



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 20, 2007

H.R. 797

A bill to amend title 38, United States Code, to improve compensation benefits for veterans in certain cases of impairment of vision involving both eyes, to provide for the use of the National Directory of New Hires for income verification purposes, to extend the authority of the Secretary of Veterans Affairs to provide an educational assistance allowance for qualifying work-study activities, and to authorize the provision of bronze representations of the letter 'V' for the graves of eligible individuals buried in private cemeteries in lieu of Government-provided headstones or markers

*As ordered reported by the House Committee on Veterans' Affairs
on March 15, 2007*

SUMMARY

H.R. 797 would allow veterans to become eligible for additional benefits if the veteran has a qualifying impairment of vision. It also would allow the Department of Veterans Affairs (VA) to access the Department of Health and Human Services (HHS) National Directory of New Hires (NDNH) database for income verification purposes, extend the authority for certain qualifying work-study activities, and allow VA to provide an additional option in the type of marker available to honor the graves of individuals buried in private cemeteries. CBO estimates that enacting this legislation would decrease net direct spending for veterans' benefits by less than \$500,000 in 2008, by \$13 million over the 2008-2012 period, and by a net amount of \$15 million over the 2008-2017 period.

H.R. 797 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 797 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

| | Outlays in Millions of Dollars, by Fiscal Year | | | | | | | | | |
|---|--|------|------|------|------|------|------|------|------|------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| CHANGES IN DIRECT SPENDING | | | | | | | | | | |
| Use of National Directory of New Hires for Income Verification Purposes | -1 | -2 | -4 | -6 | -7 | -5 | -4 | -3 | -2 | -2 |
| Additional Eligibility for Impairment of Vision Involving Both Eyes | * | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 3 | 3 |
| Extension of Authority for Work-Study Activities | 1 | * | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Changes | * | -1 | -3 | -4 | -5 | -2 | -1 | * | * | 1 |

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

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

BASIS OF ESTIMATE

For this estimate, CBO assumes the bill will be enacted near the beginning of fiscal year 2008.

Use of National Directory of New Hires for Income Verification

Section 2 would temporarily authorize VA to use the Department of Health and Human Services' NDNH database to verify veterans' income levels and thus 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 same purpose, but that authority expires on September 30, 2008. In addition, VA has recently re-instituted an annual certification form that requires all individuals to certify their employment and income with VA.

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

plus an addition \$5 million in new savings, for a total savings in the second year of about \$10 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 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 VA currently receives. As noted above, such added savings continues in subsequent years, with cost-of-living and mortality adjustments. This section would take effect 270 days after enactment of the bill. Therefore, CBO estimates that enacting section 2 would result in a decrease to direct spending of about \$1 million in 2008, \$20 million over the 2008-2012 period, and \$37 million over the 2008-2017 period.

Additional Eligibility for Impairment of Vision Involving Both Eyes

For veterans with a service-connected vision impairment in one eye, current law requires that a veteran must be diagnosed as blind in both eyes for vision impairment that was not caused by military service to be rated as service-connected for the purposes of disability compensation. Section 1 would allow certain veterans who receive veterans' disability compensation for impairment of vision where the impairment in the service-connected eye is to a visual acuity of 20/200 or less or of a peripheral field of 20 degrees or less to receive compensation for impairment of vision in the other eye that is equal to or greater than the service-connected eye. Thus, the change in eligibility would increase the amount of compensation paid to certain veterans. In total, CBO estimates that enacting section 1 would

increase direct spending for veterans' compensation by less than \$500,000 in 2008, \$6 million over the 2008-2012 period, and about \$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, disability compensation was being paid 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 1. 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 were rated as service-connected 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 1. Thus, CBO estimates that about 700 veterans in 2008 might qualify for an increase in their disability rating under this bill.

VA indicates that 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 the 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 these veterans would receive an increase in their disability rating in 2008 and that number would increase to a little over 300 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 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 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 1 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 both 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.

Extension of Authority for Work-Study Activities

Under current law, the VA can compensate certain individuals for specific work-study programs associated with the department, although the eligibility for several of the specified programs to participate in work-study would expire in June of 2007. Section 3 would extend the eligibility of those expiring programs for another two years, through June 2009. Based on information from the VA regarding the numbers of participants in such programs, CBO estimates that this provision would increase direct spending by about \$1 million in 2008 and by less than \$500,000 in 2009.

Provision of Bronze 'V' for Graves of Eligible Individuals In Private Cemeteries.

Section 4 would allow VA to provide bronze 'V' representations 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 bronze 'V' representations and headstones or markers are similar. Therefore, CBO expects there would be no significant change in direct spending under this section.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 797 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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