



November 10, 2015

Honorable Lamar Alexander
Chairman
Committee on Health,
Education, Labor, and Pensions
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

As you requested, the Congressional Budget Office has completed a preliminary estimate of the effect on direct spending that would result from enacting S. 928, the James Zadroga 9/11 Health Compensation Reauthorization Act, as introduced on April 14, 2015. The bill would permanently extend spending authority for the World Trade Center (WTC) Health Program and the September 11th Victims Compensation Fund (VCF).

CBO estimates that enacting S. 928 would increase direct spending by between \$8 billion and \$11 billion over the 2016-2025 period. Additional spending would continue after 2025 for several years. This estimate reflects considerable uncertainty about the number of people that will seek compensation from the VCF.

S. 928 would:

- Permanently extend the health program by providing annual appropriations beginning in fiscal year 2016 equal to the 2015 appropriation indexed to the percent increase in the medical component of the consumer price index for urban consumers;
- Appropriate such sums as are necessary for the VCF program;
- Allow claims for compensation under the VCF to be filed indefinitely; and
- Add the WTC Health Program and the VCF to the list of accounts that are not subject to sequestration.

The World Trade Center Health Program

The WTC Health Program provides medical monitoring and treatment for emergency responders, cleanup workers, and volunteers who helped after the terrorist attacks on September 11, 2001, at the World Trade Center, the Pentagon, and the airplane crash site near Shanksville, Pennsylvania. In addition, the WTC Health Program provides health evaluations and treatment for people who worked, lived, or attended school in the New York City disaster area for a period of time on or after September 11, 2001. The program also provides education and outreach to potentially eligible individuals and conducts research on health conditions related to the attacks.

The James Zadroga 9/11 Health and Compensation Act of 2010, which established the WTC Health Program, appropriated about \$1.5 billion over the 2011-2015 period for the program. CBO believes that those amounts remain available until expended.¹ CBO estimates that the WTC Health Program Fund spent about half of its appropriation between 2011 and 2015, and has sufficient funds to continue providing health benefits and services under current law part way through fiscal year 2019.

Section 2 of S. 928 would permanently extend the WTC Health Program by providing annual appropriations to the fund equal to the maximum funding provided in fiscal year 2015 (\$431 million), adjusted by the increase in the medical component of the consumer price index for urban consumers. Those amounts would remain available until expended.

For this estimate, CBO assumes that S. 928 will be enacted midway through fiscal year 2016. Under current law, CBO estimates that the health program will spend \$0.8 billion between 2016 and 2019. If S. 928 is enacted, CBO estimates that the health program would spend an additional \$3.5 billion. Total spending would be \$4.3 billion over the 2016-2025 period.² That estimate reflects an expectation that annual spending would steadily increase from the \$238 million spent in fiscal year 2015.

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1. Both CBO's baseline projections and the Administration's projections in the President's Budget for Fiscal Year 2016 reflect the expectation that the WTC Health Program will pay for health care benefits after 2016 until the \$1.5 billion in funding is exhausted. The National Institute for Occupational Safety and Health, which administers the program, maintains that the authority to pay for health care benefits expires at the end of 2016.
 2. If the authority to pay for health care benefits expires at the end of 2016, the estimated cost of extending the health care program would be \$0.6 billion higher, or \$4.1 billion.

The September 11th Victims Compensation Fund

The VCF provides compensation for individuals who were present at or near the September 11th attack sites that have suffered injury or have developed health complications or ailments. Under current law, payments to claimants and administrative costs of the VCF are capped at \$2.775 billion and the program will expire at the end of fiscal year 2017. The VCF is currently structured to accept claims through fiscal year 2016. During 2017 the VCF will continue processing claims and making compensation decisions for those claimants that have completed all forms necessary to be considered for compensation. At the end of 2017 those claimants that have been awarded compensation will be provided with a payment. If funds are insufficient to pay the full value of the amounts awarded, individuals will receive a prorated portion of the \$2.775 billion authorized for the program.

S. 928 would appropriate such sums as are necessary to make all claims payments in full and to cover the administrative expenses of the VCF program. The VCF also would be authorized to accept applications for claims indefinitely.

CBO's preliminary estimate of the claims payments that would be made over the next 10 years under S. 928 are based on the numbers and values of the compensation claims currently being processed by the Special Master that administers the VCF, projections of the cancer incidence rates among the population potentially eligible to apply for compensation, and CBO's judgment about the number of potentially eligible individuals who would file valid claims and receive a compensation award.

To prepare this preliminary estimate of the cost of enacting the VCF provisions of S. 928, CBO first needed to estimate the full cost of compensating individuals that have already begun the application process or are expected to do so under current law. CBO then estimated the additional costs that would result from making payments to individuals who would apply for compensation after 2016.

Preliminary Estimate of Claims Under the Current VCF Program. In order to receive compensation from the VCF under current law, claimants must first file for eligibility; if proven eligible, they may then apply for

compensation. In order to be found eligible claimants must provide sufficient proof of the following:

- Diagnosis of a health condition that has been approved by VCF as a qualifying condition. An application must be made within two years of receiving the diagnosis. And
- Proximity to one of the September 11th attack sites for a specified period of time.

Once eligibility is established, claimants may file for compensation. Compensation amounts are calculated based on economic and non-economic losses sustained as a result of the health issues the claimant is experiencing. Economic losses, such as lost wages, are calculated and offset by other payments the claimant may be receiving from other sources (for example, private insurance). Noneconomic losses, such as pain and suffering, are also considered when making final compensation decisions. Claimants are notified of the value of their awards by the Special Master when the review of their application is complete. Whether the claimants will receive a payment for the full value of the award, or a prorated amount, will depend on whether the total value of awards exceeds the \$2.775 billion that has been appropriated for the program.

As of September 2015, the VCF has reported the following statistics on applications and awards:

Eligibility forms received (including partially complete)	20,622
Eligibility claim forms that have been completed	14,618
Eligibility claims approved by the VCF	12,150
Claims found to be compensable	6,285
Dollar value of compensation awards	\$ 1.44 billion
Source: VCF Program Quarterly Statistics Report. Sept. 6, 2015. http://www.vcf.gov/pdf/VCFProgramStastics09092015.pdf	

Under current law, the VCF's authority to expend funds will expire at the end of 2017 and the VCF will no longer accept new claims after September 30, 2016. Because that application deadline is less than one year from now, CBO expects that the majority of people eligible for compensation have already been identified and are in the process of having their claims processed or have already been notified by the Special Master regarding their eligibility and the amount of their award.

To estimate the total value of compensation that will be awarded by the VCF under current law, CBO assumed that the recent rate of increase in claims applications and the average value of awards would remain the same. Specifically, CBO expects that the average value of awards—\$385,000 for victims with a cancer diagnosis and \$194,000 for victims with other health claims—will remain the same during the remaining months of the VCF's operations. CBO also expects that the number of claim forms found to be eligible in 2016 will increase by 60 percent over the number in 2015, the same rate of increase from 2014 to 2015. Finally, based on information from the VCF administrator, CBO expects that 90 percent of the individuals with completed applications will eventually receive an award. Based on those factors, CBO estimates that the full value of VCF awards under current law will total about \$6.3 billion by the time it ceases operations in 2017.

Under current law, however, VCF spending cannot exceed \$2.775 billion. By CBO's estimate, compensating all claimants accepted under the current program up to the full value of their estimated awards would cost an additional \$3.5 billion above that capped amount. Because S. 928 would appropriate such sums as are necessary for VCF claims, enacting the bill would increase direct spending by that amount over the 2016-2020 period for claimants under current law.

Preliminary Estimate of the Cost of Compensation for Claims Made After 2016. CBO assumes that S. 928 will be enacted midway through fiscal year 2016 and estimates that compensating individuals who file claims after 2016 would cost between \$1.0 billion and \$4.0 billion over the 2016-2025 period.

Under S. 928 the VCF would be authorized to accept additional claims from individuals that receive a diagnosis of a compensable health condition after 2016. Claimants are eligible for VCF compensation if they have an injury or illness that has been determined to be compensable by the National Institute for Occupational Safety and Health (NIOSH). According

to information from NIOSH, because of its longer latency period, cancer is most likely to be the illness that will occur among the population of individuals found eligible to make a future claim. Most other compensable health conditions have already afflicted such individuals during the 14 years that has passed since the September 11th terrorist attacks. Therefore, for the purpose of estimating the number of eligible claimants that may file for compensation during the 2016-2025 period under S. 928, CBO focused on cancer incidence rates published by the Centers for Disease Control (CDC).³

Cancer Incidence Rates. Information from NIOSH indicates that roughly 500,000 people were at or near one of the September 11th attack sites.⁴ CBO estimates that about 35,000 people in that population can be expected to receive a cancer diagnosis over the 2016-2025 period. NIOSH has estimated that as a result of exposure to conditions at the September 11th attack sites the incidence of cancer will be 21 percent higher than the incidence expected in the general U.S. population.⁵ CBO used that estimate of increased incidence of cancer to estimate the number of people who might develop the disease and attribute the illness to being present at or near one of the September 11th attack sites. CBO also considered the difference in incidence rates published by CDC that account for race, age, and sex.

Average Award Payments. For the VCF awards made through September 2015, the average compensation award made to claimants with a cancer diagnosis is \$385,000; the average compensation award for non-cancer claims is \$194,000. CBO used those amounts to estimate the cost of additional VCF awards over the 2016-2025 period.

Propensity to Make a VCF Claim. The largest source of uncertainty in this preliminary estimate is predicting how many of those potentially eligible to receive an award from the VCF would be able to prove their eligibility and complete the steps necessary to apply for compensation. CBO estimates that between 2,500 and 10,000 of the 35,000 people expected to receive a cancer diagnosis during the next 10 years would apply for and receive compensation from the VCF over the that period. That estimate reflects an

3. CDC WONDER; wonder.cdc.gov

4. World Trade Center Health Registry Explanation and Calculation of Outcome Rates. TRI Project Number 0208692. Jan. 2006.

5. Federal Register/ Vol. 77, No. 114 / Wednesday, June 13, 2012 / Proposed Rules. Department of Health and Human Services. Page 35594

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expectation that 10 percent to 40 percent of those eligible in 2016 would apply to the VCF that year, but that the propensity to file a claim would decline over the 10-year period as individuals' ability to prepare valid and verifiable claim applications is likely to diminish over time. However, CBO cannot definitively predict future participation in the program, and this preliminary estimate includes a wide range of possible future claiming behavior.

If you wish further details on this estimate, we would be pleased to provide them. The CBO staff contact for the WTC Health Program is Zoe Williams, and the CBO staff contact for the VCF is Marin Burnett.

I hope this information is helpful to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Hall". The signature is fluid and cursive, with the first name "Keith" being more prominent than the last name "Hall".

Keith Hall
Director

cc: Honorable Patty Murray
Ranking Member