



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 17, 1998

S. 2358

Persian Gulf War Veterans Act of 1998

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

SUMMARY

S. 2358 would provide a mechanism for establishing a service connection for illnesses associated with service in the Persian Gulf War and would extend and enhance certain health care authorities related to such service. CBO estimates that enacting the bill would increase direct spending by about \$41 million over the 1999-2003 period; in addition, it would increase discretionary spending by \$69 million in 1999 and by \$342 million over the five-year period, assuming appropriation of the necessary amounts. Because the bill would raise 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 a significant effect on the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2358 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 due to the provision of medical care services, assuming appropriation of the necessary amounts. The costs of this bill would fall within budget function 700 (veterans' affairs).

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
DISABILITY COMPENSATION						
Spending Under Current Law						
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	0	0	0	10	30
Estimated Outlays	0	0	0	0	10	30
Spending Under S. 2358						
Estimated Budget Authority	17,115	18,271	19,296	20,784	22,203	23,617
Estimated Outlays	17,039	18,164	19,252	20,741	22,168	23,584
EVALUATION OF DEPENDENTS OF GULF WAR VETERANS						
Proposed Changes						
Estimated Budget Authority	0	a	a	a	0	0
Estimated Outlays	0	a	a	a	0	0
VETERANS' MEDICAL CARE						
Spending Under Current Law						
Estimated Authorization Level ^b	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	77	107	109	35	16
Estimated Outlays	0	69	104	108	42	19
Spending Under S. 2358						
Estimated Authorization Level ^b	17,739	17,816	17,846	17,848	17,773	17,755
Estimated Outlays	17,615	18,191	17,867	17,847	17,781	17,758
TOTAL PROPOSED CHANGES						
Direct Spending						
Estimated Budget Authority	0	a	a	a	10	30
Estimated Outlays	0	a	a	a	10	30
Spending Subject to Appropriation						
Estimated Authorization Level	0	77	107	109	35	16
Estimated Outlays	0	69	104	108	42	19

a. Less than \$500,000.

b. 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

Veterans of the Persian Gulf War are entitled to disability compensation under the same conditions as other veterans, but in addition, current law allows VA to award benefits to Gulf War veterans suffering from undiagnosed illnesses. In general, a veteran is eligible for disability compensation if a diagnosed illness becomes manifest during military service or during the one-year period following discharge—the so-called presumptive period. Gulf War veterans are also eligible for the benefit if they have an undiagnosed illness, but in those cases the presumptive period lasts, under current regulations, until 2001 for illnesses that have chronic symptoms. Based on those criteria and others, VA pays disability compensation to approximately 80,000 Gulf War veterans out of the approximately 697,000 U.S. troops deployed to the Persian Gulf region during Operations Desert Shield and Desert Storm.

S. 2358 would set up a mechanism for VA to establish a list of illnesses that would be presumed to have a connection to military service for Gulf War veterans. S. 2358 would establish a presumption, unless there is conclusive evidence to the contrary, that ailing Gulf War veterans were exposed to approximately 30 different agents, hazards, and vaccines listed in the bill if VA regulations associate exposure with the illness. The bill would provide that whenever VA determines that sound medical and scientific evidence points to a positive association between those exposures and diagnosed or undiagnosed diseases, VA shall prescribe regulations presuming that the illness is connected to military service if it occurs in a veteran during a time period to be also set by regulations. In making those determinations, VA would be required to consider several factors including reports by the National Academy of Science (NAS) that the bill would require. It would also allow VA to remove existing presumptions for illnesses that VA determines are not warranted based on a NAS report. (Individuals receiving benefits based on the existing presumption would continue to receive them.)

S. 2358 would require that NAS determine whether exposure to an item on the list has statistical association with an illness, the increased risk of illness due to exposure, and the plausibility of a biological mechanism or other evidence of a causal relationship. Within 18 months of the bill's enactment, NAS would be required to identify the hazards faced by individuals who served in the theater of operations during the war and the illnesses that are manifest in such members. In addition, NAS would review potential treatment models for certain illnesses and make recommendations for additional scientific studies. NAS would also be required to conduct ongoing reviews of the evidence and data on exposures and illnesses associated with service during the Persian Gulf War.

The bill would raise spending for disability compensation because it would increase VA's authority to determine what diseases are service connected for Gulf War veterans and when the disease must become manifest before it would pay benefits. The potential costs are increased by provisions that would define the standards that VA would use and that, under certain conditions, would grant a broad presumption of exposure to the agents, hazards, and vaccines. The statistical standard under the bill could lead to benefits for veterans whose exposure falls short of that which might be found to cause disease. It is also possible that veterans could suffer those diseases from causes apart from their service in the Gulf War—for example, hazards experienced in their subsequent civilian employment—yet be eligible for compensation under the presumed linkages that could be established under the bill. Much would depend on medical research and the length of the presumptive periods determined by VA.

The budgetary impact can vary widely depending on what NAS and other researchers find and how VA would use its discretion. CBO has no basis for estimating what medical research will uncover regarding the health effects of the agents, hazards, and vaccines listed in the bill. Under current law, roughly 80,000 veterans who do not qualify based on income or diagnosed disabilities come to VA for medical care because of conditions related to service during the Gulf War. This population provides some indication of how many veterans might benefit from the bill—at least for illnesses that occur within 10 years. Some of these veterans might not qualify under the bill for disability compensation, on the other hand others who do not come to VA for medical care might qualify—especially veterans whose ailments might occur many years from now. Thus, based on the average benefit currently paid to other Gulf War veterans—about \$3,500 annually—the annual costs of S. 2358 could be \$300 million dollars a year or more, depending on the number of ailing veterans who seek medical care from VA. Because of the time it would take for the medical research, deliberations within VA, and manifestation of some diseases, the full budgetary impact of the bill might not be felt for 10 to 20 years. CBO estimates that these provisions of the bill would raise direct spending by about \$40 million over the 1999-2003 period.

Evaluation of Health Status of Dependents of Gulf War Veterans

Section 202 would extend the Persian Gulf Spouse and Children Examination Program until December 31, 2001. This program, which expires on December 31, 1998, requires VA to provide diagnostic testing and health examinations, but not treatment, to dependents of Gulf War veterans who volunteer for testing in order to study the association between illnesses of veterans and illnesses of their family members. In addition, this bill would require VA to conduct specific outreach activities to promote the program, reimburse private-sector physicians who provide health examinations in accordance with the program, and reimburse dependents for the costs of travel.

A recent audit by the General Accounting Office found that VA has spent only \$150,000 of the \$2 million appropriated for the program in the 18 months that it has been operational. This spending covered the costs of 871 exams.

CBO expects that VA's spending will accelerate over the three-year extension period but still be less than \$500,000 annually. VA currently has another 800 exams pending or in process. CBO expects that demand for such exams would increase as a result of the changes in reimbursement policies and outreach activities specified in this bill.

Veterans' Medical Care

As shown in the following table, the bill contains several provisions that would raise spending for veterans' medical care, assuming appropriation of the necessary amounts.

Special Eligibility for Priority Care. Under current law, veterans with compensable service-connected disabilities or income below a certain threshold have priority access to VA medical care. In addition, current law grants all veterans who served in the Southwest Asia theater during the Gulf War priority for VA care until December 31, 1998. Section 201 would extend eligibility for priority care to these veterans until December 31, 2001. (Eligibility based on disability and income would remain part of permanent law.)

CBO estimates that the cost of extending priority care under this bill would be \$66 million in 1999 and \$306 million over the three-year extension, assuming appropriation of the necessary amounts. CBO estimates that about 136,000 veterans would seek priority medical care annually under this bill. This estimate is based on the number of Gulf War veterans who received outpatient care from the VA through April 30, 1998, according to an analysis of VA's Patient Treatment File. But many of these veterans would already be eligible for priority-level care based on service-connected disabilities or income. CBO assumes that 40 percent would qualify for priority care for those reasons, based on the proportion of Gulf War veterans that VA treated in 1996 who met those conditions. We estimate that the other 60 percent—roughly 80,000 veterans per year—would receive additional care costing about \$1,300 per person each year.

Care for New Compensation Recipients. Veterans awarded disability compensation under S. 2358 would thereby become eligible for priority medical care from VA. Such eligibility would not begin until 2002, when compensation benefits under this bill are first expected to be awarded. CBO estimates that discretionary medical spending would increase by \$3 million in 2002 and \$11 million in 2003 based on assumptions similar to those described above for the extension of special eligibility of Gulf War veterans.

Other Provisions. Section 102 would require VA to contract with NAS for a review and evaluation of the available scientific evidence regarding associations between illnesses and exposures among Gulf War veterans, a review of potential treatment models, and additional reviews on an ongoing basis. CBO estimates that implementing these provisions would result in outlays of about \$1 million a year over the 1999-2003 period.

	1999	2000	2001	2002	2003
SPENDING SUBJECT TO APPROPRIATIONS					
Proposed Changes					
Special Eligibility for Priority Care (Section 201)					
Estimated Authorization Level	74	101	105	27	0
Estimated Outlays	66	98	104	35	4
Care for New Compensation Recipients (Section 101)					
Estimated Authorization Level	0	0	0	4	12
Estimated Outlays	0	0	0	3	11
Scientific Evaluations by the National Academy of Sciences (Section 102)					
Estimated Authorization Level	1	1	1	1	1
Estimated Outlays	1	1	1	1	1
Database Development (Section 103)					
Estimated Authorization Level	1	5	3	3	3
Estimated Outlays	1	5	3	3	3
Study of Independent Entity (Section 301)					
Estimated Authorization Level	1	0	0	0	0
Estimated Outlays	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total					
Estimated Authorization Level	77	107	109	35	16
Estimated Outlays	69	104	108	42	19

Section 103 would require VA, in consultation with the Department of Defense (DoD), to develop a plan for the creation of a computerized database to collect, store, and analyze information on the health status and health care of Gulf War veterans. The plan would be reviewed by NAS within one year of the bill's enactment and implemented by VA thereafter. Based on costs of similar databases, CBO estimates that this provision would result in outlays of about \$1 million in 1999 and about \$15 million over the 1999-2003 period.

Section 301 would require VA to contract with NAS for recommendations on the establishment of an independent entity that would evaluate and monitor post-conflict illnesses of members of the armed forces. CBO estimates that this provision would result in \$1 million in outlays in 1999, based on costs of NAS studies that are similar in scope.

Section 105 would require VA and DoD to carry out ongoing outreach programs to provide Gulf War veterans with information about the health risks associated with service and any services or benefits available to them. CBO estimates that this provision would have no significant budgetary impact because VA is undertaking similar activities under current law.

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											
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Changes in outlays		0	0	0	0	10	30	50	70	90	110	130
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 of 1995 and would not have a significant effect on the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On July 6, 1998, CBO prepared a cost estimate for H.R. 3980 as ordered reported by the House Committee on Veterans' Affairs. Section 2 of that bill is similar to section 201 of S. 2358 because both sections would extend VA's authority to provide medical care to certain Gulf War veterans. The cost estimates for that provision are the same. H.R. 3980 would

extend similar authority to VA for veterans of future wars or conflicts, but CBO is unable to estimate those costs.

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