CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 21, 2000

H.R. 1020
Veterans' Hepatitis C Benefits Act of 1999

As introduced on March 4, 1999

SUMMARY

H.R. 1020 would make more veterans with hepatitis C eligible to receive benefits from the Department of Veterans Affairs (VA). CBO estimates that enacting the bill would raise direct spending by $77 million in 2001 and about $1.3 billion over the 2001-2005 period. Because H.R. 1020 would affect direct spending, pay-as-you-go procedures would apply. In addition, implementing the bill would raise discretionary costs by between $20 million and $40 million a year over the 2001-2005 period, assuming appropriation of the necessary amounts. H.R. 1020 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1020 is shown in the following table. The costs of this bill fall within budget function 700 (veterans benefits and services).

BASIS OF ESTIMATE

The bill would affect direct spending through payments of disability compensation to veterans. It also would raise discretionary costs, assuming appropriation of the necessary amounts, because more veterans would be eligible for high-priority enrollment in VA's health care system and because VA's administrative workload would increase.

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
DIRECT SPENDING						
Spending Under Current Law for Disability Compensation						
Estimated Budget Authority	18,893	19,801	20,577	21,279	21,960	24,447
Estimated Outlays	18,816	19,719	20,505	21,215	21,898	24,377
Proposed Changes						
Estimated Budget Authority	0	84	173	269	369	451
Estimated Outlays	0	77	166	261	361	451
Spending Under H.R. 1020 for Disability Compensation						
Estimated Budget Authority	18,893	19,885	20,750	21,548	22,329	24,898
Estimated Outlays	18,816	19,796	20,671	21,476	22,259	24,828
SPENDING SUBJECT TO APPROPRIATION						
Veterans' Medical Care						
Spending Under Current Law						
Estimated Authorization Level [a]	19,493	19,493	19,493	19,493	19,493	19,493
Estimated Outlays	18,791	19,312	19,441	19,415	19,396	19,377
Proposed Changes						
Estimated Authorization Level	0	6	12	19	25	32
Estimated Outlays	0	6	12	18	24	31
Spending Under H.R. 1020						
Estimated Authorization Level	19,493	19,499	19,505	19,512	19,518	19,525
Estimated Outlays	18,791	19,318	19,453	19,433	19,420	19,408
General Operating Expenses						
Spending Under Current Law						
Estimated Authorization Level [a]	941	941	941	941	941	941
Estimated Outlays	925	941	941	941	941	941
Proposed Changes						
Estimated Authorization Level	0	14	14	14	13	5
Estimated Outlays	0	13	14	14	13	5
Spending Under H.R. 1020						
Estimated Authorization Level	941	955	955	955	954	946
Estimated Outlays	925	954	955	955	954	946

a. The 2000 level is the amount appropriated for that year. The current law amounts for the 2001-2005 period assume that appropriations remain at the 2000 level, unadjusted for inflation. If they are adjusted for inflation the base amounts for medical care and general operating expenses would increase by about $600 million a year and $30 million a year, respectively. In both cases the estimated changes would remain as shown under "Proposed Changes."

Direct Spending

H.R. 1020 would establish a presumption that hepatitis C is a service-connected condition for any veteran who during military service experienced one or more of the following:

- A blood transfusion before 1992,
- Blood exposure on or through the skin or the mucous membrane,
- Hemodialysis,
- Tattoo, body piercing, or acupuncture,
- Unexplained liver disease,
- Unexplained abnormal liver function tests, and
- Work in a health care occupation.

That presumption would entitle infected veterans to health care and disability compensation. Under certain conditions, the survivors of such veterans also would receive payments. CBO estimates that such veterans and their survivors would receive disability compensation costing $77 million in 2001 and about $450 million in 2005.

Estimated Participation Rates. To estimate the number of potential beneficiaries, CBO considered two populations of veterans—those who are receiving medical care from VA and all other veterans. We estimate that in 2005 about 58,000 veterans and 7,000 survivors would be receiving payments from VA.

VA tests veterans for hepatitis C when it treats them at its medical facilities. Based on data from that testing, CBO estimates that 7 percent of veterans in its health care system are infected with hepatitis C. CBO applies this rate to the approximately 3.5 million veterans receiving medical care from VA to estimate the number of infected persons in this population. But not all infected veterans would receive benefits. To estimate the number of beneficiaries under H.R. 1020, CBO made assumptions about how many veterans:

- Have chronic infections (80 percent),
- Will learn they have hepatitis C (80 percent),
- Would apply for benefits (90 percent of the population that tests positive),
- Have their claims granted (80 percent), and
- Will have symptoms severe enough to receive disability benefits (40 percent of the veterans with approved claims).

Those assumptions—based on information from VA and other sources—indicate that about 38,000 veterans could receive benefits under the bill. VA already pays disability compensation to about 13,000 veterans with some form of hepatitis, but its records do not indicate how many of those are infected with hepatitis C although most are believed to be

other forms of the disease. CBO estimates that about 1,500 veterans will receive compensation for hepatitis C under current law. Based on data for the current population of veterans (as outlined above) and expected mortality rates, CBO estimates that about 34,000 veterans in the VA health care system would receive disability payments for hepatitis C in 2005.

For veterans not enrolled in the VA health care system, CBO used data from the Centers for Disease Control on age-adjusted prevalence rates for hepatitis in the U.S. population. However, we assume that veterans are about 20 percent more likely to have the disease. Because veterans in this group—about 85 percent of all veterans—are not receiving care from VA, we assume that only half of this cohort will discover they have hepatitis C, and that about 50 percent of them would apply for benefits and have a claim approved. CBO estimates that 24,000 beneficiaries in this group would receive disability benefits in 2005.

CBO expects that the number of deaths of infected veterans will exceed the number of new cases; thus, we estimate that the population of veterans with hepatitis C will decrease over time. Survivors of veterans who die from service-connected diseases are eligible for dependency indemnity compensation (DIC). CBO estimates that about 7,000 survivors of beneficiaries under the bill would receive DIC benefits by 2005.

Rates of Compensation. In the absence of specific information on the per capita cost for hepatitis C, CBO uses VA's data for all strains of hepatitis to estimate the average disability payment for hepatitis C. We also assume that payments would be adjusted for inflation annually.

- CBO estimates that veterans who do not have other disabilities and who do not have complications such as cirrhosis or liver cancer as a result of the infection would have a disability rating of 30 percent. That rating is 10 percentage points higher than the current average for all strains of hepatitis to account for the severity of the symptoms of hepatitis C and would result in an average payment for such veterans of $3,800 annually.

- We estimate that about 60 percent of potential beneficiaries already receive payments for other disabilities and that awarding service connection for hepatitis C would increase their annual payments by $3,500. That figure also excludes the higher cost due to those potential complications from the disease.

- Estimated payments to veterans who develop cirrhosis or liver cancer as a result of having hepatitis C would average an estimated $4,000 to $9,000 a year.

CBO estimates that the average DIC payment would be approximately $11,000 in 2001 and that payments to survivors would amount to $90 million in 2005 and would reach $197 million in 2010. DIC benefits and payments to veterans—$360 million in 2005 and $319 million in 2010—would combine to raise direct spending by about $450 million in 2005 and $516 million in 2010.

Spending Subject to Appropriation

The bill also would raise discretionary costs for medical care and administration by about $150 million over the 2001-2005 period, assuming appropriation of the necessary amounts.

Medical Care. Under current law, veterans receive a high priority for enrollment for VA medical care if they have a service-connected disability, and H.R. 1020 would increase the number of veterans with that status. CBO estimates that the additional medical care would cost $31 million by 2005, assuming appropriation of the necessary amounts.

The costs in medical care would arise from uninsured veterans who would enroll once they receive a service-connected rating for the disease. (Because VA plans to test all at-risk enrolled veterans for hepatitis C, VA would not experience additional costs for that group of veterans.) Veterans who enroll would become eligible for heath care for all their ailments, including those not related to their hepatitis C infection.

Based on data about veterans' health coverage, CBO assumes that 10 percent of veterans who are not enrolled for medical care from VA do not have health insurance and that 80 percent of those uninsured veterans would enroll under the bill. Based on data from VA about the costs of medical services for comparable disability ratings, CBO estimates that the cost per patient would be over $5,800 in 2005. In 2005, about 5,200 veterans would receive care at a cost of $31 million.

Administrative Costs. Processing new claims for compensation and DIC would increase the staffing needs of VA. Most of these costs would be incurred over the next five years as veterans apply for benefits. The annual caseload would peak at about 60,000 cases in 2001 before tapering off significantly. CBO estimates that, at this peak, the VA would require approximately 200 additional trained staff to process these claims based on VA's workload factors. CBO estimates that processing the new claims would cost about $60 million over the 2001-2005 period.

PAY-AS-YOU-GO CONSIDERATIONS

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 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										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	0	77	166	261	361	451	443	427	475	496	516
Changes in receipts	Not applicable										

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1020 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: Evan Christman
Impact on State, Local, and Tribal Governments: Susan Sieg Tompkins
Impact on the Private Sector: Rachel Schmidt

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis