CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 17, 1998

S. 1385
Justice for Atomic Veterans Act of 1998

As ordered reported by the Senate Committee on Veterans' Affairs
on July 28, 1998

SUMMARY

S. 1385 would add lung cancer, ovarian cancer, and tumors of the brain and central nervous system to the list of 15 diseases currently presumed to be connected to military service for certain veterans who were exposed to nuclear radiation. CBO estimates that enacting the bill would increase direct spending by $13 million in 1999 and by $372 million over the 1999-2003 period. In addition, it would increase discretionary spending by $1 million in 1999 and by $14 million over the five-year period, assuming appropriation of the necessary amounts. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not have any significant effect on the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1385 is shown in the following table. Direct spending costs would stem from payments for disability compensation and dependency and indemnity compensation (DIC). Discretionary spending would increase because of the provision of additional medical care services, assuming appropriation of the necessary amounts. The costs of this bill fall within budget function 700 (veterans' affairs).

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
CHANGES IN DIRECT SPENDING						
Spending Under Current Law for Disability Compensation						
Estimated Budget Authority	17,115	18,271	19,296	20,784	22,193	23,587
Estimated Outlays	17,039	18,164	19,252	20,741	22,158	23,554
Proposed Changes						
Estimated Budget Authority	0	14	58	91	106	111
Estimated Outlays	0	13	55	88	105	111
Spending Under S. 1385 for Disability Compensation						
Estimated Budget Authority	17,115	18,285	19,354	20,875	22,299	23,698
Estimated Outlays	17,039	18,177	19,307	20,829	22,263	23,665
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Veterans' Medical Care						
Estimated Authorization Level [a]	17,739	17,739	17,739	17,739	17,739	17,739
Estimated Outlays	17,615	18,122	17,763	17,739	17,739	17,739
Proposed Changes						
Estimated Authorization Level	0	1	2	3	4	4
Estimated Outlays	0	1	2	3	4	4
Spending Under S. 1385 for Veterans' Medical Care						
Estimated Authorization Level [a]	17,739	17,740	17,741	17,742	17,743	17,744
Estimated Outlays	17,615	18,123	17,765	17,742	17,743	17,744

a. The 1998 level is the amount appropriated for that year. The current law amounts for 1999-2003 assume that appropriations remain at the 1998 level. If they are adjusted for inflation, the base amounts would rise by about $600 million a year, but the estimated changes would remain as shown.

Disability Compensation

The Radiation-Exposed Veterans Compensation Act of 1988 (Public Law 100-321) established presumptions of service connection for 13 cancers for veterans who participated on-site in an atmospheric nuclear weapons test or in the occupation of Hiroshima and Nagasaki. That act was amended in 1992 by Public Law 102-578, which added two cancers to the list of presumed service-connected diseases. S. 1385 would add lung cancer, ovarian cancer, and tumors of the brain and central nervous system to that list. By requiring a presumption that, for certain veterans, the three illnesses are service-connected, the bill

would add to the number of radiation-exposed veterans who are eligible for disability compensation or whose spouses are eligible for DIC benefits. CBO estimates that enactment of S. 1385 would increase direct spending by about $13 million in 1999 and by about $372 million over the 1999-2003 period.

Data from the Defense Special Weapons Agency (DSWA), formerly the Defense Nuclear Agency, indicate that approximately 210,000 military, civilian, and contract personnel employed by the Department of Defense (DoD) participated in atmospheric nuclear tests. In addition, approximately 200,000 DoD personnel participated in the post-war occupation of Hiroshima and Nagasaki, Japan. CBO estimates that about 200,000 of these veterans are alive today, assuming that the average participant was 24 years old.

To estimate the caseload of veterans having each disease, CBO used disease and age-specific incidence and mortality rates from the National Cancer Institute (NCI). (CBO has no basis for estimating different incidence and mortality rates for this particular population.) Based on this analysis, CBO estimates that about 3,500 of these veterans and about 9,000 spouses of deceased veterans would be eligible for benefits in 1999. The estimate assumes that approximately 20,000 of these veterans died from the three diseases during the 1945-1998 period, that two-thirds of the deceased veterans had spouses, and that 20 percent of those spouses remarried, making them ineligible for DIC.

For the 1999-2003 period, CBO estimates benefit payments based on the incidence of the three diseases, expected mortality rates among veterans and survivors, the number of potential beneficiaries at the start of 1999, and assumptions about annual participation. CBO projects that, of the 12,500 veterans and survivors who would be eligible for benefits in 1999, about 2,400 would receive benefits in that year. Recognizing that a small number of affected veterans and survivors may draw benefits under current law and that not all potential new beneficiaries would participate, this estimate assumes that, ultimately, 50 percent of all eligible survivors at the end of 1998 would apply for benefits and 75 percent of all veterans and post-1998 survivors would participate in the program. The estimate also assumes that it would take about three years to reach the full estimated participation rate. CBO anticipates that in 2003 about 8,500 veterans and survivors would receive benefits as a result of the bill.

CBO used data from VA that was specific to the three diseases to calculate the average compensation payment to veterans. Average annual benefits for veterans with the three diseases are approximately $16,000 for brain cancer, $15,300 for lung cancer, and $5,000 for ovarian cancer, reflecting the differing disability ratings of veterans currently receiving benefits for these illnesses. However, those benefit levels also include payments to veterans for additional disabilities, and thus incremental benefits under S. 1385 would be less than those averages. CBO has no information as to what portions of those averages stem from disabilities other than those covered by the bill. We assume that incremental compensation

benefits would fall below those averages by about $2,000. For DIC recipients, the estimated benefit is approximately $11,000 annually for all survivors. This estimate also assumes that beneficiaries would receive annual cost-of-living adjustments.

Medical Care

VA provides medical care to veterans based on priorities established in law. The highest priorities are given to veterans with service-connected disabilities, but VA also has a program under current law to provide health care to veterans with potentially radiogenic diseases, but only for treatment of those diseases. Under S. 1385 certain veterans with lung, brain, and ovarian cancer would receive the highest priorities because their diseases would be presumed to be service-connected. By requiring this presumption of service connection, the bill would probably draw a greater number of veterans to VA for care. It might also lead some veterans who currently receive care from VA to have a greater share of their needs taken care of by VA.

CBO estimates that the bill would raise the costs of veterans' medical care by about $1 million in 1999 and by about $14 million over the 1999-2003 period, assuming appropriation of the necessary amounts. The CBO estimate depends primarily on assumptions about how many of the affected veterans already enjoy the highest priorities, how many veterans the bill would attract to the VA health system, and how many current patients would receive a greater range of care. The key assumptions are as follows:

- Roughly one-third of these veterans would already have high priority access based on other compensable service-connected disabilities or income, as allowed under current law. (This figure is based on CBO's estimate of the proportion of World War II veterans with such status in 1996.)

- Similarly, about one-third of the veterans who gain a higher priority would use VA medical services. CBO estimates that VA would spend about $21,000 annually per new patient, which is roughly five times VA's average annual cost per user. This cost factor is based on a recent study showing a comparable difference between Medicare's average annual cost per beneficiary with certain types of cancer, including lung cancer, and all beneficiaries who receive medical care.

- One-fourth of the veterans who would use priority care under this bill would already be receiving cancer treatment from VA, based on data from the 1992 Survey of Veterans. CBO estimates that VA would spend an additional $900 annually for these veterans, based on VA's per capita spending in 1997 for veterans at the third priority level compared to veterans in the sixth priority level.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	13	55	88	105	111	117	123	128	133	136
Changes in receipts	Not applicable									

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not have any significant effect on the budgets of state, local, or tribal governments.

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