual acuity or less and bilateral deafness rated at 60 percent or more (eligible for a combination rating of 100 percent) is eligible for a SMC payment of \$4,313 per month. Section 101 would reduce the threshold for visual impairment from 5/200 or less to 20/200 or less.

A veteran rated for service-connected total blindness with 20/200 visual acuity or less and bilateral deafness rated at 60 percent or more is eligible for a combined rating of 80 percent. Based on information from VA on the number of veterans rated at 80 percent or greater for visual impairment who are probably not receiving SMC (about 330 veterans) and the percentage of the veterans population with hearing impairment (about 2 percent), CBO estimates that fewer than 10 veterans currently on the rolls would become eligible for SMC based upon both their visual impairment of 20/200 or less and a bilateral hearing loss rated at 60 percent or more.

Using data provided by VA, CBO estimates that about 15 percent of veterans who are already receiving disability compensation apply for a reevaluation of their rating each year. After adjusting for claims processing times, CBO estimates that very few veterans would receive an increase in disability rating over the next couple of years, and that number would increase to about 10 veterans by 2017.

Also, section 101 would increase the number of new accessions to the disability compensation rolls who would be eligible for SMC. According to information from VA, of the roughly 2.7 million veterans receiving veterans' disability compensation, less than 2 percent were rated disabled primarily due to eye disease or vision impairment. Using discharge data from the Department of Defense, information from VA on new compensation cases that enter the rolls with a disability rating of 80 percent or greater, and the estimated percentage of veterans with both a visual impairment and hearing loss (2 percent), CBO estimates that under section 101, about 20 new veterans would become eligible for SMC over the 2008-2017 period.

In 2006 dollars, a veteran rated at 80 percent would receive a monthly payment of \$2,068 (\$24,800 annually), on average. The SMC for a person with 20/200 or less visual acuity and a hearing loss rated at 60 percent or greater would be \$4,313 per month (\$51,800 annually) for an annual difference of about \$27,000. After adjusting for cost-of-living increases and mortality rates for veterans currently on the rolls and for new accessions, CBO estimates that enacting this provision would increase direct spending for veterans' disability compensation by less than \$500,000 in 2008, about \$1 million over the 2008-2012 period, and \$4 million over the 2008-2017 period.

Grave Markers. Section 203 would allow VA to provide a marker or headstone to be placed on a marked grave or other appropriate location in a private cemetery to commemorate a veteran's military service for those veterans who were buried after November 11, 1990. Under current law, veterans buried in a private cemetery are eligible for a second marker or headstone only if they were buried after September 11, 2001.

Section 203 also would indefinitely extend the period during which a marker or headstone could be requested. The authority for VA to provide government headstones or markers to veterans buried in private cemeteries currently expires on December 31, 2007.

Based on VA projections regarding veterans' death rates and the number of veterans who will be buried in private cemeteries, CBO estimates that about 20,000 requests for headstones or markers would be submitted over the 2008-2017 period. The estimate also reflects information from a VA study that showed that only 27 percent of private cemeteries allow second markers and that less than 5 percent of those eligible would participate in this program. According to VA, a marker or headstone costs about \$100 on average. CBO estimates that this provision would result in an increase in spending for burial benefits of \$1 million over the 2008-2012 period and \$2 million over the 2008-2017 period.

Medallions for Graves in Private Cemeteries. Section 201 would allow VA to provide a medallion or other memorial representation to be attached to a headstone or marker of an eligible individual at a private cemetery instead of a VA-provided headstone or marker. According to VA, the cost for medallions and headstones or markers are similar. Therefore, CBO expects there would be no significant change in direct spending under this section.

Reimbursement for Interment Costs. Under current law, any claim for reimbursement for interment costs must be made within two years of the burial or cremation of the body. Section 202 would repeal the two-year limit during which a state can request a reimbursement for interment costs related to the unclaimed remains of a veteran and would make the repeal retroactive to October 1, 2006. Based on information from VA regarding the average number of reimbursement claims that are filed for interment of unclaimed remains each year and the cost (\$300) of the interment payment to a state, CBO expects any increase in direct spending to be insignificant.

Spending Subject to Appropriation

Section 202 would authorize VA to provide up to \$5 million per year for establishing, expanding, improving, operating, and maintaining state veterans cemeteries. CBO estimates

that implementing section 202 would cost \$5 million in 2008 and \$25 million over the 2008-2012 period, subject to appropriation of the estimated amounts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1163 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would benefit state and local governments that operate and maintain cemeteries for veterans. Any cost those governments incur would be incurred voluntarily.

PREVIOUS CBO ESTIMATE

On March 20, 2007, CBO transmitted a cost estimate for H.R. 797 as ordered reported by the House Committee on Veterans' Affairs on March 15, 2007. Sections 102 and 103 of S. 1163 are similar to sections 1 and 2 of H.R. 797, and the estimated costs for those provisions are unchanged from our previous estimate.

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