

BASIS OF ESTIMATE

Under current law, veterans can receive disability compensation from the Department of Veterans Affairs (VA) for service-connected disabilities. Disability compensation varies with the degree of disability and the number of dependents, and is paid monthly. VA also may temporarily pay disability compensation benefits at the 100 percent disability rating when a veteran is hospitalized in excess of 21 days for a service-connected disability, or when a veteran is hospitalized for a service-connected disability and a period of convalescence is required. The amount of increased compensation paid to the veteran for the period of hospitalization or convalescence is based on the difference between the total disability rating (100 percent) and the veteran's regular disability rating. According to VA, the average disability rating for veterans is about 30 percent.

Under current law, the temporary increase in disability compensation to cover a period of hospitalization or convalescence usually begins on the first day of the calendar month following the month in which the increased award becomes effective. The temporary increase is calculated on a month-by-month basis. For example, if a veteran's period of hospitalization is 22 days beginning in January and ending in February, the veteran will receive a payment based on a total disability rating for all of the month of February. If a veteran's period of hospitalization is 35 days beginning in January and ending in March, the individual receives payments based on a total disability rating for all of February and March. If such hospitalizations begin and end within the same month, current law stipulates that the period of payment must begin on the first day of that month.

Under H.R. 3344, the temporary increase in disability compensation payments would start—in all cases—on the first day in which the hospitalization or convalescence begins. Absent information from VA on whether veterans tend to begin their hospitalization towards the beginning or end of any given month, CBO assumes that enacting H.R. 3344 would thereby provide, on average, a half-month of increased disability compensation for most veterans receiving this benefit. Veterans receiving a temporary increase in disability compensation to cover a period of hospitalization or treatment that begins and ends within the same month would not be affected by this legislation.

Based on data provided by VA, CBO expects that about 4,500 veterans per year would receive a temporary increase in disability compensation to cover a period of hospitalization, treatment or convalescence under current law. Of that amount, CBO estimates that about 900 veterans per year would be hospitalized for a period in excess of 21 days but not require further convalescence and that the remaining 3,600 veterans would be hospitalized and require a period of convalescence. CBO also estimates that roughly 25 percent (or 225) of the veterans who are hospitalized for a period in excess of 21 days but do not require further

convalescence would have their hospital stay begin and end within the same month and would therefore be unaffected by this bill. Thus, CBO estimates that about 4,300 veterans per year would receive an extra half-month of temporary compensation under H.R. 3344.

For this estimate, CBO assumes that the average disability rating for these veterans is 30 percent and that the average recipient has a spouse but no dependents. According to data from VA, the disability compensation payment to a veteran who is rated 30 percent disabled and has only a spouse as his or her dependent is \$354 a month for 2004 and the monthly payment to a similar veteran with a 100 percent disability rating is \$2,366. On average, veterans with a 30 percent disability rating who receive a temporary increase in compensation under H.R. 3344 would thus be paid \$177 (one-half of \$354) for the first half of a month and \$1,183 (one-half of \$2,366) for the second half of a month. That combination leads to an average increase in temporary compensation of \$1,006 per case (the difference between the total monthly compensation of \$1,360 under the bill and \$354 under current law) in 2004. After adjusting for inflation over the 2005-2014 period, CBO estimates that enacting this provision would increase direct spending by \$4 million in 2005, \$23 million over the 2005-2009 period, and \$48 million over the 2005-2014 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3344 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Dwayne M. Wright

Impact on State, Local, and Tribal Governments: Melissa Merrell

Impact on the Private Sector: Chad Goldberg

ESTIMATE APPROVED BY:

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis