CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 25, 2009

S. 728
Veterans' Benefits Enhancement Act of 2009

As ordered reported by the Senate Committee on Veterans' Affairs on May 21, 2009

SUMMARY

S. 728 would affect several veterans programs, including disability compensation, pension, burial, life insurance, and readjustment benefits. CBO estimates that implementing this legislation would cost $772 million over the 2010-2014 period, assuming appropriation of the necessary amounts. The bill also contains provisions that would both increase and decrease direct spending for veterans benefits. CBO estimates that enacting S. 728 would decrease net direct spending by $28 million over the 2010-2019 period. Enacting the bill would have no effect on revenues.

S. 728 would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) because it would require governmental and private-sector employers to comply with new federal protections under the Uniformed Services Employment and Reemployment Rights Act (USERRA). CBO estimates that the costs of the mandates would fall below the annual thresholds established in UMRA ($69 million for intergovernmental mandates and $139 million for private-sector mandates in 2009, adjusted annually for inflation).

Pursuant to section 311 of S. Con. Res. 70, CBO estimates that S. 728 would not cause a net increase in deficits in excess of $5 billion in any of the four 10-year periods beginning after 2019.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 728 is summarized in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that S. 728 will be enacted near the start of fiscal year 2010.

TABLE 1. ESTIMATED BUDGETARY IMPACT OF S. 728

	By Fiscal Year, in Millions of Dollars					
	2010	2011	2012	2013	2014	2010-2014
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	150	155	153	155	159	772
Estimated Outlays	150	155	153	155	159	772
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	-2	47	-100	-141	-146	-340
Estimated Outlays	-2	47	-100	-141	-146	-340

Notes: In addition to the direct spending effects shown here, enacting S. 728 would have additional effects on direct spending after 2014 (see Table 3). CBO estimates that net direct spending over the 2010-2019 period would decrease by $28 million.

Details may not sum to totals because of rounding.

Spending Subject to Appropriation

S. 728 contains provisions that would increase discretionary spending for several benefits provided by the Department of Veterans Affairs (VA). CBO estimates that implementing those provisions would cost $772 million over the 2010-2014 period, assuming appropriation of the necessary amounts (see Table 2).

Supplemental Funeral and Burial Expenses. Under current law, VA pays funeral expenses of up to $300 for certain deceased veterans. VA also pays up to $2,000 for burial expenses to the survivors of veterans who die as a result of a service-connected disability. Section 501 authorize supplemental payments—subject to availability of funds provided for that purpose—that would increase the maximum payments for funeral and burial expenses to $1,200 and $4,100, respectively, and would increase these amounts annually by a cost-of-living adjustment.

Based on information from VA regarding veteran mortality, CBO expects about 86,000 grants to be made for funeral expenses in 2010 increasing to about 92,200 by 2014. For burial expenses, CBO expects about 16,000 grants to be made in 2010 increasing to about 18,000 in 2014. We estimate that implementing this section would cost $582 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

TABLE 2. COMPONENTS OF DISCRETIONARY SPENDING UNDER S. 728

	By Fiscal Year, in Millions of Dollars					
	2010	2011	2012	2013	2014	2010-2014
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Supplemental Funeral and Burial Expenses						
Estimated Authorization Level	111	114	116	119	122	582
Estimated Outlays	111	114	116	119	122	582
Supplemental Plot Allowances						
Estimated Authorization Level	31	32	33	34	35	165
Estimated Outlays	31	32	33	34	35	165
Regional Office in the Philippines						
Estimated Authorization Level	5	6	2	0	0	13
Estimated Outlays	5	6	2	0	0	13
Review of Illnesses Related to Service in the Persian Gulf War						
Estimated Authorization Level	2	2	2	2	2	10
Estimated Outlays	2	2	2	2	2	10
Reports						
Estimated Authorization Level	1	1	*	0	0	2
Estimated Outlays	1	1	*	0	0	2
Total Changes						
Estimated Authorization Level	150	155	153	155	159	772
Estimated Outlays	150	155	153	155	159	772

Note: * = less than $500,000.

Supplemental Plot Allowance. Under current law, VA pays a $300 plot allowance for veterans who died in a VA facility or who are to be buried in a state or private cemetery. Section 502 would increase the plot allowance to $745 and adjust the payment annually by a cost-of-living index. Based on information from VA on veterans mortality rates, CBO expects about 71,000 grants to be made for plot allowances in 2010, increasing to about 76,000 by 2014. We estimate that implementing section 502 would increase the cost of this program by $165 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Regional Office in the Philippines. Section 603 would extend—through December 31, 2011—VA's authority to operate a regional office in the Republic of the Philippines. Under current law, that authority expires on December 31, 2009. Currently, the cost to

operate that office is about $6 million per year. After accounting for inflation, CBO estimates that enacting section 603 would cost $13 million over the 2010-2012 period, assuming appropriation of the necessary amounts.

Review of Illnesses Related to Service in the Persian Gulf War. Section 602 would extend the deadlines for completing two studies by the National Academy of Sciences (NAS) regarding illness associated with service in the Persian Gulf War. The NAS review of toxic drugs and illnesses associated with the Persian Gulf War would be extended by five years, from October 1, 2010, to October 1, 2015. The NAS review regarding health problems associated with service in the Persian Gulf would be extended from September 30, 2009, to October 1, 2018. Based on information from NAS, CBO estimates that extending the deadlines for completing those studies would cost $10 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Reports. S. 728 would require both VA and the Government Accountability Office (GAO) to prepare and submit reports to the Congress. Section 601 would require VA to enter into a contract with the Institutes of Medicine to conduct a review of the best treatments for Gulf War illness and to submit a report by December 31, 2011. Section 405 would require GAO to prepare a report by June 30, 2010, on the effectiveness of programs intended to educate employers on their obligations under the Uniformed Services Employment and Reemployment Rights Act. CBO estimates that completing the required reports would cost $2 million over the 2010-2012 period, assuming availability of the necessary amounts.

Direct Spending

S. 728 contains a number of provisions that would both increase and decrease direct spending. CBO estimates that enacting those provisions would decrease net direct spending by $340 million over the 2010-2014 period and $28 million over the 2010-2019 period (see Table 3).

Pensions for Veterans in Medicaid Nursing Homes. Section 204 would extend from September 30, 2011, to September 30, 2014, the expiration date of a provision of current law that sets a $90 per month limit on pensions paid to any veteran without a spouse or child, or to any survivor of a veteran, who is receiving Medicaid coverage in a Medicaid-approved nursing home. The law also allows the beneficiary to retain the pension instead of having to use it to defray nursing home costs. Using data provided by VA, CBO estimates that in 2010 about 15,000 veterans and 19,000 survivors would be affected by this provision and that the average savings to VA would total about $18,600 per veteran and $11,600 per survivor in that year. Extrapolating from this estimate to account for

mortality and new nursing home patients, CBO estimates the provision would save VA $1.5 billion over the 2012-2014 period. Higher Medicaid payments to nursing homes would offset some of those savings. We estimate that those costs would total about $920 million over the 2012-2014 period, resulting in a net savings of $545 million over the period.

Enhanced Automobile Assistance. Seriously disabled veterans who have lost the use of one or both hands or feet or who have suffered a severe vision impairment as the result of a service-connected injury or disease are eligible to receive a grant of $11,000 to purchase an automobile. Those veterans are also entitled to receive the adaptive equipment necessary for them to safely operate their vehicles, and to have that equipment repaired or replaced as necessary.

Section 303 would increase the amount of the automobile grant from $11,000 to $22,500 in 2011. As the average retail cost of new automobiles increases in future years, the benefit would be adjusted to cover 80 percent of that cost. CBO estimates that doubling the benefit would cause the number of veterans receiving automobile grants to increase by 10 percent to approximately 1,600 veterans annually. CBO estimates that section 303 would increase the cost of automobile grants by $170 million over the 2010-2019 period.

The additional grantees also would be provided with the adaptive equipment necessary for them to safely operate the vehicles. Based on the level of current grant payments, CBO estimates that section 303 would increase the cost of adaptive equipment grants by $19 million over the 2010-2019 period. In total, CBO estimates that section 303 would increase direct spending for automobile and adaptive equipment grants by $189 million over the 2010-2019 period.

Remove Cap on Independent Living. Section 301 would remove the cap on the number of veterans allowed to participate in the Independent Living program. Under current law, participation is capped at 2,600 veterans each year. The Independent Living program provides services to maximize independence in daily living for veterans who are too severely disabled to pursue employment. Based on information from VA, CBO estimates that this section would raise participation in the program by about 200 veterans in 2010 and by over 2,000 veterans annually by 2019 at a cost of approximately $13,000 per participating veteran in 2010. Accounting for inflation, CBO estimates that enacting section 301 would increase direct spending by $181 million over the 2010-2019 period.

TABLE 3. COMPONENTS OF DIRECT SPENDING UNDER S. 728

	Outlays in Millions of Dollars, by Fiscal Year											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
CHANGES IN DIRECT SPENDING												
Pensions for Veterans in Medicaid Nursing Homes	0	0	-153	-196	-196	0	0	0	0	0	-545	-545
Enhanced Automobile Assistance	0	17	19	21	21	21	22	22	23	23	78	189
Remove Cap on Independent Living	2	4	8	12	16	21	24	28	31	35	42	181
Enhanced VMLI	0	3	5	5	6	6	6	7	7	7	19	52
Expansion of Retroactive Benefits for T-SGLI	0	19	14	10	2	2	0	0	0	0	45	47
Special Monthly Pension	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-20	-42
Enhanced Disability Compensation for Veterans with TBI	0	5	5	5	4	4	4	4	4	4	19	39
Exemption of Survivors and Dependents from 48-month Limitation on Educational Benefits	0	2	2	2	2	2	2	3	3	3	8	21
Automobiles and Adaptive Equipment for Individuals with Severe Burns	0	*	3	2	1	1	*	*	1	1	6	9
Supplemental Service-Disabled Insurance	*	*	*	1	1	1	1	1	1	1	2	7
Payments to Survivors of Former POWs	*	1	1	1	1	1	1	1	*	*	4	6
Commencement of Period of Payment for Veterans with Catastrophic Disabilities	*	*	*	*	*	*	*	*	*	*	1	3
Cost-of-Living Adjustment for Surviving Spouses	0	0	0	*	*	*	*	*	*	*	*	3
Consideration of Dominant Hand as Qualifying Loss for T-SGLI	*	*	*	*	*	*	*	*	*	*	*	2
Total Changes	-2	47	-100	-141	-146	55	56	62	66	70	-340	-28

Note: VMLI = Veterans Mortgage Life Insurance; T-SGLI = Traumatic Servicemembers Group Life Insurance; TBI = Traumatic Brain Injury; POWs = Prisoners of Wars; * = less than $500,000.

a. Details may not sum to totals because of rounding.

Enhanced Veterans' Mortgage Life Insurance (VMLI). VMLI is insurance coverage intended to pay off or make payments on a veteran's home mortgage in the event of the veteran's death. VMLI is restricted to those veterans who receive grants for specially adapted housing and it ceases once a veteran reaches age 70. Under current law, the maximum amount of VMLI is $90,000. Section 105 would increase that amount to $15,000 as of October 2, 2010, and to $200,000 on January 1, 2012.

Based on VA's actuarial projections of current and future policy holders, premium payments, and death claims, CBO expects about 2,200 policyholders to take advantage of the increased coverage in 2011, decreasing to about 1,900 by 2019. Based on the current cost of the program, CBO estimates that enacting section 105 would increase direct spending by $52 million over the 2010-2019 period.

Expansion of Retroactive Benefits for Traumatic Servicemembers Group Life Insurance (T-SGLI). VA began offering T-SGLI in December 2005. This program provides a payment to eligible servicemembers who suffer a traumatic injury including, but not limited to, the loss of a hand or foot. When the program was established, it provided retroactive coverage only to veterans who suffered such injuries as a result of their service in Operation Enduring Freedom or Operation Iraqi Freedom (OEF/OIF). Section 103 would extend that retroactive benefit to all veterans who suffered a qualifying traumatic injury during the period of October 7, 2001, to November 30, 2005.

CBO assumes that retroactive claims for non-OEF/OIF traumatic injuries will be similar to non-OEF/OIF claims made since the beginning of the program. Between December 2005 and September 2006 (the most recent period for which data can be obtained), 390 veterans made nonretroactive T-SGLI claims for traumatic injuries. Of that number, about 22 percent were for non-war-zone injuries. Based on claims made in the first year of the program, CBO expects that about 2,500 war-related claims will be made for the period of October 7, 2001, to November 30, 2005. Under section 103, we estimate that an additional 700 non-war related claims would be made. According to VA, the average size of a non-war-zone claim for T-SGLI was $68,700. Therefore, CBO estimates that enacting section 103 would increase direct spending by $47 million over the 2010-2019 period.

Special Monthly Pension (SMP). VA provides basic pension benefits for war veterans with low incomes who are totally disabled and whose disabilities are unrelated to their service. A larger benefit is available to such veterans who have multiple disabilities. The SMP is payable at one level for veterans considered "housebound" and at a higher level, for those unable to care for themselves (known as the "aid and attendance" level).

As of 2001, war veterans over age 65 with low incomes are eligible to receive the basic pension benefit without a determination of total disability. Until a recent court holding, however, they had to meet the same requirements as younger veterans to receive SMPs.[1] To qualify to receive the SMP at the housebound level, veterans over age 65 were required to have two disabilities; one disability rated at 100 percent and one rated at 60 percent or greater. The Court of Appeals for Veterans Claims (CAVC) found that otherwise eligible veterans over age 65 did not need the initial disability rating of 100 percent, significantly expanding the number of veterans who are eligible to receive the housebound SMP. Pursuant to that holding, VA has recently begun to pay that higher amount to veterans over 65 with a single disability rated at 60 percent or greater.

Section 202 would change the eligibility requirements for SMPs to those in force before the court ruling, reducing the number of veterans eligible for SMPs and thereby reducing the cost of the pension program. Based on data from VA, CBO estimates that, of the veterans over age 65 (about 15,700) who are receiving the basic pension without a requirement of disability, about 1,000 are receiving an SMP due to the CAVC decision.

In addition, CBO estimates that under current law about 300 new pension recipients will qualify for the SMPs because of the court ruling each year. Thus, CBO estimates that a total of 1,300 additional veterans will receive SMPs in 2010, and, using normal mortality rates for that population and adding in each year's cohort of new pensioners, that by 2019, about 1,400 pensioners will receive SMPs because of the court ruling.

The maximum annual pension rate for a veteran with no dependents in 2009 is $11,830. The similar rate for housebound SMPs is $14,457. After adjusting for cost-of-living increases, by 2019 the difference between the maximum annual pension rate and the housebound SMP rate would be about $3,000. Using those increases in benefit levels and the populations specified above, CBO estimates that under current law the effect of this court ruling will be to increase direct spending on veterans pensions by $42 million over the 2010-2019 period. Enacting section 202 would undo that increase, resulting in savings of that amount.

Enhanced Disability Compensation for Veterans with Traumatic Brain Injuries (TBI). Section 205 would increase the amount of aid and attendance (A&A) that certain veterans are eligible to receive. Eligible veterans would be those who suffer from the residual effects of service-connected TBI and who, without the increased A&A payment, would require hospitalization, nursing home care, or some other form of institutional care. Section 205 would take effect on August 31, 2010.

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[1] Robert A. Hartness v. R. James Nicholson, VA 20 Vet. App. 216 (2006).

Based on data from VA, CBO estimates that in 2010, 150 veterans would qualify for an increased monthly payment under section 205. Given the age of the population and the severity of their disabilities, CBO expects that population to decrease to about 40 in 2019. Similarly, CBO assumes that an additional 10 veterans per year with residual effects of TBI will become eligible for a higher rate of A&A under section 205. Assuming a similar mortality rate, CBO expects that by 2019 about 60 veterans would be eligible for this enhanced benefit.

Under section 205, in 2010, eligible veterans would receive a benefit increase of $2,923 per month ($35,076 annually). After adjusting for estimated cost-of-living increases, that amount would be $3,241 ($38,888 annually) in 2019. Based on our estimates of the affected population and the amount of the benefit increase, CBO expects that enacting section 205 would increase direct spending by $39 million over the 2010-2019 period.

Exemption of Survivors and Dependents from 48-month Limitation on Educational Benefits. Spouses and children of certain deceased or totally disabled veterans are eligible for up to 45 months of veterans' educational benefits. If the survivors and dependents are eligible for additional educational benefits due to their own military service or through the transfer of benefits, they are limited to a total of 48 months of benefits. Beginning October 1, 2010, section 604 would allow such survivors and dependents to use a maximum of 81 months of benefits. Based on information from the Department of Defense (DoD), CBO estimates that approximately 100 survivors each year would use the additional benefits. We estimate that section 604 would increase direct spending by $21 million over the 2010-2019 period.

Automobiles and Adaptive Equipment for Individuals with Severe Burns. Beginning in October 2010 section 302 would expand eligibility for automobile and adaptive equipment grants for disabled veterans to include totally disabled veterans with severe burn injuries. Based on information from the services, CBO estimates that nearly 150 current veterans would qualify for automobile and adaptive equipment grants immediately under this expansion, and that, on average, an additional 15 veterans would become eligible annually.

Through 2019, CBO estimates that a total of 270 additional veterans would receive grants under this section. Those veterans would be eligible for the automobile grant at the $22,500 level, as increased under section 303. They also would be eligible to receive the necessary adaptive equipment to operate their vehicles safely and to have that equipment replaced at intervals. Between 2010 and 2019, CBO estimates that section 302 would increase the cost for automobile grants by $6 million and the cost for adaptive equipment

grants by $3 million. In total, CBO estimates that section 302 would increase direct spending by $9 million over the 2010-2019 period.

Supplemental Service-Disabled Insurance (S-DVI). Section 101 would increase the amount of supplemental S-DVI coverage available from $20,000 to $30,000.

S-DVI is a life insurance program for veterans with service-related disabilities. They must apply for the program within two years of notification that a service connection has been established for a disability. Supplemental S-DVI is available to current S-DVI policyholders who qualify for a waiver of premiums because of a total disability that began after the insured's application for insurance, while the insured was paying premiums for S-DVI, and before the insured's 65th birthday.

Based on VA's actuarial projections of current and future policyholders, premium payments, and death claims, CBO expects about 2,000 policyholders would take advantage of the increased coverage in 2010, increasing to about 15,100 by 2019. Using mortality rates appropriate to this population, CBO estimates that enacting section 101 would increase direct spending by $7 million over the 2010-2019 period.

Payments to Survivors of Former Prisoners-of-War (POWs). Under current law, survivors of veterans who die as a result of a service-connected disability are eligible to receive dependency and indemnity compensation (DIC). Survivors of certain veterans who die from a nonservice-connected condition also can qualify to receive DIC, including former POWs who were rated totally disabled for at least one year prior to their death and who died after September 30, 1999.

Section 208 would extend eligibility for DIC to survivors of such POWs who died before September 30, 1999.

Based on data provided by VA, CBO estimates that about 285 survivors would be newly eligible for DIC under section 208. Many of the affected veterans died many years ago and we expect that many of their survivors will have lost touch with veterans' organizations that could inform them about the new benefit. We also expect that some survivors will have remarried, making them ineligible for DIC. Given these factors, CBO assumes that only about one-third, (about 95) of the eligible survivors would apply for DIC under the bill. CBO also assumes that these new DIC cases would phase in over a five-year period as eligible survivors learn about their eligibility and apply for benefits from VA.

The average DIC payment in fiscal year 2008 was $13,676. Such payments are adjusted annually for increases in the cost of living. CBO estimates that enacting section 208 would increase direct spending by $6 million over the 2010-2019 period.

Commencement of Period of Payment for Veterans with Catastrophic Disabilities. Section 206 would enable veterans who are retired or separated from active-military service due to catastrophic disabilities (i.e., they are unable to carry out the activities of daily living or require supervision to avoid physical harm to self or others) to begin receiving disability compensation payments from VA as of their date of discharge. Under current law, such payments begin on the first day of the month immediately following the month for which a claim was filed.

Based on information from the DoD on retirees, CBO expects about 200 veterans each year would be eligible for one additional payment for half a month. In 2008, the average monthly payment for a veteran rated at 100 percent disabled was about $2,900. These payments are adjusted annually for cost-of-living increases, so the average benefit payment for such a veteran in 2010 will be about $3,390. Assuming that on average, each of the 200 veterans would receive half an additional payment, CBO assumes direct spending would increase by $3 million over the 2010-2019 period.

Cost-of-Living Adjustment (COLA) for Surviving Spouses. Surviving spouses who are eligible for DIC may receive an extra $250 a month for up to two years if they have one or more children under the age of 18. Section 201 would increase the $250 benefit by the same annual COLA applied to the regular DIC benefit for about 2,000 spouses per year. CBO estimates that this provision would not increase the monthly benefit for 2010 because we do not estimate that there will be a COLA for 2010. By 2019, the monthly benefit payment is projected to be $277, relative to current law and CBO's baseline. CBO estimates that enacting section 201 would increase direct spending for veterans compensation by $3 million over the 2010-2019 period.

Consideration of Dominant Hand as Qualifying Loss for T-SGLI. Section 104 would allow VA to consider the loss of a dominant hand in determinations of severity of traumatic loss when making payments to servicemembers under the T-SGLI program and would make the payments retroactive to the beginning of that program. From the start of the T-SGLI program on December 1, 2005, through February 2008, there were about 90 claims for the loss of one hand, representing claims made retroactive to the start of Operation Iraqi Freedom in 2003. CBO assumes that half of those cases were for the dominant hand—45 cases or 9 per year—and would have qualified under section 104. Assuming a similar rate going forward of nine claims per year, with a payment of $25,000 per claim, CBO estimates that enacting section 104 would cost $2 million over the 2010-2019 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The USERRA requires governmental and private-sector employers to grant employment and reemployment rights to members of the uniformed services. S. 728 would expand benefits under the bill to include wage and salary protections; such an expansion constitutes a mandate as defined in UMRA. Based on discussions with agency officials, CBO estimates that most employers currently comply the new standards and thus the cost of complying with the mandates would fall below the annual thresholds established in UMRA for both intergovernmental and private-sector mandates ($69 million and $139 million in 2009, respectively, adjusted annually for inflation).

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