CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 30, 2011

H.R. 2349
Veterans' Benefits Act of 2011

As ordered reported by the House Committee on Veterans' Affairs on September 8, 2011

SUMMARY

H.R. 2349 would modify the eligibility requirements for veterans' pension awards. The bill also would require the Department of Veterans Affairs (VA) to undertake a pilot program to assess the skill level of claims processing personnel, and would make several other administrative changes to veterans' benefits programs.

On net, CBO estimates that enacting H.R. 2349 would decrease direct spending by $11 million over the 2012-2016 period and by $16 million over the 2012-2021 period. In addition, CBO estimates that implementing H.R. 2349 would reduce net discretionary costs by $1 million over the 2012-2016 period, assuming appropriation actions consistent with the bill. Enacting the bill would have an insignificant effect on revenues. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

H.R. 2349 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2349 is shown in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

BASIS OF ESTIMATE

This estimate is based on information from the VA. For the purposes of this estimate, CBO assumes the bill will be enacted near the beginning of fiscal year 2012, that the necessary amounts will be appropriated each year, and that outlays will follow historical patterns for similar and existing programs.

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF H.R. 2349, THE VETERANS' BENEFITS ACT OF 2011

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
CHANGES IN DIRECT SPENDING[a]						
Estimated Budget Authority	*	-4	-3	-2	-2	-11
Estimated Outlays	*	-4	-3	-2	-2	-11
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Budget Authority	2	*	*	-1	-1	-1
Estimated Outlays	2	*	*	-1	-1	-1

Note: Components may not sum to totals because of rounding; * = less than $500,000.

a. In addition to the direct spending effects shown here, enacting H.R. 2349 would have additional effects on direct spending beyond 2016 (see Table 2). CBO estimates that net direct spending would decrease by $16 million over the 2012-2021 period.

Direct Spending

H.R. 2349 would extend the authority for VA to conduct an income verification match with the Internal Revenue Service (IRS); VA also would be required to exclude certain reimbursements from income when determining a disability pension award. On net, those provisions would decrease direct spending by $16 million over the 2012-2021 period, CBO estimates.

Extension of Income Verification Match. Section 3 would extend authorities under current law that allow VA to access information on income reported to the IRS for the purpose of verifying the income reported by recipients of veterans pension benefits. Authority for the IRS to provide such information to VA was extended indefinitely in Public Law 110-245, and authority for VA to acquire that information is scheduled to expire on September 30, 2011. Section 3 would extend VA's authority through September 30, 2013.

According to VA, the department saved approximately $4 million in newly identified overpayments of pension awards by verifying veterans' incomes in 2010 and an average of $4 million annually over the 2006-2010 period. Using that information and accounting for mortality, CBO estimates that enacting section 3 would result in direct spending savings of $31 million over the 2012-2016 period and $56 million over the 2012-2021 period.

TABLE 2. ESTIMATED CHANGES IN DIRECT SPENDING UNDER H.R. 2349

	Outlays, in Millions of Dollars, by Fiscal Year											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
Extension of Income Verification Match	-4	-8	-7	-6	-6	-6	-5	-5	-5	-4	-31	-56
Exclusion of Certain Reimbursements for Pension Purposes	4	4	4	4	4	4	4	4	4	4	20	40
Total Changes	*	-4	-3	-2	-2	-2	-1	-1	-1	*	-11	-16

Note: * = between -$500,000 and $500,000.

Exclusion of Certain Reimbursements for Pension Purposes. Section 3 also would exclude certain reimbursements and insurance settlements made to a veteran, surviving spouse, or child from being counted as income in determining disability pension awards. Under current law, certain payments can be counted as income and reduce a veteran's or surviving spouse's pension award. Thus, the effect of section 3 would be to increase the size of pension awards.

According to VA, under current practice, payments for casualty losses are already excluded from income determinations. Awards for pain and suffering are included as income and make up the majority of reductions in pension awards. VA does not keep track of the number of pensioners who have had their pensions reduced because they received an award for pain and suffering; therefore, CBO used general population statistics on accidents that result in settlements for pain and suffering.

Based on national data about the frequency of car accidents in the United States, about 6.3 million people (or 2 percent of the population) are involved in car accidents every year. About 30 percent of those accidents result in an injury that could lead to a pain and suffering settlement. Insurance companies do not generally publish information on how many injury claims result in pain and suffering awards. Absent such information, CBO assumes that about one-half of the individuals injured receive a payment for pain and suffering.

Based on information from VA on the population of veterans and spouses who receive pensions and using general population figures on accidents that result in injuries, CBO estimates that in 2012, about 7,500 veterans and surviving spouses will be involved in car accidents and that about 2,240 of them will be injured. Of those, we expect about half (1,120) will receive pain and suffering settlements. After accounting for a declining population of pension recipients, CBO estimates that by 2021 the number of veterans and surviving spouses receiving pain and suffering payments will decline to about 1,060 in 2021. After reviewing data on pain and suffering payments, CBO determined that the average award was about $4,000. Thus, CBO estimates that enacting section 2 would increase direct spending by $4 million a year, or $40 million over the 2012-2021 period.

Reinstatement of Penalties. Section 7 would reinstate penalties for any individual found to be soliciting a fee or compensation for the assistance to a veteran in filing an application for benefits. The provision would expand the number of individuals who could be federally prosecuted. Because those prosecuted and convicted under section 7 could be subject to criminal fines, the federal government might collect additional fines if the legislation is enacted. Criminal fines are recorded as revenues, deposited in the Crime Victims Fund, and later spent. CBO expects that any additional revenues and direct spending would not be significant because of the small number of cases likely affected.

Spending Subject to Appropriation

H.R. 2349 would limit the amount VA could pay for performance awards, establish a pilot program to assess the skills of claims processors and provide necessary training where those skills are deficient, and make other administrative reforms. CBO estimates that, on net, implementing H.R. 2349 would reduce discretionary costs by $1 million over the 2012-2016 period, assuming appropriation actions consistent with the bill.

Performance Awards for Senior Executive Staff. Section 8 would limit the amount that VA could pay in performance awards to senior staff to $2 million per year over the 2012-2016 period. In 2010, VA paid about $3.3 million in performance award payments. Assuming a similar amount over the applicable period, CBO estimates that implementing section 8 would reduce discretionary spending for pay and performance by about $7 million over the 2012-2016 period.

Assessment of Claims-Processing Skills Pilot Program. Section 2 would establish a four-year pilot program at five VA regional offices to test the skills and proficiency of claims processors (both managers and employees) and to provide remediation and training to those individuals who do not pass the tests. Employees who failed the skills assessment after two attempts would be subject to unspecified personnel action. The bill also would require an annual report on the pilot program. Section 2 would authorize the appropriation of $5 million over the 2012-2016 period for those purposes. CBO estimates that implementing section 2 would cost $5 million over that period, assuming appropriation of the specified amount.

TABLE 3. ESTIMATED CHANGES IN DISCRETIONARY SPENDING UNDER H.R. 2349

	In Millions of Dollars, By Fiscal Year					
	2012	2013	2014	2015	2016	2012-2016
Performance Awards for Senior Executive Staff						
Estimated Authorization Level	-1	-1	-1	-1	-1	-7
Estimated Outlays	-1	-1	-1	-1	-1	-7
Assessment of Claims-Processing Skills Pilot Program						
Authorization Level	3	1	1	*	*	5
Estimated Outlays	3	1	1	*	*	5
Other Provisions						
Estimated Authorization Level	*	*	*	*	*	1
Estimated Outlays	*	*	*	*	*	1
Total Changes						
Estimated Authorization Level	2	*	*	-1	-1	-1
Estimated Outlays	2	*	*	-1	-1	-1

Note: Components may not sum to totals because of rounding; * = less than $500,000.

Other Provisions. The following provisions would each have an insignificant impact on spending subject to appropriation, but together would cost $1 million over the 2012-2016 period, assuming availability of appropriated funds.

- Section 4 would allow VA to use electronic communications when possible to inform a veteran with a pending claim that more information is needed to substantiate a claim for benefits.

- Section 5 would require VA to make no less than two attempts to obtain private medical records for use in completing a pending claim for benefits.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table. Changes in revenues under the bill would be insignificant.

CBO Estimate of Pay-As-You-Go Effects for H.R. 2349, as ordered reported by the House Committee on Veterans' Affairs on September 8, 2011

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	-4	-3	-2	-2	-2	-1	-1	-1	0	-11	-16

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2349 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: Dwayne M. Wright
Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum
Impact on the Private Sector: Elizabeth Bass

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis