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**Veterans' Disability Benefits Commission
Research Question #20:**

“Certain criteria and/or levels of disability are required for entitlement to ancillary and special purpose benefits. To what extent, if any, do the required thresholds need to change?”

Introduction:

This paper examines two types of benefits available to veterans and their families. The first group to be addressed is the ancillary benefits. Eligibility for ancillary benefits is contingent on the type of disability entitlement the veteran has or the circumstances of the veteran's death. Although not specifically Ancillary Benefits, Special Monthly Compensation (SMC), Aid and Attendance and Housebound Benefits will be covered in this paper because these benefits are paid in addition to the basic disability compensation rate (combined degree). The other types are special purpose benefits that other categories of veterans are entitled to use. Survivor and dependents' benefits will be addressed separately in a section following the discussion on veterans' benefits. The following information is intended to provide an overview of these benefits and a framework by which decisions can be made by the Commission.

Background:

In 2008, Congress will allocate monies totaling \$803,624,000 to fund programs for veterans with service-connected disabilities commonly referred to as ancillary benefits. These benefits are defined as pertaining to, or deriving from, the entitlement of service-connected benefits.¹ Ancillary benefits are secondary benefits that are considered when evaluating claims for compensation, or Dependency and Indemnity Compensation (DIC) entitlement. Eligibility is contingent on the type of disability entitlement the veteran has or for survivors based upon the circumstances of the veteran's death.² Veterans suffering from service-connected injuries and their beneficiaries are the primary recipients.

Compensation

Compensation is a monetary benefit paid to veterans who are disabled by an injury or illness that was incurred or aggravated during active military service and discharged under conditions other than dishonorable. Compensation varies by degree of disability and monthly payments are made in 10 percent increments ranging from 0 to 100 percent. Once a veteran is rated 30 percent or above, the number of dependents a veteran has will also affect monthly compensation rates since there is a sliding scale for a spouse and/or child(ren). Veterans with

¹ Department of Veterans' Affairs, M21-1MR (http://www.warms.vba.va.gov/M21_1MR.html#h), 2A-7

² Department of Veterans' Affairs, M21-1MR (http://www.warms.vba.va.gov/M21_1MR.html#h), 6B-4.

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severe disabilities may be eligible for additional special monthly compensation. Compensation payments are made to the veteran on a monthly basis and are not subject to federal or state income tax. Ancillary benefits are considered when evaluating claims for compensation, or Dependency and Indemnity Compensation (DIC).³

2007 Compensation Rates for Veterans⁴

Rating	Monthly \$
10 %	\$115
20%	\$225
30%	\$348
40%	\$501
50%	\$712
60%	\$901
70%	\$1,135
80%	\$1,319
90%	\$1,483
100%	\$2,471

The following will provide a synopsis of each of the ancillary benefits and the level of the benefit as they apply to veterans.

Ancillary Benefits for Veterans:

Service-connected disabled veterans are eligible for several ancillary benefits including:

- **Automotive and Adaptive Equipment**
- **Clothing Allowance**
- **Specially Adapted Housing**
- **Vocational Rehabilitation and Employment**
- **Special Monthly Compensation**
- **Aid and Attendance or Housebound.** ⁵

Automotive and Adaptive Equipment

This benefit is provided to veterans and any member of the Armed Forces serving on active duty that meet one or more of these criteria: a) loss, or permanent loss of use, of one, or both feet, b) loss, or permanent loss of use, of one or both hands, and/or c) Permanent impairment of vision of both eyes:

³ Department of Veterans Affairs, *Federal Benefits for Veterans and Dependents: 2007 Edition*. Washington, DC. p.15

⁴ Ibid. p. 16

⁵ Department of Veterans' Affairs, M21-1MR (http://www.warms.vba.va.gov/M21_1MR.html#h), 6B-4...

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Central visual acuity of 20/200 or less in the better eye, with corrective glasses, or central visual acuity of more than 20/200 if there is a field defect in which the peripheral field has contracted to such an extent that the widest diameter of visual field subtends an angular distance no greater than 20° in the better eye. The service-connected veteran is eligible to receive a maximum amount of \$11,000 to purchase one automobile. The veteran is also provided an allowance for the purchase of adaptive equipment as needed, such as when a new vehicle is purchased. Adaptive equipment includes such items as power steering, power brakes, hand brakes, power windows, lifts, power seats, and any other special equipment necessary to assist in the health and safety of the veteran, such as air conditioning and/or other interior modification.

Historical Automobile Allowance Rates

PL 79-663	PL 91-666	PL 93-538	PL 95-476	PL 97-66	PL 98-543	PL 100-322
8/8/46	1/11/71	2/1/75	10/18/78	10/1/81	1/1/85	4/1/88
\$1,600	\$2,800	\$3,300	\$3,800	\$4,400	\$5,000	\$5,500
PL 105-178	PL 107-103	PL 108-183				
10/1/98	12/27/01	12/16/03				
\$8,000	\$9,000	\$11,000				

In 1946, Congress' original intent when it established this benefit was for it to cover eighty percent of the cost of a new automobile, and set the rate at \$1,600.⁶ The table above highlights the increases to the allowance since that time. During the last sixty years, the automobile and adaptive assistance benefit has undergone nine refinements. The current level of expenditure, which is \$11,000, is four hundred percent higher than the initial level. However, despite these increases and the fact the automobile benefit has stayed consistent with inflation, it has not maintained the original intention, since it has not kept pace with the average cost of a new automobile. In the 2005 market this was \$28,400 according to the National Automobile Dealers Association⁷. Therefore for 2006, the grant only supplied 38 percent or \$11,000 of a new car cost.⁸ In order to re-

⁶ The Independent Budget: Fiscal Year 2008. Washington, DC: Spring 2007. p. 16

⁷ NADA Services Corp. 2006 NADA Data: Economic Impact of America's New Cars and New Truck Dealers. National Automobile Dealers Association. May 2006. [cited April 30, 2007]; available from: http://www.nada.org/NR/rdonlyres/538D2699-BF00-4C73-A162-7A4FBBAC62E0/0/NADA_Data_2006pdf.pdf; Internet. p.11

⁸ U.S. Department of Commerce, Bureau of Economic Analysis, "National Income and Product Accounts?" [cited April 23 2007]; available from: http://209.85.165.104/search?q=cache:mPGVNTeg37AJ:cta.ornl.gov/data/tedb25/Spreadsheets/Table10_10.xls+average+cost+of+car,+1974&hl=en&ct=clnk&cd=1&gl=us; Internet. P 2.

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establish Congressional intent for this allowance the current rate should be at \$19,200.

The overall automobile allowance and adaptive assistance benefit is expected to increase. In 2006, VA spent \$14,246,000 on automobile allowance and \$36,494,000 on adaptive assistance. VA expects these expenditures to increase for the adaptive assistance. VA projects it will continue to spend \$14,200,000 on automobile allowance, but will increase to \$38,800,000 for adaptive assistance for FY2008.⁹

Current law does not extend this benefit to all service-connected veterans. Veterans that suffer from burn injuries are not entitled to this adaptive equipment benefit. However, there is legislation pending regarding this issue. The *Veterans Housing Benefits Enhancement Act of 2007* would provide veterans with burns access to the benefit and require VA to identify and report on other injured veterans not covered by the benefit.

Therefore, this benefit could be improved by increasing its value to meet the 80 percent automobile allowance intention set by Congress, and by extending the automotive adaptive assistance availability to eligible veterans who are service connected for severe burns or other identifiable severe injuries not yet otherwise specified.

Clothing Allowance

VA is authorized to pay certain service connected veterans \$662 per year for a clothing allowance.¹⁰ Veterans accrue this benefit, and are paid yearly in the month of August. This benefit is provided to veterans when: a) the veteran is service-connected for anatomical loss, b) the veteran certifies he/she wears or uses an artificial limb, rigid extremity brace, wheelchair, or crutches, c) the use of the prosthetic or orthopedic device is not contradicted by medical, d) the use of medication for a skin ailment causes damage to undergarments (requires a medical determination), or e) if the prosthetic, or orthopedic appliance (including a wheelchair) wears-out, or tears the clothing of the veteran.¹¹ A veteran who is hospitalized continues to receive annual clothing allowance irrespective of the duration of the hospitalization. A veteran who is incarcerated continues to receive the allowance, but it is limited depending on the duration of the incarceration.¹² Essentially, the longer the period of incarceration the lower the amount of monies provided to the veterans for his/her clothing allowance. The death of a veteran does not necessarily terminate the payment of the benefit. If a rating decision or evidence in file at the date of death indicates that the veteran met the eligibility

⁹Department of Veterans' Affairs, *Summary Volume IV* (<http://www.va.gov/budget/summary/VolumeIVSummaryVolume.pdf>), 3A-14.

¹⁰ Department of Veterans' Affairs, "Special Benefits Allowances Rate Table," [cited February 20 2007], available from: <http://www.vba.va.gov/bln/21/Rates/special1.htm>; Internet.

¹¹ Department of Veterans' Affairs, M21-1MR (http://www.warms.vba.va.gov/M21_1MR.html#h), 7-3

¹² Department of Veterans' Affairs, M21-1MR (http://www.warms.vba.va.gov/M21_1MR.html#h), 7-4

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requirements as of the August 1st date prior to death, then the lump-sum clothing allowance is due and payable as an accrued clothing allowance. In this instance, the allocation of the lump sum payment is payable without pro rata accumulation for any portion of a year.¹³

In 1972, VA was given the authority under PL 92-328 to provide a clothing allowance to eligible veterans.¹⁴ The monetary value of the benefit was initially \$150. During the last thirty five years, the clothing allowance benefit has undergone 33 refinements that increased the level of expenditure. Congress has enacted increases to offset inflation. The current level of expenditure (\$662) is four hundred and forty-five percent higher than the initial level. Despite the increases, the clothing allowance benefit has not stayed consistent with inflation. The current level of expenditure is ten percent less than the level needed to remain consistent with inflation.¹⁵ The benefit would need to be increased to \$730 to keep pace with inflation. The clothing allowance benefit is predicted to increase. In 2006, VA spent \$54,412,000 on clothing allowances and expects these expenditures to rise. VA projects it will spend \$61,157,000 on clothing allowances for FY2008.¹⁶

Specially Adapted Housing (SAH)

This benefit assists veterans or service members in adapting a presently owned home or acquiring a residence adapted with special features. The Veterans Service Center (VSC) is responsible for determining eligibility for SAH grant. Determinations regarding medical feasibility of home adaptations are made by a Veterans Health Administration (VHA) physician at the request of Loan Guaranty.¹⁷ A veteran or an active duty service member is eligible for SAH when a disability causes permanent disability due to: a) active military service, b) hospital care, medical or surgical treatment, or examination at a VA medical facility, c) the pursuit of vocational training or d) participation in a compensated work therapy program.¹⁸ The maximum amount of money that a veteran can receive is \$50,000. A veteran can elect to use \$14,000 of this grant on alternations to a family member's home under the Temporary Assistance Adaptation program.

¹³Department of Veterans' Affairs, M21-1MR (http://www.warms.vba.va.gov/M21_1MR.html#h), 7-6.

¹⁴ Office of the Law Revision Counsel, "38 USC Sec. 1162," in Thomas Online [cited 15 February 2007]; available from: <http://uscode.house.gov/uscode-cgi/fastweb.exe?getdoc+uscview+t37t40+320+1+++%28%29%20%20AND%20%28%2838%29%20ADJ%20USC%29%3ACITE%20AND%20%28USC%20w%2F10%20%281162%29%29%3ACITE%20%20%20%20%20%20%20>; Internet.

¹⁵Federal Reserve Bank of Minneapolis, "What is a Dollar Worth?" [cited February 20 2007]; available from: <http://woodrow.mpls.frb.fed.us/research/data/us/calc/index.cfm>; Internet.

¹⁶ Department of Veterans' Affairs, Summary Volume IV (<http://www.va.gov/budget/summary/VolumeIVSummaryVolume.pdf>), 3A-4.

¹⁷Department of Veterans' Affairs, M21-1MR (http://www.warms.vba.va.gov/admin21/m21_1/mr/part3/subptiv/ch06/ch06_secb.doc), 2A-8.

¹⁸ Department of Veterans' Affairs, M21-1MR (http://www.warms.vba.va.gov/M21_1MR.html#h), 3-2.

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Qualifying conditions are conditions that:

- are permanently and totally disabling
- preclude locomotion without the aid of braces, crutches, canes, or a wheelchair due to the loss, or loss of use of:
 - both lower extremities
 - one lower extremity together with residuals of organic disease or injury, which so affect the functions of balance or propulsion, or
 - one lower extremity, together with one upper extremity, which so affects the functions of balance or propulsion
 - result in the loss, or loss of use, of both upper extremities at or above the elbow, or
 - cause blindness in both eyes, having light perception only, combined with the loss or loss of use of one lower extremity.

Exception: Servicepersons may not qualify for benefits based on the loss, or loss of use of, both upper extremities.

Note: "Preclude locomotion" means the necessity for regular, constant use of a wheelchair, braces, crutches or canes as a normal mode of locomotion although occasional locomotion by other methods may be possible.

In addition to SAH, some veterans are eligible to receive Special Housing Adaptation (SHA) grants from the Veterans Health Administration (VHA). One available grant is the Home Improvement and Structural Alteration grant. The grant is used for the continuation of treatment or for access to the front entrance of the home, bathroom, or other necessary sanitary facilities when he/she has a service-connected condition that is due to blindness in both eyes with 5/200 visual acuity, or includes anatomical loss or loss of use of both hands. Benefits are not provided to veterans that combine service-connected disabilities with non service-connected disabilities. VHA provides a maximum of \$4,100 to service-connected veterans and \$1,200 to non service-connected veterans to make these structural changes. This is a one time benefit.¹⁹ In addition, service-connected veterans are eligible for the maximum SHA grant. This grant is used to assist veteran's mobility throughout their home. The maximum amount is \$10,000. The same eligibility requirements are shared between the \$10,000 SHA grant and the Home Improvement and Structural Alteration grant. \$2,000 of that grant can be used to alter a family member's home under the Temporary Assistance Adaptation program.

¹⁹ Department of Veterans Affairs, *Federal Benefits for Veterans and Dependents: 2007 Edition*. Washington, DC. p 9.

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A was given the authority, by PL 91-22, to provide specially adapted housing funds to eligible veterans in 1969.²⁰ The monetary value of the benefit was \$10,000. During the last thirty years, the specially adapted housing provision has undergone many refinements, mostly to increase the level of expenditure associated with the benefit. Increases were incorporated to offset inflation. As a result, the current level of expenditure (\$50,000) is five hundred percent higher than the initial level. The special adapted housing benefit is expected to grow. In 2006, VA spent \$25,780,000 on specially adapted housing, and expects these expenditures to rise. VA projects it will spend \$26,520,000 on special adapted housing for FY2008.²¹

In Evaluation of VA's Home Loan Guaranty Program, the Systems Flow, Inc. (SFI) concluded that the SAH is "a successful program that is exceeding its performance standard."²² They came to that conclusion after evaluating a key congressional expectation regarding whether the program was well received by the veterans participating in it. At the time of the report, only 5.3% of eligible disabled veterans surveyed reported that they received information concerning the program.²³ In terms of veteran satisfaction, the report stated that "participants are generally satisfied with the program." The report also discovered that 94.3% of participating veterans stated that they were satisfied or very satisfied with the grant.²⁴ Although the report viewed the program in a favorable light, SFI found some issues with SAH. For example, they stated that the program failed to account for "the rising cost of construction [for it] is a leading factor as to why the maximum grant amount may not be sufficient in the future."²⁵ In order to remedy this issue, the report recommended that VA "increase the maximum SAH amount based on annual increases in construction costs."²⁶

Current law does not extend this benefit to all service-connected veterans. Veterans that suffer from burn injuries are not entitled to the monies this benefit provides for renovating their homes. However, the *Veterans Housing Benefits Enhancement Act of 2007* if enacted would provide veterans with burns access to the benefit and make the VA draw up a report that identifies other injured veterans not covered by the benefit.

²⁰ Office of the Law Revision Counsel, "38 USC Sec. 1162," in Thomas Online [cited 15 February 2007]; available from: <http://uscode.house.gov/uscode-cgi/fastweb.exe?getdoc+uscview+t37t40+592+8++%28%29%20%20AND%20%28%2838%29%20ADJ%20USC%29%3ACITE%20%20AND%20%28CHAPTER%20ADJ%20%2821%29%29%3AEXPCITE%20%20%20%20%20%20>; Internet.

²¹ Department of Veterans' Affairs, Summary Volume IV (<http://www.va.gov/budget/summary/VolumeIVSummaryVolume.pdf>), 3A-14

²² Systems Flow, Inc., Evaluation of VA's Home Loan Guaranty Program, (July 2004), 10-13.

²³ Ibid, 10-4.

²⁴ Ibid, 10-12.

²⁵ Ibid, 10-13.

²⁶ Ibid, 10-13.

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Overall, the special adapted housing benefit has not stayed consistent with inflation. The current level of expenditure is ten percent less than the level needed to remain consistent with inflation.²⁷ The benefit would need to be increased to \$55,000 to keep pace with inflation.

Furthermore, this benefit does not take into account a veteran's need to relocate. For example, a severely injured service member may need to temporarily live with a caregiver, but over time may gain more independence, and be able to live alone. If this one time benefit was used to modify transitional housing, then it would not be available for a more permanent residence.

Vocational Rehabilitation and Employment (VR&E)

The Commission is exploring VR&E more extensively by addressing it in a separate issue paper. However, a brief description is offered here since it is considered an ancillary benefit.

During World War I, the benefit was first offered to disabled veterans under the War Risk Insurance Act. Today, the aim of this program is to help veterans realize their highest level of independence. This includes assisting veterans in achieving functional independence in daily activities, or providing training that allows them to acquire and maintain employment.²⁸ A veteran is eligible for vocational rehabilitation when he/she has a VA established service-connected disability (10 percent with a serious employment handicap, or 20 percent with an employment handicap), and leaves the military under honorable circumstances.²⁹ If a veteran is eligible, the following services are available: a) evaluation of abilities, b) assistance in finding and maintaining suitable employment, c) vocational counseling and planning, and d) training. Most veterans participate in the education and training programs. Eligible veterans have the option to reject the listed services and opt for direct employment. This is offered to veterans that do not need vocational rehabilitation to overcome a handicap that adversely affects employment. The following services are provided to those eligible for direct employment: job placement activities, and modification of necessary equipment.³⁰ A veteran must complete vocational rehabilitation twelve years from departing the military or twelve years from the date VA notifies the veteran of their service-connected status. Veterans enrolled in VR&E are called "trainees" and are placed into one of three categories: trainees receiving a monthly subsistence allowance, trainees not receiving subsistence, or trainees receiving rehabilitative evaluation, planning, and delivery services.³¹

²⁷ Federal Reserve Bank of Minneapolis, "What is a Dollar Worth?" [cited February 20 2007]; available from: <http://woodrow.mpls.frb.fed.us/research/data/us/calc/index.cfm>; Internet.

²⁸ Department of Veterans' Affairs, "Improper Payments Act of 2002 Reporting Details?" [cited: February 11 2007]; available from: <http://www.va.gov/budget/Report/HTML/additional-information/improper-payments-act/index.html>; Internet.

²⁹ Department of Veterans' Affairs, M21-1MR (http://www.warms.vba.va.gov/M21_1MR.html#h), 1A-2

³⁰ Department of Veterans' Affairs, "History of Veterans' Vocational Rehabilitation" [cited: February 10 2007]; available from: <http://www.vba.va.gov/ro/sandiego/vre/History.html>; Internet.

³¹ Ibid.

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The purpose of subsistence pay is to augment living expenses in (housing, clothing, etc.) in order to aid veterans pursuing education or training. For these veterans, the benefit becomes a means to assist in functionality with his /her family or community. This aid is provided by making monthly payments to the veteran to offset the additional cost of pursuing vocational rehabilitation or education.

A veteran can receive subsistence pay when he/she participates in vocational rehabilitation. The subsistence pay is available to veterans that participate in the following programs: independent study, higher education, farm apprentice, on the job training, independent instruction, training in home, and vocational rehab in sheltered workshop. Along with subsistence pay, a veteran receives child care services, if child care is too difficult to obtain.

Under 38 U.S.C. Chapter 31 §21.310, a veteran receives a monthly subsistence payment based upon the number of credit hours. The credit hours are either determined by the entity providing the training or VA, which utilizes its own pre-determined credit rates. At the present, VA utilizes the following rate schedule:

- a) full time is equivalent to 120 or more hours
- b) three-quarter time is equivalent to 90-119 hours
- c) half-time is equivalent to 60-89 hours
- d) quarter-time is equivalent to 30-59 hours³²

The amount of payment attributed to each credit hour of training is detailed in 38 CFR §21.26. VA determines the amount of payment in two ways. First, VA utilizes the current hourly federal minimum wage, whose authority can be found in section 6a of the Fair Labor Standards Act of 1938. Applying this standard yields a subsistence payment of \$508.04/month for a veteran enrolled full time. Second, VA utilizes the hourly minimum wage of the state in which the training originates. The relationship between the hourly payments of credits to the minimum wage creates subsistence pay differentials amongst veterans with the same number of credit hours. For example, the current federal minimum wage is \$5.15. As of January 2007, twenty-eight states have minimum wage rates higher than the federal government.³³ Therefore, veterans from the state of California (\$7.15) are paid higher subsistence pay than those in Mississippi (\$5.15).

The federal subsistence payment does not compare favorably with the “room and board” rates of five randomly selected universities. Room and board rates are the costs associated with a student’s meal plan, clothing needs, housing, etc. In graph one, a comparison can be viewed between the rate of subsistence pay,

³² Federal Veterans Laws, Rules and Regulations, 2006 Edition, s.v. “ 38 CFR § 21.310”, 1163.

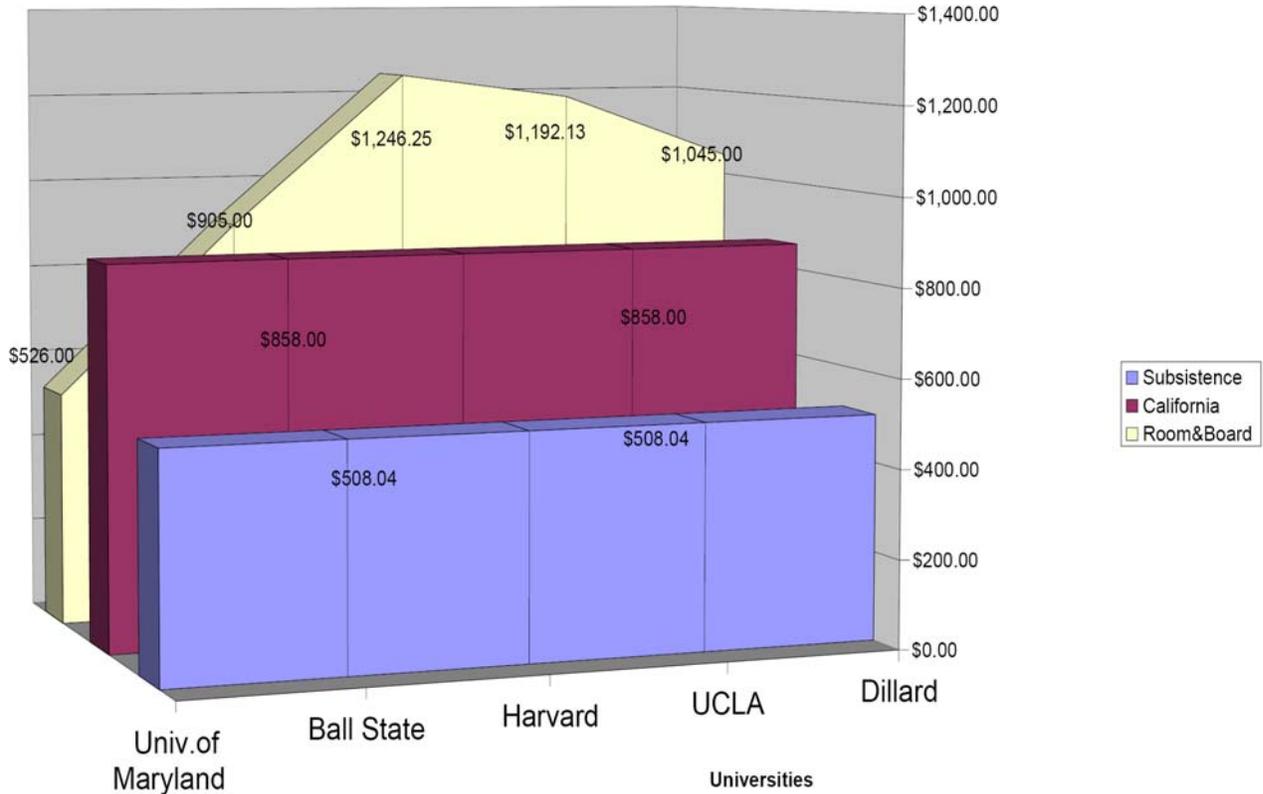
³³ Unknown, “Minimum Wage Laws in States – January 7, 2007,” at Department of Labor website [May 23, 2007]; available from <http://www.dol.gov/esa/minwage/america.htm>; Internet.

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“room and board” rates of five randomly selected universities, and the Californian subsistence pay amount.

Subsistence, University Room & Board Rates vs. California Veteran Rate



Graph 1

An important principle in regards to VA payment is the emphasis on the amount of hours the veteran is willing to perform. Veterans that spend more time within educational and training programs will be provided more funds. Contrarily, veterans that spend less time in approved educational or vocation programs will be provided less funds.

The VR&E benefit is expected to increase in cost. As of 2006, there are 94,500 veterans participating in the program.³⁴ In order to accommodate them, VA spent \$226,039,000 on VR&E subsistence allowances and \$340,341,000 on supplemental materials (tuition, books, supplies, fees, etc.) VA expects these expenditures to rise. Cost projections for FY2008 show VA spending

³⁴ Refer the Appendix, Figure 3

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\$252,982,000 on VR&E subsistence allowances and \$409,965,000 on supplemental materials.³⁵

Special Monthly Compensation

Special monthly compensation (SMC) is defined under in 38 USC § 1114. Special Monthly Compensation (SMC) is a rate paid in addition to (i.e., SMC (K)) or in place of 0% to 100% combined degree compensation. In order to be eligible for the benefit, a veteran must be disabled beyond a combined degree percentage or due to special circumstances (i.e., aid and attendance, loss of use of one hand, etc.). SMC is unique because it differs with other forms of disability compensation in two ways. First, the benefit is associated with non-economical factors. These factors include personal inconvenience, social inadaptability, and the profoundness of the disability. Second, the VA considers the benefit as an “inferred issue.” This means that the entitlement can be given to the veteran solely on the merits of the medical evidence and without the veteran having to file a specific claim for the benefit. As of 2005, there were 210,148 disabled veterans receiving compensation with SMC awards.³⁶

VA has been given direct authority, under PL 85-857, to provide special monthly compensation to eligible veterans. The amount of compensation a veteran receives is calculated at the time a claim is adjudicated by adding the compensation rate for their level of disability with the rate associated with the degree of disability outlined under the special monthly compensation rates. A veteran’s SMC payment would depend on the nature of the disability. Disabilities fall within an “a” to “o” spectrum. The compensation levels found at “a”, “b”, “c”, “d”, “e”, “f”, “g”, “h”, “i”, and “j” equate to the 10 to 100 percent disability ratings. SMC rates found at Level “k”, “l”, “m”, “n”, and “o” and are for the anatomical loss or loss of use of one or more creative organs, or one foot, or one hand, both buttocks, or blindness in one eye and having only light perception in the other eye, or rendered unable to speak, or deafness in both ears, or in the case of a female veteran, suffered the anatomical loss of one or both breasts, including by mastectomy. So, for example, if a veteran is a below the knee amputee rated at 100 percent and determined to fall at the designation “k”, then he or she would be paid \$2,560 per month. This value is ascertained by adding the hundred percent disability compensation rate (\$2,471 per month) and the special monthly compensation for “k” (\$89 per month).

As shown in Chart 1, the lowest level of compensation a veteran with a “k” award would receive would be approximately \$89 a month. The highest level of SMC for a single veteran who is entitled to the higher level of aid and attendance (R2) would be \$7,070 per month.

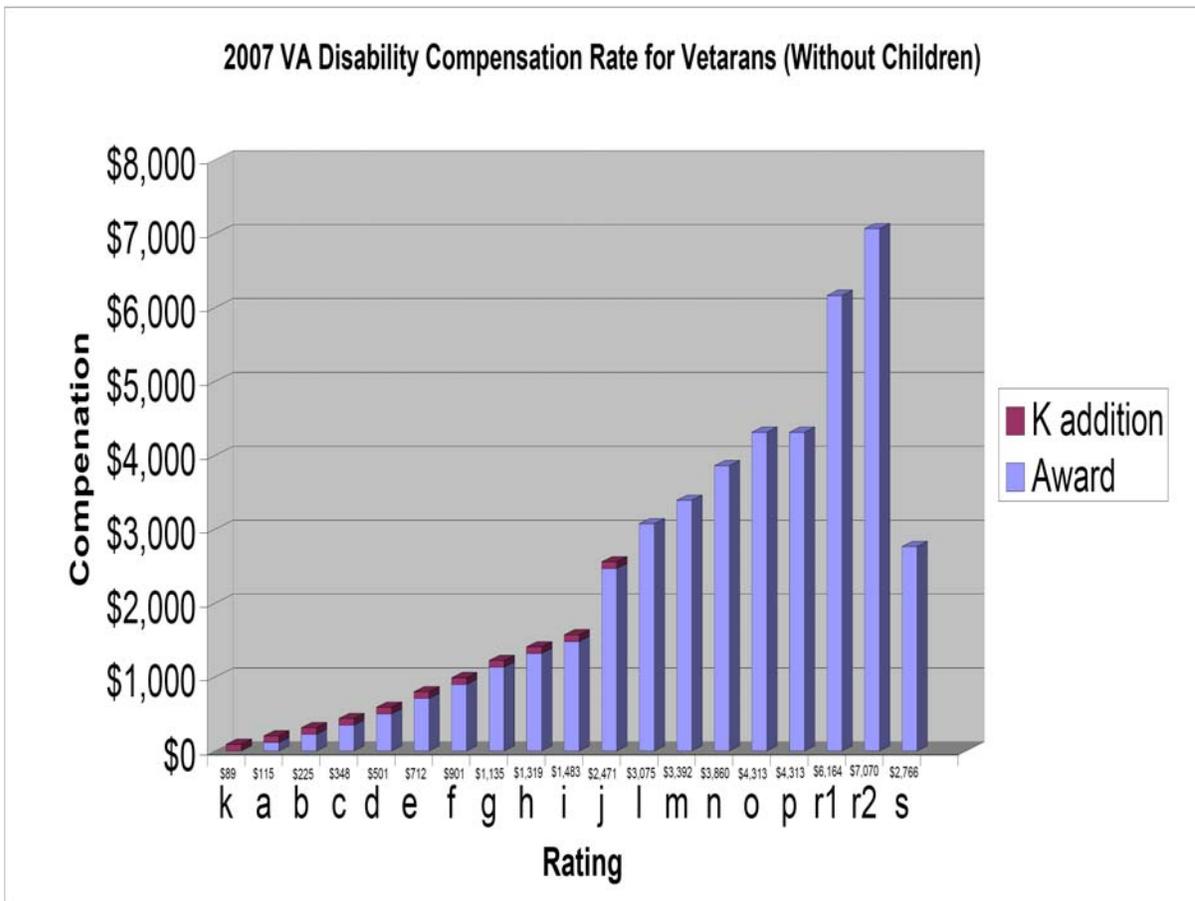
³⁵Department of Veterans’ Affairs, M21-1MR (http://www.warms.vba.va.gov/M21_1MR.html#h), 3A-14

³⁶ Department of Veterans Affairs, CPMINI file. *Veterans Receiving Compensation by SMC*. C&P Services, January 18, 2005.

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A complete description of disabilities that fall between “k” and “o” can be found in 38 USC §1114.



The VSO partnership that produced the FY2008 Independent Budget (IB) report argues for an increase in special monthly compensation. The IB partnership is comprised of the Disabled American Veterans (DAV), American Veterans (AMVETS), the Paralyzed Veterans of America (PVA), and the Veterans of Foreign Wars (VFW). The report has been published by these four organizations since 1987. The FY2008 IB report recommended that “Congress should increase rates of payment to veterans suffering from service-connected disabilities who are determined housebound or in need of regular aid and attendance because of these service-incurred disabilities.”³⁷ Additionally, the IB observed that “the payment of special monthly compensation, while minimally adjusted for inflation each year, is now no longer sufficient to compensate for the special needs of veterans.”³⁸ Therefore, the IB further recommended that “Congress enact legislation to increase the special monthly compensation rates under title 38, USC, §1114 20 percent [increase] above the current base amount and

³⁷ IB Report 2008, 8.

³⁸ Ibid, 8.

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additionally, increase by 50 percent the current base amount of special monthly compensation."³⁹

In 2006, The American Legion further studied the "k" awards and found that the additional \$87 (now \$89) monthly in SMC that is payable, under title 38, USC, §1114 (k) is intended to recognize the lifelong physical limitations and psychological trauma associated with such loss or loss of use of the veterans' limbs or other body parts. The "k" award, which was initially authorized in 1939, has been increased infrequently. It was originally set at \$18.75 (which was 1/4 of the 100 percent rate, when the 100 percent rate was \$75). Effective December 1, 2006, the SMC "k" award was \$89 per month and is paid in addition to the combined disability rating for the veteran (0% - 100%). The American Legion concluded that the token payment of \$89 per month is a disgrace to those men and women, especially those currently serving in Iraq and Afghanistan who have put their bodies on the line in the service of their country and paid a heavy price as a result, and that Congress should restore the original twenty-five percent differential that existed in 1939 between the amount of the "k" award and the compensation rate for being totally or one hundred percent disabled and should increase the monthly rate to \$598."⁴⁰

Aid and Attendance

In addition to SMC payments, veterans may also be eligible for aid and attendance. The evidence must establish that the veteran is so helpless as to need regular aid and attendance, not that there be a constant need."⁴¹ Under 38 CFR 3.352(a), the veteran is considered entitled to aid and attendance if: a) he cannot keep himself ordinarily clean and presentable, b) he cannot dress and undress himself (herself), c) he frequently needs adjustment of special prosthetic or orthopedic appliances, which by reason of the particular disability cannot be done without aid, d) he cannot feed himself due to the loss of coordination of upper extremities or extreme weakness, e) he has physical or mental issues that prevent him from avoiding the hazards or dangers of daily life.

Aid and Attendance falls within the SMC scale beginning at "I". R1 or R2 ratings are paid at higher levels. The aid and attendance allowance at R1 is \$6,164 per month. An R2 rating provides a higher level of aid and attendance along with the monies that come with his or her ordinal rating. This original rating also must be either "p", "n" or "o". The elevated level of aid and attendance allowance at R2 is \$7,070 per month. This sum is paid directly to the veteran who can use it to supplement the loss of income from a spouse or other caregiver who cannot work and care for the veteran, or for the veteran to hire assistance.

³⁹ Ibid, 8.

⁴⁰ The American Legion. *Resolution No. 245: Amend Title 38, United States Code, To Increase The Special Monthly Compensation (K) Award*. American Legion 88th National Convention, Salt Lake City, Utah: August 29-31, 2006.

⁴¹ http://www.warms.vba.va.gov/regs/38CFR/BOOKB/PART3/S3_352.DOC

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There is no moderation applied to this benefit. So, if a veteran can do some of the previously described criteria, but not all, there is no scale to adjust this benefit. For example, if a veteran with an amputation can dress himself, but not do housework, there is no partial payment of the benefit to hire a cleaning service.

Furthermore, The American Legion has supported a proposal to establish a higher level of Aid and Attendance for ventilator dependent veterans living at home. Technology now allows, encourages, and supports chronic ventilator users to live at home. The current health care trend shows a move from institutionalized care to home care. The FDA estimates that "home ventilator care will grow to represent more than 40 percent of the ventilator market by 2006."⁴² Several important patient-directed objectives are met when chronic ventilator users are supported in their homes including, decreases in hospital acquired infections, increases in mobility, improves nutritional status, resumes normal routines and activities of daily living, fosters intimate support of family and friends, enhances quality of life, decreases morbidity, including fewer pressure ulcers, and is cost effective. In an estimate promulgated by the American Legion, it would cost a ventilator dependent veteran living at home \$17,280 per month to privately hire a nurse 24-hours per day for 30 days. In comparison it would cost \$26,400 to \$33,000, in a private institution depending on the negotiated VA discount. Therefore, the American Legion supported a request to Congress that a higher level Aid and Attendance Allowance be established specifically for ventilator-assisted veterans living at home at \$17,280 per month.⁴³

Housebound

A veteran who was not eligible for aid and attendance might be eligible for housebound care. Under 38 USC §1114(s), a veteran is eligible for housebound care if he/she: a) suffers from service-connected disability, b) has an additional service-rated disability or disabilities independently ratable at 60 percent, or c) is permanently housebound due to a service connected disability. The amount of compensation available to a housebound veteran at the single rate is \$2,766 per month.

Special Purpose Benefits for Veterans:

Congress has also authorized VA to provide other categories of honorably discharged veterans with benefits that recognize their service to this nation. These benefits are not based on a veteran being rated for a service connected disability. Although, some of these benefits are more expansive if a veteran does have a service connected disability.

⁴² Kurtzweil, Paula. (1999 September-October). When machines do the breathing. Food and Drug Administration Consumer Magazine http://www.fda.gov/fdac/features/1999/599_vent.html

⁴³ Sandra Stuban, RN, BSN, EdM, MSN, MHSA, LTC (RET) USA, *Request For Increased Funding For Veterans Using Home Ventilators*. Prepared for the American Legion. Washington, DC: June 2, 2006.

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These benefits include:

- **Health Care**
- **Life Insurance**
- **Home Loan Guaranty**
- **Veteran's Preference**
- **Burial and Memorial Benefits**

Health Care:

The Veterans Health Administration (VHA) delivers healthcare to service-connected disabled, poor, and other categories of veterans through its 21 Veterans Integrated Service Networks (VISN) that are comprised of 156 hospitals, over 800 Community Based Outpatient Clinics, 136 nursing homes, 43 residential facilities, and 209 Vet Centers. The number of unique patients treated has risen from 3.8 million in FY 2000 to 5.5 million in FY2006. Of the unique patients treated in FY 2006, only 184,500 are OIF/OEF veterans⁴⁴ of the 631,174 who have left active duty and became eligible for VA since FY 2002.⁴⁵ There are over 7 million enrollees. The VA medical care and research funding obligation was over \$34 billion.⁴⁶

Priority Groups for Enrollment

Veterans are eligible to enroll in VA health care by Priority Group. These Groups are:

1. Veterans with service-connected disabilities rated 50% or more disabling. Veterans determined by VA to be unemployable due to these conditions
2. Veterans with service-connected disabilities rated 30% or 40% disabling
3. Veterans who are Former Prisoners of War (POWs); Veterans awarded a Purple Heart medal; Veterans whose discharge was for a disability that was incurred or aggravated in the line of duty; Veterans with service-connected disabilities rated 10% or 20% disabling; Veterans awarded special eligibility classification under Title 38, U.S.C., Section 1151, "benefits for individuals disabled by treatment or vocational rehabilitation"
4. Veterans who are receiving aid and attendance or housebound from VA; or have been determined by VA to be catastrophically disabled
5. Non service-connected veterans and non-compensable service-connected veterans rated 0% disabled whose annual income and net worth are below

⁴⁴ Department of Veterans Affairs FY 2006 Annual Performance and Accountability Report. Washington, DC: November 15, 2006. p. 1-2. <http://www.va.gov/budget/report/PartI.pdf>. Accessed: November 22, 2006.

⁴⁵ VHA Office of Public Health and Environmental Hazards, *Analysis of VA Health Care Utilization Among Southwest Asian War Veterans*. Department of Veterans Affairs. Washington, DC: November 2006. p.4.

⁴⁶ *Ibid.* p.15

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- the VA established thresholds; Veterans receiving VA pension benefits ; Veterans eligible for Medicaid programs
6. World War I veterans; Mexican Border War veterans; Compensable 0% service-connected veterans; Veterans solely seeking care for disorders associated with: Exposure to herbicides while serving in Vietnam, Exposure to ionizing radiation during atmospheric testing or during the occupation of Hiroshima and Nagasaki, Service in the Gulf War, Illness possibly related to participation in Project 112/SHAD; Service in combat in a war after the Gulf War or during a period of hostility after November 11, 1998 are eligible for VA health care for two years following discharge from military service for combat related conditions
 7. Veterans with income and/or net worth above the VA established threshold and income below the HUD geographic index who agree to pay co-pays: **Sub priority a:** Non-compensable 0% service-connected veterans who were enrolled in the VA health care system on a specified date and who have remained enrolled since that date; **Sub priority c:** Non service-connected veterans who were enrolled in the VA health care system on a specified date and who have remained enrolled since that date; **Sub priority e:** Non-compensable 0% service-connected veterans not included in Sub priority a above; **Sub priority g:** Non service-connected veterans not included in Sub priority c above
 8. Veterans with income and/or net worth above the VA established threshold and the HUD geographic index who agree to pay co-pays: **Sub priority a:** Non-compensable 0% service-connected veterans enrolled as of January 16, 2003 and who have remained enrolled since that date; **Sub priority c:** Non service-connected veterans enrolled as of January 16, 2003 and who have remained enrolled since that date; **Sub priority e**:** Non-compensable 0% service-connected veterans applying for enrollment after January 16, 2003; **Sub priority g**:** Non service-connected veterans applying for enrollment after January 16, 2003.⁴⁷

Veterans assigned to Priority Groups 8e or 8g are not eligible for enrollment as a result of the enrollment restriction, which suspended enrolling new high-income veterans (with incomes above \$27,000) who apply for care after January 16, 2003. Veterans enrolled in Priority Groups 8a or 8c will remain enrolled and eligible for the full-range of VA health care benefits.⁴⁸ Enrollment in VA health care therefore is not automatic for all separating service members. They must first make an application to the nearest VA facility where they will relocate and have their eligibility determined. OIF/OEF veterans have two years of open enrollment. There is proposed legislation to extent this period to five years.

⁴⁷ Department of Veterans Affairs, *Health Care Eligibility: Enrollment Priority Groups*. <http://www.va.gov/healtheligibility/Library/pubs/EPG/>. Accessed: November 30, 2006.

⁴⁸ Ibid.

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Priority Group Workload for FY 2005⁴⁹

National Total	Priority Group	Patients	Costs	Mean Cost	% of Total Patients	% of Total Costs	% of SC Veterans
SC 50% or more disabling	1	726,451	\$ 7,455,414,728	\$10,263			84%
SC 30-40% disabling	2	331,372	\$ 1,486,654,545	\$4,486			58%
SC 10-20%	3	488,944	\$ 2,124,431,811	\$4,345			41%
subtotal SC		1,546,767	\$ 11,066,501,084	\$7,155	32%	42%	59%
Non SC Patients in Priority Group 3	3	63,722	\$ 228,952,851	\$3,593			
NSC A&A, Housebound + Catastrophic	4	179,630	\$ 3,096,392,056	\$17,238			
NSC Means Tested WWI, GW, SC 0% Compensable	5	1,622,660	\$ 8,794,726,334	\$5,420			
>VA Means Test but <HUD Geo	6	99,549	\$ 226,360,395	\$2,274			
>VA Means Test & >HUD Geo	7	175,969	\$ 592,930,804	\$3,370			
	8	1,117,673	\$ 2,500,122,456	\$2,237			
subtotal NSC		3,259,203	\$ 15,439,484,896	\$4,737	68%	58%	
Total		4,805,970	\$ 26,505,985,980	\$5,515			
Number of SC Veterans		2,636,979					
SC 50-100%		863,714					
SC 30-40%		573,994					
SC 10-20%		1,184,521					

The table above provides the workload distribution for service-connected and non service-connected users of VA healthcare by priority group, and the associated cost of that care. A greater level of disability severity, as seen in Priority Group 1, leads to a greater reliance (84 percent) on VA health care and an almost doubling of the cost per patient (\$10,263) over the average (\$5,515). In spite of the higher cost per patient among the service connected population, the majority of VA health care expenditures (58 percent) are on non service-connected veterans. It is also noteworthy that the service connected population makes up 32 percent of all patients treated, while the non service-connected users represent 68 percent. This indicates a reliance on VA by other groups of veterans who are primarily indigent, and perhaps uninsured.

In a 2002 study, VA projected enrollment to grow to 8.9 million by 2012 in spite of the decline in the overall veteran population.⁵⁰ VA projects that their over age 85

⁴⁹ VHA, *FY2005 Workload Data with Service Connection* Spreadsheet, Department of Veterans Affairs, Washington, DC provided to the Veterans Disability Benefits Commission, January 30, 2007.

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enrolled population will increase until 2012.⁵¹ With almost 200,000 of the 600,000 discharged OIF/OEF veterans seeking VA healthcare in FY 2006, one recent prediction places the number of OIF/OEF veterans accessing VA care in 2014 at over 730,000 (of 1.5 million assumed discharges). This would also result in a projected increase in cost from \$1 billion to \$6.8 billion during that same time period.⁵² Additionally, there is legislative activity to expand health care access to five years after discharge. Financial stresses will continue to be placed on the system as it has to provide quality long-term care, mental health, and poly-trauma rehabilitation to several generations of veterans with varying needs. When veterans are not able to obtain health care because of budget shortfalls and waiting lists then, “such veterans are at high risk for unemployment, homelessness, family violence, crime, alcoholism, and drug abuse, all of which impose an additional human and financial burden on the nation.”⁵³ Therefore, accurately projecting workload demand and business planning are crucial factors to reducing transition risks for future generations of veterans.

Veterans enrolled in VA are entitled to medical programs outlined in the **Uniformed Benefits Package**, which includes:

- **Hospitalization** (medical, surgical, psychiatric inpatient care)
- **Outpatient Treatment** – hospital & community clinics for primary & specialty care
- **Health Registries** (Gulf War, Depleted Uranium, Agent Orange, & Ionizing Radiation)
- **Readjustment Counseling Services** (PTSD, military sexual trauma, employment, homelessness, transition, bereavement, etc)
- **Prosthetics and Sensory Aids** (wheelchairs, eye glasses, hearing aids, canes, etc)
- **Special Housing Adaptation** (home modification grants)
- **Blind Veteran Services** (training & rehab, guide dogs, tapes, Braille, etc)
- **Mental Health Treatment** (inpatient & outpatient psychiatric care, substance abuse treatment)
- **Work Restoration Programs** (incentive therapy, compensated work therapy, transitional housing)
- **Domiciliary, Rehabilitation, & Long-Term Care** (medical monitoring & rehabilitation)
- **Dental** (service-connected, POWs, & homeless veterans are eligible)

⁵⁰ VHA Office of Policy Planning and Preparedness, *Veterans Health Care Enrollment and Expenditure Projections: FY 2002-2012 From the Baseline Healthcare Demand Model*, Department of Veterans Affairs, Washington, DC: September 2002.

<http://www1.va.gov/vhareorg/enroll02/Fnl925Doc.pdf> Accessed: February 7, 2007.

⁵¹ Department of Veterans Affairs FY 2006 Annual Performance and Accountability Report. Washington, DC: November 15, 2006. p. 13

⁵² Linda Bilmes, *Soldiers Returning from Iraq and Afghanistan: The Long-term Costs of Providing Veterans Medical Care and Disability Benefits*. John F. Kennedy School of Government, Harvard University: January 2007. p.14.

⁵³ *Ibid.* p13

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- **Pharmacy** (for service-connected conditions or co-pays of \$8 per month supply for non service-connected, maximum co-pay for 2007 is \$960 for the year.)
- **Nursing Home Care** (VA, State, & community programs)
- **Emergency Medical Care** (including non-VA facilities)
- **National Rehabilitation Special Events** (Winter Sports Clinic, Wheelchair Games, Golden Age Games, Creative Arts Festival)⁵⁴

Preventive Care

Veterans do not have to make co-payments for preventive care services. This includes no fees for immunization, such as flu and pneumonia vaccinations, nor for screening of; hypertension; hepatitis C; tobacco cessation screening; alcohol dependence; hyperlipidemia; breast, cervical, colorectal, or prostate cancer screening. Labs, x-rays, and electrocardiograms are also exempt from co-pays.⁵⁵ Preventive medicine is a crucial function that improves the quality of life of a patient population and has cost avoidance implications for more complex levels of treatment.

Beneficiary Travel

VA is authorized under 38 USC §111 (g)(1) to pay certain service connected veterans rated 30 percent or greater or receiving VA pension beneficiary travel in order to receive medical care or exams. The reimbursement rate is 11 cents per mile or 17 cents per mile for a repeat Compensation and Pension exam. This rate is subject to a \$3.00 deductible for each one-way trip and is capped at \$18.00 per month.⁵⁶ According to the DAV, this rate was set by Congress in 1978 and has not been increased since.

The 2007 General Service Administration automobile mileage reimbursement rate for federal employees is as follows:

- 48.5 cents per mile (if no Government Owned Vehicle available)
- 28.5 cents per mile (if Government Owned Vehicle available)
- 12.5 cents per mile (if committed to use Government Owned Vehicle)
- 30.5 cents per mile Motorcycle Rate

Although VA recognizes their rate is substantially lower, it claims that paying veterans a higher travel rate, would cut into its medical care budget. However, The DAV in 2006 noted that beneficiary travel reimbursements need to be sufficient to encourage disabled veterans to get the care that they need and not delay treatment because of expenses due to the distance required to travel to a

⁵⁴ Department of Veterans Affairs, *Federal Benefits for Veterans and Dependents: 2007 Edition*. Washington, DC. p. 7-14

⁵⁵ Ibid. p. 5

⁵⁶ Ibid. p.6

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VA facility.⁵⁷ DAV urged VA to “include a line item in its budget for the cost of increasing veterans’ beneficiary travel reimbursement rates to a more reasonable amount so that it can make the needed adjustment without reduction in funds for direct medical care to sick and disabled veterans.”⁵⁸

Fee-Basis Program

VA has provided service-connected disabled veterans with contracted care in their communities on a fee-basis since 1945. VA is authorized to pay for inpatient, outpatient, prescription, and long-term care in non-VA facilities under 38 USC §1703. VA will approve fee-basis care if it does not provide the necessary level of treatment, or if a VA facility is too far from the veteran’s home. For example, fee basis could be authorized for chiropractic care, maternity care, or dialysis not otherwise available at a VA medical center. A Veteran is eligible for inpatient or outpatient treatment on a fee basis when it is for: a) a service connected disability, b) a disability for which the veteran was released from active duty, c) any disability of a veteran who has been rated permanently and totally disabled from a service connected disability, d) a medical condition aggravating a service connected condition, e) a disability and is participating in a rehabilitation program under 38 USC, Chapter 31, f) is in Alaska, Hawaii and other U.S. Territories and needs care to prevent the need for hospital admission, g) is being provided a VA Regional Office observation and examination evaluation, h) is in authorized travel status and needs emergency care, i) is in a VA contract nursing home and needs emergency care or, j) is receiving care at a VA or other government facility on a VA contract and needs emergency treatment that the facility cannot provide. For additional outpatient treatment a veteran needs to be: a) rated 50 percent or more disabled, b) needs to complete treatment begun at a VA medical facility, c) Mexican War or World War I veterans, c) needs aid and attendance or, d) housebound. Other eligibility criteria include: a) a woman who needs inpatient care, b) Prisoner of War (POW) who needs outpatient dental services or, c) is being treated at an independent VA outpatient clinic and needs diagnostic services to determine either eligibility for care or appropriate care to prevent the need for hospital admission.⁵⁹ In most cases, except urgent care, fee-basis must be pre-authorized and subject to the capabilities of the medical center.

Fee basis availability has been a significant component of care for many disabled veterans who have needed specialized service or could not access a VA medical facility. This has been an advantage for mental health access where there might be a limited provider base or if the medical center is under-staffed. However,

⁵⁷ Disabled American Veterans. *Resolution No. 212: Support Repeal Of Beneficiary Travel Pay Deductible For Service-Connected Disabled Veterans And Increase Beneficiary Travel Reimbursement Rates*. [cited: May 1, 2007] Available http://www.dav.org/voters/dav_resolutions_main.html#212 Internet

⁵⁸ Ibid.

⁵⁹ Department of Veterans Affairs. *Fee Program Fact Sheet 05-01*. [cited May 1, 2007] Available at http://vhahacnonva.vha.med.va.gov/brochure/docs/05-01_Fee_Program_General_Information.pdf Internet. VA Fee Program Office.

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when contracts are discontinued, veterans lose the support of providers with whom they have established a long-term relationship.

Life Insurance Programs:

Traumatic Servicemembers' Group Life Insurance (TSGLI)

TSGLI is a traumatic injury protection rider under Servicemembers' Group Life Insurance (SGLI) that provides for payment to any member of the uniformed services covered by SGLI who sustains a traumatic injury that results in certain specified severe losses. TSGLI coverage will pay a benefit of between \$25,000 and \$100,000 depending on the loss directly resulting from the traumatic injury. Every member who has SGLI also has TSGLI effective December 1, 2005. There is a 44 item list of disabilities and the respective payment amounts on the VA home page. To be eligible for payment of TSGLI, a service member must meet all of the following requirements: a) insured by SGLI, b) incur a scheduled loss and that loss must be a direct result of a traumatic injury, c) must have suffered the traumatic injury prior to midnight of the day that they separate from the uniformed services, d) must suffer a scheduled loss within 730 days of the traumatic injury, and e) must survive for a period of not less than seven full days from the date of the traumatic injury. (The 7-day period begins on the date and time of the injury, as measured by Zulu [Greenwich Meridian] time and ends 168 hours later).

Congress directed that TSGLI would be retroactive to October 7, 2001, for members who incur a qualifying loss as a direct result of injuries incurred on or after that date, through and including November 30, 2005, in Operation Enduring Freedom (OEF) or Operation Iraqi Freedom (OIF). For the purposes of TSGLI only, "incurred in Operation Enduring Freedom or Operation Iraqi Freedom" means that the member must have been deployed outside the United States (OCONUS) on orders in support of OEF or OIF or serving in a geographic location that qualified the service member for the Combat Zone Tax Exclusion under the Internal Revenue Service Code. This retroactive directive does not apply to those injured within CONUS. However, all service members injured after December 1, 2005, and have not opted out of SGLI are eligible for coverage based on the established criteria outlined above.

The April 2007 Independent Review Group Report recommended that "The Secretary of Defense should review the TSGLI to ensure that coverage is extended to include the full spectrum of traumatic brain injury and Posttraumatic Stress Disorder."⁶⁰ This recommendation was based on their investigation and findings that patients with TBI and PTSD were not getting the same level of benefits as other severely injured service members.

⁶⁰ *Report of the Independent Review Group on the Rehabilitative Care and Administrative Processes at Walter Reed Army Medical Center and National Naval Medical Center.* Arlington, VA: April 11 2007. P.65

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It has also been brought to the attention of the Commission that this benefit should be extended and made retroactive to all seriously injured service members regardless of where they served since the nature of the injuries are extensive and require the same level of complex care and incur the same burdens.

Service- Disabled Veterans' Insurance (SDVI)

The purpose of SDVI, as stated by the Insurance Act of 1951, is to provide life insurance coverage to veterans who are unable to acquire private life insurance coverage due their service connected disabilities. Congress intended the program to act against the conditions that cause service-connected disabled veterans to be punished by market forces. SDVI is available to veterans that are service-connected disabled veterans. A veteran who was discharged under other than dishonorable conditions and who has a service-connected disability, but is otherwise in good health may apply to VA for up to \$10,000 in life insurance coverage within two years of his/her rating. Totally disabled veterans may apply for a waiver of premiums and a supplemental coverage of up to \$20,000.

SDVI policies are valued at \$1.4 billion. However, the rate of participation is only 3.5% for all veterans eligible. This is the case because the benefit is considered the option of last resort. Veterans finding themselves in three specific scenarios are more likely to participate in the program. First, a veteran with service-connected disability opted to not participate in SGLI. Therefore, they are barred from VGLI. Second, a veteran with service-connected disability participated in SGLI but did not convert it to VGLI. Third, a veteran with service-connected disability did convert, but failed to do so within the allotted time limit—usually two years after leaving the military.

The primary concern over with the coverage is that the \$10,000 and \$20,000 caps are considerably low given the current life insurance market. In 2001, the Systems Flow Inc. (SFI) found that the SDVI coverage amounts are not consistent with current individual insurance marketing offerings. The average face amount of life insurance policies purchased in 1999 was \$119,900.⁶¹

Veterans' Mortgage Life Insurance (VMLI)

VMLI was authorized in 1971⁶². The purpose of the program is to provide mortgage insurance to severely disabled veterans that would normally be unable to acquire insurance from private organizations. Congress supported this program for three reasons. First, a veteran that qualified for specially adapted housing would find it very difficult to acquire commercial insurance coverage. Second, the likelihood that a veteran's survivors would be left with substantially reduced income is high. Third, Congress believed it would be unreasonable for survivors to use VA life insurance to pay off mortgage payments. This benefit

⁶¹ Systems Flow, Inc. , Program Evaluation of Benefits for Survivors of Veterans with Service-Connected Disabilities, (May 2001), 4: 121

⁶² Ibid, 4:141.

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aims to compliment the S-DVI by providing service-connected disabled veterans with the ability to provide for their beneficiaries' financial security. The benefit "provides up to \$90,000 in mortgage life insurance to recipients of VA's specially adapted housing grant to lessen the financial burden of surviving family members."⁶³

VMLI is available to veterans that are given monies for use in the purchase, construction, or remodeling of their homes to fit their disability. Therefore, VMLI automatically covers veterans that receive specially adapted housing grants. The maximum amount of insurance available under VMLI is \$90,000, and that money is payable to the mortgage holder. In order to provide severely disabled veterans this benefit, the program is subsidized. The premium a veteran must pay is derived from his age, the outstanding mortgage balance, and the remaining term of the mortgage. Termination of this benefit occurs when: a) veteran reaches his 70th birthday, or b) mortgage is paid in full, or c) ownership of property is terminated, or d) veteran requests a cancellation.

These insurance programs have provided disabled veterans with the opportunity to care for their families and their own financial needs while securing appropriate housing.

SFI was commissioned to examine the SDVI and VMLI. The Program Evaluation of Benefits for Survivors of Veterans with Service-Connected Disabilities Report detailed their findings on SDVI and VMLI. They concluded that the SDVI program was basically meeting the expectations of Congress regarding the availability and affordability of the SDVI program, and it was well received by participating veterans.. SFI discovered that the program "exceed[s] availability and affordability [found] in the private sector."⁶⁴ However, the program was not being utilized by the disabled veteran population. At the time of the report, only 3.5% of eligible disabled veterans participated in the program.⁶⁵ In terms of veteran satisfaction, the report stated that "overall level of satisfaction among SDVI beneficiaries was high."⁶⁶ Although the report stated "outcomes are largely fulfilled," SFI did find some issues with SDVI. Primarily, they were unsatisfied with the fact that the program "compares unfavorably to premiums in the private sector for healthy individuals"⁶⁷ Congress explicitly intended to have SDVI premiums hover close to the private sector's premiums for non-disabled individuals. In order to remedy the issues, the report details several recommendations for VA to "aggressively promote substantial increases in life

⁶³ Ibid, 9.

⁶⁴ Systems Flow, Inc. , Program Evaluation of Benefits for Survivors of Veterans with Service-Connected Disabilities, (May 2001), 4: 121.

⁶⁵ Ibid, 4: 3.

⁶⁶ Ibid, 4: 125.

⁶⁷ Ibid, 4: 121.

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insurance coverage for service-disabled veterans and lessen the barriers to coverage.”⁶⁸

Additionally, SFI concluded that the VMLI program was basically meeting the expectations of Congress that it be available, affordable, and well received by the veterans participating in it. Their analysis discovered that, in terms of availability and affordability, the program “pays a premium cost that is significantly lower than the typical costs for a healthy individual in the private sector.”⁶⁹ In addition, in contrast to SDVI, the participation rate was 65%.⁷⁰ The report concluded that this fact “would judge the [value] to be reflective [as] high to the participant.”⁷¹ In terms of veteran satisfaction, the report determined that participants have a high regard for it. Over 70% of VMLI participants reported that they were either satisfied or very satisfied with the program.

Although the report is favorable on VMLI, SFI did find some issues. For example, they found that the program failed to cover significant mortgages amounts. In 1971, the program was able to cover 96 percent of mortgage amounts,⁷² but by 2001, that number had fallen to 75 percent.⁷³ This does not keep pace with Congress explicit intent to have VMLI amounts align with prevailing home prices. The report blamed the participation reduction on the fact that “home prices steadily increase while adjustments in the maximum amount of insurance coverage are made only infrequently.”⁷⁴ In order to remedy this issue, the report details several recommendations. First, the government must “increase the current coverage maximum for current participants from \$90,000 to between \$150,000 and \$200,000.”⁷⁵ Second, the government must “index the coverage maximum based on the annual increase in a new loan origination amounts as reported annually by the Federal Financial Institutions Examination Council (FFIEC).”⁷⁶ As of 2007, this recommendation has not been instituted and the current rate is the same as it was in 2001.

Legislation (S. 1265) has been introduced that would expand eligibility for the VMLI, to include service members of the Armed Forces who have received housing modification grant assistance from VA for severely disabling conditions.

Home Loan Guaranty

⁶⁸ Ibid, 4: 127.

⁶⁹ Ibid, 4: 59 section 2.

⁷⁰ Ibid, 59 section 2

⁷¹ Ibid, 59 section 2

⁷² Ibid, 59 section 2

⁷³ Ibid, 59 section 2

⁷⁴ Ibid, 59 section 2

⁷⁵ Ibid, 65 section 2

⁷⁶ Ibid, 65 section 2

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The goal of the program is to provide veterans and their families with favorable home loan terms and competitive interest rates.⁷⁷ This is accomplished by substituting the required down payment with the federal government's guaranty. Thus, eligible veterans are able to finance home purchases, even though they may not have the resources to qualify for conventional loans. This portion of the loan disbursement is the direct acquired loan subsidy, and it must be directly funded by the federal government. The direct acquired loan subsidy is predicted to finance 2,631 acquired loans totaling \$196.7 million for FY2008.⁷⁸ In FY2008, based on the number of loans acquired (2,631), the average loan amount would be \$74,779.⁷⁹ In its 2008 appropriation request, the VA asked for this amount to be appropriated.

Veterans are able to acquire guaranteed loan financing. This benefit allows veterans and their families to purchase a home, build a home, repair a home, or make ecological friendly refinements to their home. In addition to the loan benefit itself, the VA provides a home loan guaranty. The home loan guaranty is set in accordance with the Freddie Mac conforming loan limit for a single family. The maximum guaranty against foreclosure is \$104,250,⁸⁰ which is determined by VA's stipulation that the maximum guaranty cannot exceed 25% of the loan amount. In return for the guaranty, veterans are charged a funding fee of one percent of the loan amount. VA can guarantee a purchasing loan up to \$417,000 without a down payment.⁸¹ As of 2006, there were 180,000 individuals participating in the program.⁸²

The process for applying for a loan is straightforward. A veteran or his spouse must first apply to a lender. After the lender approves the loan, VA guarantees a portion of the loan. The benefit is available to the veteran when: a) served in the Armed Forces of the United States (Army, Navy, Air Force, Marine Corps, or Coast Guard), and been discharged under conditions other than dishonorable, b) completed 90 days or more of active service, any part of which occurred during wartime, or been discharged or released from a period of active duty for a service-connected disability, or served at least 181 continuous days.

The program also provides veterans protection against foreclosure. VA has attempted to prevent foreclosures through an aggressive intervention policy. For example, when a veteran has been delinquent on three loan payments, VA is immediately notified. Steps are then taken to find an alternative to foreclosure.

⁷⁷ Department of Veterans' Affairs, "Improper Payments Act of 2002 Reporting Details?" [cited: February 11 2007]; available from: <http://www.va.gov/budget/Report/HTML/additional-information/improper-payments-act/index.html>; Internet.

⁷⁸ Refer the Appendix, Figure 5.

⁷⁹ Department of Veterans' Affairs, *Summary Volume IV* (<http://www.va.gov/budget/summary/VolumeIVSummaryVolume.pdf>), 3A-20

⁸⁰ Department of Veterans Affairs, *Federal Benefits for Veterans and Dependents: 2007 Edition*. Washington, DC. p. 37

⁸¹ Ibid

⁸² Department of Veterans' Affairs, *Summary Volume IV*

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This proactive management keeps cost low by avoiding the expense and damage to the credit rating caused by foreclosure.

Veterans' Preference for Federal Employment

This benefit, which is a provision under Affirmative Action attempts to offset labor market discrimination faced by veterans. The federal government, since the end of the Civil War, has attempted to alleviate the economic cost associated with military service by providing favorable competitive positions within government employment to veterans.⁸³ All federal jobs are open to preference, whether in the competitive or excepted service.⁸⁴

According to the Office of Personnel Management (OPM), for entitlement to preference, a veteran must meet the eligibility requirements in section 2108 of title 5, USC. This means that:

- An honorable or general discharge is necessary.
- Military retirees at the rank of major, lieutenant commander, or higher are not eligible for preference unless they are disabled veterans.
- Guard and Reserve active duty for training purposes does not qualify for preference.

Preference is given to war-time or campaign veterans and certain survivors on a five and ten point basis.

5-Point Preference

Five points are added to the passing examination score of a veteran who served:

- During the period December 7, 1941, to July 1, 1955; or
- For more than 180 consecutive days, any part of which occurred after January 31, 1955, and before October 15, 1976; or
- For more than 180 consecutive days, any part of which occurred during the period beginning September 11, 2001, and ending on the date prescribed by Presidential proclamation or by law as the last day of Operation Iraqi Freedom; or during the Gulf War from August 2, 1990 through January 2, 1992; or in a campaign or expedition for which a campaign medal has been authorized, including El Salvador, Grenada, Haiti, Lebanon, Panama, Somalia, Southwest Asia, Bosnia, and the Global War on Terrorism.

Gulf War veterans and those with the appropriate medals who enlisted after September 7, 1980, or entered active duty on or after October 14, 1982, must have served continuously for 24 months, or for the full period called or ordered to active duty to be eligible. The service requirement does not apply to veterans

⁸³ U.S. Office of Personnel Management, "VetsInfo Guide," [cited February 15 2007]; available from: <http://www.opm.gov/veterans/html/vetsinfo.asp>; Internet.

⁸⁴ Ibid.

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with compensable service-connected disabilities, or to veterans separated for disability in the line of duty, or for hardship.

10-Point Preference

Ten points are added to the passing examination score of a veteran who served any time who:

- Has a present service-connected disability or
- Is receiving compensation, disability retirement benefits, or pension from the military or VA.
- Purple Heart recipients also qualify as disabled veterans.

Veterans meeting the criteria for preference and who are found eligible (achieve a score of 70 or higher either by a written examination or an evaluation of their experience and education) have 5 or 10 points added to their numerical ratings depending on the nature of their preference. For scientific and professional positions in grade GS-9 or higher, names of all eligible veterans are listed in order of ratings, augmented by their preference. For all other positions, the names of 10-point preference eligible veterans who have a compensable, service-connected disability of 10 percent or more are placed ahead of others on a register. The names of other 10-point preference eligible veterans or family members, 5-point preference veterans, and non-veterans are listed in order of their numerical ratings. Entitlement to veterans' preference does not guarantee a job. There are many ways an agency can fill a vacancy other than by appointment from a list of certified applicants.⁸⁵

Unlike the other ancillary benefits, there is no cost projection currently available to determine the future cost of this benefit. However, congressional support for allocating these benefits to veterans continues to increase. For example, on February 7 2002, Congress passed the Jobs for Veterans Act. Essentially, the act strengthened the federal government's commitment to this benefit by implementing a "priority" status to veterans for "certain job training programs funded by the Department of Labor."⁸⁶ The act provides preferential treatment to the following individuals: (1) a veteran; (2) the spouse of any veteran who died of a service-connected disability; (3) the spouse of a member serving on active duty who is listed as missing in action, captured in the line of duty by a hostile force, or forcibly detained or interned in the line of duty by a foreign government or power; and (4) the spouse of any veteran who has a total service-connected disability rating or who died while a disability so evaluated was in existence.⁸⁷

⁸⁵ Office of Personnel Management. *Veterans Preference*. [cited: May 2, 2007]; available from: <http://www.usajobs.gov/EI3.asp> Internet.

⁸⁶Office of the Law Revision Counsel, "H.R. 4015," in Thomas Online [cited 15 February 2007]; available from: <http://thomas.loc.gov/cgi-bin/query/z?c107:H.R.4015.enr>; Internet.

⁸⁷Ibid.

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There are two bills before 110th Congress dealing with providing veterans with a hiring preference. The House passed H.R. 5 on January 31, 2007. It calls on the federal government to do the following:

- (1) recognize the importance of the men and women who have Served or who currently serve in the Armed Forces of the United States;
- (2) support the designation of an appropriate week as “Hire a Veteran Week”; and
- (3) encourage the President to issue a proclamation calling upon employers, labor organizations, veterans’ service organizations, and federal, state, and local governmental agencies to lend their support to increase employment of the men and women who have served in the Armed Forces of the United States.⁸⁸

The other legislation, the Veterans Reassignment Protection Act, was also introduced in the House of Representatives on January 31, 2007. The act aims to stop federal agencies from violating the hiring preference benefit. The impetus for the introduction of the act is the fact some federal agencies are “circumvent[ing] preference eligible protection in the course of downsizing actions...by involuntarily reassign[ing] employees that have been generally resolved in favor of their employing agency because of a loophole in that law that requires preference eligible veterans to accept involuntary assignment or be administratively discharged for refusal.”⁸⁹

OPM has reported that veterans are currently holding 25 percent of all federal jobs.⁹⁰ However, when the Senior Executive Service (SES) was established by the Civil Service Reform Act of 1978, Congress chose not to extend veterans preference to the SES. Although discussed on the Hill, President Carter wanted to limit veterans’ preference, so as a compromise it was not as drastically curtailed, but SES was not included for coverage.⁹¹

Burial Benefits

Veterans discharged from active duty under other than dishonorable conditions and service members who die on active duty, as well as spouses and dependent children may be eligible for burial in a VA National Cemetery. Eligible veterans and Members of the Armed Forces include: (1) Any member of the Armed Forces of the United States who dies on active duty. (2) Any veteran who was

⁸⁸ Office of the Law Revision Counsel, “H.R. 4015,” in Thomas Online [cited 15 February 2007]; available from: <http://thomas.loc.gov/cgi-bin/query/z?c1110:H.R.728.IH>; Internet.

⁸⁹ Ibid.

⁹⁰ Office of Personnel Management. *OPM Report Shows Veterans Continue Entering Federal Employment Ranks; Overall Gains Made by Veterans and Disabled Veteran*, Washington, DC: November 9, 2006. <http://www.opm.gov/news/opm-report-shows-veterans-continue-entering-federal-employment-ranks-overall-gains-made-by-veterans-and-disabled-veterans,1110.aspx> Accessed: November 28, 2006.

⁹¹ D. Garson, *The Civil Service Reform Act of 1978*, Prentice Hall. [cited May 24, 2007]; available from: <http://cwx.prenhall.com/bookbind/pubbooks/dye4/medialib/docs/civilser.htm>; Internet

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discharged under conditions other than dishonorable. With certain exceptions, service beginning after September 7, 1980, as an enlisted person, and service after October 16, 1981, as an officer, must be for a minimum of 24 continuous months or the full period for which the person was called to active duty (as in the case of a Reservist called to active duty for a limited duration). Burial includes the gravesite, grave-liner, opening and closing of the grave, a headstone or marker and perpetual care. A burial flag and military honors are also included for veterans and service members.

VA will also reimburse for burial expenses. If the veteran dies from a service-connected disability, then the claimant is eligible to receive \$2,000 to offset the expenses of a funeral.⁹² Claimants that represent veterans who did not die from a service-connected disability, but meet the other criteria, are eligible to receive \$300. According to the National Funeral Directors Association (NFDA), the average cost of a funeral in the United States, not including cemetery costs, was \$6,500 as of 2004.⁹³

Other claimants are eligible to apply include: widow or widower, family member (immediate or distant), friend, neighbor, creditor, guardian, or fiduciary. Claimants must meet all of these requirements: a) claimant paid for a veteran's burial or funeral, b) another government agency or some other source has not reimbursed claimant, and c) the veteran was discharged under conditions other than dishonorable. If the claimant meets all of those requirement, the veteran they are claiming must meet one of these conditions: a) the veteran died because of a service-related disability, b) the veteran was receiving VA pension or compensation at the time of death, c) the veteran was entitled to receive VA compensation, but decided not to reduce his/her military retirement or disability pay, d) the veteran died in a VA hospital, in a nursing home under VA contract, or while in an approved state nursing home.⁹⁴

The following benefits are eligible to claimants: a) burial allowance, b) burial plot allowance (\$300), c) transportation allowance (variable), d) a U.S. flag, e) a headstone or marker, and f) a Presidential Memorial Certificate (if requested by veteran's next of kin), and g) burial in a VA national cemetery.⁹⁵

The headstone benefit is provided to the claimant without charge. This includes the expense of purchasing the appropriate headstone and the expense of sending the headstone to the cemetery. If the claimant decides to bury their

⁹² Ibid.

⁹³ NFDA Fact Sheet. [cited May 24, 2007]; Available from: <http://www.nfda.org/nfdafactsheets.php#facts>; Internet.

⁹⁴ Department of Veterans' Affairs, "Burial and Plot-Interment Allowances," [cited: 6 April 2007]; available from: http://www.vba.va.gov/benefit_facts/Burial_and_Memorial/English/Burialeq_0406.doc; Internet.

⁹⁵ New York State Division of Veterans' Affairs, "Burial Benefits: Frequently Asked Questions," [cited: 6 April 2007]; available from: <http://www.veterans.state.ny.us/faq/faqburial.htm> ; Internet.

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veteran in a private cemetery, the cost of placing the headstone will be borne on the claimant. In addition to the veteran, his or her spouse and dependent children are eligible to receive free headstones.

The burial benefit is expected to grow. In 2006, VA spent \$141,000,000 maintaining this benefit.⁹⁶ VA's expenditures went to paying for the burial of 104,900 veterans, maintaining 2,922,180 graves, buying 344,900 headstones, and sending out 384,300 presidential memorial certificates.⁹⁷ VA expects these expenditures to rise and projects it will spend \$199,673,000 for FY2007, and 178,910,000 for FY2008.⁹⁸

The Veterans' Dignified Burial Assistance Act of 2007 (S.1266) proposes that states, which locate and bury unclaimed remains of veterans in a state veterans' cemetery would be provided with financial assistance by the federal government. Current federal law only allows VA to provide assistance to states if the remains are buried within two years of cremation. However, a recent search found 91 sets of remains that have gone unclaimed some for almost 30 years. In addition to encouraging states to locate and bury the remains of forgotten veterans, the bill would also increase VA's plot allowance benefit from \$300 to \$400 – the first increase since 2001 when it was raised from \$150 to \$300. The legislation would authorize \$5 million per year under VA's State Cemetery Grant Program for VA to assist states in meeting operational and maintenance expenses.⁹⁹

Ancillary and Special Purpose Benefits for Survivors and Dependents:

A survivor is defined by VA as “a person of the opposite sex who was the spouse of the veteran at the time of the veteran’s death and who lived with the veteran continuously from the date of marriage to the date of death (except for where there was a separation, which was due to the misconduct of or procured by, the veteran without the fault of the spouse) and who has not remarried or (in cases not involving remarriage) has not since the death of the veteran, and after September 19, 1962, lived with another person and held himself or herself out openly to the public to be the spouse of such other person.”¹⁰⁰ Other dependents can be spouses, minor children or parents. A spouse is determined by whether their marriage was in accordance to the law of the place where the parties resided at the time of the marriage or the law of the place where the parties resided when the benefits accrued.¹⁰¹ A child is defined as a dependent

⁹⁶ Refer the Appendix, Figure 2.

⁹⁷ Refer the Appendix, Figure 3.

⁹⁸ Refer the Appendix, Figure 4.

⁹⁹ Craig’s Bill Encourages States To Develop Program To Bury Unclaimed Remains Of Veterans “Missing in America” program got its start in Craig's home state of Idaho [May 2, 2007] Available at: http://veterans.senate.gov/ranking_member_news.cfm?FuseAction=Home.Home&month=5&year=2007&release_id=1010

¹⁰⁰ 38 USC § 101 (3)

¹⁰¹ 38 USC § 103 (c)

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who is unmarried, under the age of 18 years, or who is over the age of 18, but is pursuing education or training, but only until the age of 23 years, or is permanently incapable of self-support. A child must be legitimate, legally adopted, or a stepchild. A child does not necessarily have to be residing with the veteran to be eligible for benefits.¹⁰² Dependency of a parent may arise before the death of a veteran whereby the monthly income of a mother or a father does not exceed the minimum levels as prescribed by the VA Secretary, giving due regard to the marital status of the parents and any additional family members who they are under moral or legal obligation to support.¹⁰³

It should be noted that the Department of Defense (DoD) has a broad acceptance of the importance of family, which not only includes spouses and children, but also parents, siblings, extended family, and other significant partners. This broad definition is applied when support is being provided to next of kin or survivors. DoD can provide significant financial assistance, travel, and housing near facilities for these families. However, a disconnect takes place when the service member leaves active duty and transfers to VA. Under Title 38 USC, VA has no statutory authority to treat or assist veterans' family members, other than in some very limited capacities. There is no VA office that mirrors DoD's Military Community and Family Policy Office. There are no special programs or projects designed for the spouses, children, parents or siblings of severely injured veterans. They do not have the travel and per diem benefits available from VA as they do when the injured service member recuperates while on active duty. Family support, which is often identified by DoD as a main component in successful transition, is something VA is not authorized to provide at the same level. The following is a discussion on the benefits that are available to survivors and to other dependents from VA.

Benefits available to survivors and dependents include:

- **Health care under CHAMPVA**
- **Education**
- **Death Benefits**
- **Bereavement Counseling**
- **Burial Benefits**
- **Birth Defects Benefits**
- **Home Loan Guaranty**
- **Veterans Preference**
- **Aid and Attendance**

Civilian Health and Medical Program of VA (CHAMPVA)

CHAMPVA was created by Public Law 93-82, effective September 1, 1973, CFR 17.270 – 17.278, 10 USC, chapter 55. CHAMPVA was created to provide

¹⁰² 38 USC § 101 (4) (a) (i) (ii) (iii) (B)

¹⁰³ 38 USC § 102 (a) (b)

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reimbursement for medical expenses (inpatient, outpatient, pharmacy, etc) for certain veterans' dependents.

These include:

1. Spouses and children of permanently and totally disabled veterans, or
2. Surviving spouses or children of a veteran who died from a VA-rated service connected disability, or who at the time of death, was rated permanently and totally disabled veterans, or
3. Surviving spouses and children of military members who die on active duty and are not otherwise eligible for the Defense Department's TRICARE program.

A surviving spouse, under age of 55 who re-marries loses CHAMPVA benefits. However, eligibility may be reestablished if that next marriage is terminated. A Surviving spouse over the age of 55 does not lose eligibility upon remarriage. CHAMPVA for Life began paying benefits for covered medical to eligible beneficiaries who are 65 or older and enrolled in Medicare Parts A&B. Under the current law, there is no extension of CHAMPVA benefits available to spouses who divorce unlike other insurances, which have provisions for former spouses to maintain their health coverage.

As of 2005, there were a total of 263,700 beneficiaries enrolled in CHAMPVA with 213,941 adults between the ages of 26 to 64. Within that population there were 103,555 users. There are approximately 40,000 dependent children in the program. Medicare is the primary payer and CHAMPVA is a secondary source of insurance. VA does not track beneficiaries by enrollment eligibility criteria, simply by age distribution and gender, so it is an estimate on who is eligible as a spouse and who else is eligible as a dependent child since it is impossible to know otherwise.

In general, 40 percent of CHAMPVA enrollees use it as a secondary insurance and have another plan (usually from employment) as a primary. At the current rate of enrollment and termination, approximately 25,000 beneficiaries (1,500 are reenrolled widows) were added in FY2006 and 18,000 were lost from the program – with the majority of those becoming Medicare eligible at age 65 or children who will leave school. There are approximately 190,000 Total and Permanent (T&P) veteran-sponsors in the CHAMPVA system. It is estimated that of the enrolled adult population, 160,000 are currently married.¹⁰⁴

The concern regarding CHAMPVA expressed to the Commission has been over divorcing spouses who lose their medical coverage. Spouses in dysfunctional or dangerous marriages chose not to divorce for fear of becoming uninsured. If VA were to retain these beneficiaries on their rolls (using estimated divorce rates for the US population), it would cost almost \$5.5 million for the first year and

¹⁰⁴ Data on the CHAMPVA program was provided by the Health Administration Center (HAC) in Denver, CO, in 2006

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approximately \$560 million over a total of 10 years, with a potential for VA to retain an additional 1,500 beneficiaries per year, or a total increase of 15,000 beneficiaries over the 10 year period. This is based on a medical cost of \$3,400 per person per year, with a 10 percent inflation rate, and an administrative cost of \$280 per person per year, with an inflation rate of 4 percent to arrive at the \$560M estimate.¹⁰⁵ CHAMPVA does not currently collect premiums. However, contracting for this type of function would be a possibility. In a slow growth market, (less veterans come into the system overall) this might be a way for VA to retain a population they might otherwise lose and generate a revenue stream. Another option would be to allow these beneficiaries to maintain coverage by increasing their premium. Currently, CHAMPVA recipients pay a \$50.00 deductible, if the deductible was raised to \$2,000 for divorced spouses, this cost shift could create a budget neutral administrative burden for VA and it would not have to manage a new workload in billing and collecting premiums.

There are several incentives for VA to keep these beneficiaries in CHAMPVA. First, these beneficiaries represent an increased risk pool, especially where they are being provided care within a VA facility. Primarily CHAMPVA provides services to wives, and with more women veterans accessing VA, it increases the proficiency of services provided to them as well. Secondly, if these beneficiaries were maintained in the program then available funds, whether through appropriations or premiums, would also stay within the system. If VA maintained these beneficiaries, then there would be less of a cost shift to other governmental programs (i.e.: Medicaid). A number of these spouses are also at risk for becoming part of the growing number of uninsured Americans that access health care on an urgent basis and drive up private sector costs. The humanitarian responsibility is to ensure that spouses who opt to divorce are not forced to choose between their health and their well-being

VA should track CHAMPVA demographic information, and explore the potential of extending eligibility to former spouses.

Dependents' Education Assistance

Congress intended for the spouse of a veteran to support their family at a standard of living consistent with the level that a veteran could have expected to provide for his/her family had they not become disabled or died. Surviving spouses should be able to maintain their level of income through training and education. The benefit is also intended to provide educational opportunities to the children of service-connected disabled veterans whose education would otherwise be impeded by reason of the disability or death of the veteran from a disease or injury incurred or aggravated in the Armed Force, and for the purpose of aiding such children in attaining the educational status which they might normally have aspired to and obtained. A beneficiary is eligible for the program if their spouse or parent: a) died of a service-connected disability, or b) has a total

¹⁰⁵ Ibid.

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disability permanent in nature resulting from a service connected disability (includes both 100 percent schedular evaluations or those being paid at the 100 percent level due to receipt of Individual Unemployability (IU) benefits with no future examination scheduled), or c) missing in action, or d) captured in line of duty by hostile force, or e) forcibly detained, and/or interned in line of duty by a foreign government or power.¹⁰⁶ Assistance is provided for a period not to exceed 45 months. Education assistance is provided at the age of eighteen or on the successful completion of the person's secondary schooling, whichever first occurs, and ending on the person's twenty-sixth birthday. Funds needed to complete either academic or vocational training are sent to a parent or guardian. They, in turn, use the funds to pay for the eligible person's subsistence, tuition, fees, supplies, books, equipment, and other educational costs.

Dependent's Education and Training is going to grow. As of 2006, there were 86,900 survivors receiving the benefit.¹⁰⁷ In order to accommodate them, VA spent \$413,136,000 on Dependent's Education and Training subsistence allowance. The VA expects these expenditures to rise. VA projects it will spend \$478,342,000 on Dependent's Education and Training for FY2008.¹⁰⁸

Death Benefits

When a veteran has died, the survivor might be eligible for two different benefits. A Death Pension is paid to a low-income surviving spouse and unmarried children if the veteran had wartime service. The death pension is a monthly payment established by law and is reduced by the annual income from other sources, such as Social Security. Medical expenses and the need for nursing home or aid and attendance are considered.¹⁰⁹ The 2007 death benefit rate begins at \$7,329 for a single surviving spouse and an additional payment of \$1,866 for each additional dependent child. In comparison, the poverty guideline for the continental United States for 2007 is \$10,210 for a single person and \$13,690 for an additional family member.¹¹⁰

Dependency and Indemnity compensation (DIC) is the other death benefit. However, the Commission has studied this more in depth in another issue paper on Survivor Concurrent Receipt, so a discussion here is forgone.

Bereavement Counseling

The Vet Centers through the Readjustment Counseling Service is providing bereavement counseling to all family members of those service members who

¹⁰⁶ Cornell, "Subsection 3501. Definitions," in U.S. Code Collection [cited 21 February 2007]; available from http://straylight.law.cornell.edu/uscode/html/uscode38/usc_sec_38_00003501----000-.html; Internet.

¹⁰⁷ Refer the Appendix, Figure 3.

¹⁰⁸ Refer the Appendix, Figure 1

¹⁰⁹ Department of Veterans Affairs, *Federal Benefits for Veterans and Dependents: 2007 Edition*. Washington, DC. p. 80

¹¹⁰ Department of Health and Human Services. *The 2007 HHS Poverty Guidelines* [cited May 2, 2007]; available from <http://aspe.hhs.gov/poverty/07poverty.shtml> Internet.

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have died while on active duty. There are over 200 Vet Centers located in communities all across America and they provide support and assistance at the local level. In 2006, they provided support to over 800 families of those killed in Iraq or Afghanistan.

The Vet Centers are a significant source of support to veterans and their families in communities and their expansion and staffing resources should be kept adequate to meet the needs of this population as well. There is little else in the way of family support services provided by VA (since it does not have the statutory authority) and this resource is vital to outreach, education, and awareness, especially among National Guard and Reserve Families.

Burial Benefits

Spouses and dependent children of entitled veterans or service members may also be eligible for burial in a VA National Cemetery. They are only eligible for a headstone or a marker if buried in a national or state veterans' cemetery. The veteran does not have to pre-decease dependents for them to be eligible. Surviving spouses of veterans who die after January 1, 2000, do not lose their eligibility for burial if they remarry.

Birth Defects Benefits

Children born to some Vietnam and Korean veterans who have spina bifida or other birth defects (not related to genetics, illness, or injury) may be eligible for a monthly monetary allowance, health care for their disability, and vocational training. For male veterans' children there are three levels of disability payments and for female veterans' children there are four levels. These monthly payments range from \$120 to \$1,550a month.¹¹¹

Home Loan Guaranty

A VA Home Loan guaranty may be available to an un-remarried spouse of a veteran or service member who died as a result of a service-connected disability. A surviving spouse who remarries after the age of 57, or the spouse of a service member listed as Missing in Action (MIA) or a Prisoner of War (POW) for more than 90 days. MIA/POW spouses are limited to one loan.¹¹² A surviving spouse is eligible for the benefit when: a) veteran served in the Armed Forces of the United States, b) veteran died in service or after separation from service, provided such separation was under conditions other than dishonorable, and died as a result of injury or disease incurred in, or aggravated by, service in the line of duty, and c) the surviving spouse must meet the definition of "surviving spouse," as stated in 38 CFR 3.50(b), be unmarried as required by 38 CFR 3.50(b)(2), and not be eligible as a veteran in his or her own right.¹¹³

Veterans Preference

¹¹¹ Ibid, p.89-90

¹¹² Ibid, p. 91

¹¹³ Department of Veterans' Affairs, M21-1MR (http://www.warms.vba.va.gov/M21_1MR.html#h), 5A-2.

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In certain cases, a dependent of a deceased veteran is eligible for a 10-point veterans' preference for federal employment, if:

- She/he is an unmarried spouse of certain deceased veterans, a spouse of a veteran unable to work because of a service-connected disability, and
- A mother of a veteran who died in service or who is permanently and totally disabled.

Aid and Attendance

A veteran who is rated 30 percent or more disabled by VA is entitled to receive an additional payment for a spouse who is in need of regular aid and attendance by another caregiver.

In the current environment where a greater number of younger, single, disabled veterans are living with parents or grandparents, this benefit should be expanded to include their needs.

VSO Ancillary & Special Purpose Benefits Position:

Most VSOs agree with the ancillary and special purpose benefits position outlined in the IB report. The IB described these benefits as “the core veterans’ programs.”¹¹⁴ The IB notes the failure of Congress to “adjust compensation rates regularly to prevent the purchasing power of [these] benefits from decreasing with increases in cost of living.”¹¹⁵ The goal of which would be to “maintain their value in the face of increasing costs.”¹¹⁶ In order to support its criticism, the IB specifically points to the failure of Congress to maintain the automobile grant level, which is currently at a 38 percent shortfall.

In 1999, the IB stated, “ancillary benefits for severely disabled veterans and their dependents should also be included for annual raises. The value—and thus, effectiveness—of benefits such as the special grants for adapted housing and automobiles and educational assistance for dependents and survivors also erodes to the extent these benefits are not adjusted every year to offset inflation. For the same reasons that annual increases are warranted for compensation, DIC, and the clothing allowance, they are warranted for these ancillary benefits.”¹¹⁷ The DAV urged the House of Representative’s Subcommittee on Benefits to consider instituting a process to include all of these benefits for service-connected disabled veterans and their dependents or survivors in an annual cost-of-living bill.¹¹⁸ Eight years later, before the United States House of Representative’s Committee on the Budget, the IB echoed the same sentiment.

¹¹⁴ http://www.warms.vba.va.gov/regs/38CFR/BOOKB/PART3/S3_352.DOC 2.

¹¹⁵ Ibid., 3.

¹¹⁶ Ibid., 3.

¹¹⁷ House of Representatives, “Testimony of Rick Surratt,” before Subcommittee on Benefits [cited 25 February 2007]; available from <http://www.house.gov/va/hearings/schedule106/june99/6-10/dav.htm>; Internet.

¹¹⁸ Ibid.

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Canada

Veterans' Affairs Canada (VAC) also provides a number of ancillary benefits to eligible veterans. These include medical, psycho/social, and vocational rehabilitation for any veteran needing care, even those without a disability award. Other VAC benefits include a Job Placement Program to assist veterans in finding a job after service, a Death Benefit, Clothing Allowance for veterans with disabilities which require clothing alterations, Family Counseling, and a number of children-specific benefits. In addition, all monetary benefits are accompanied by financial counseling to assist the veteran in not only obtaining benefits, but also in using or investing those benefits properly.

United Kingdom

In the United Kingdom, ancillary benefits for veterans are predominantly organized by the War Pensioners' Welfare Service. This service provides counseling and assistance to disabled veterans in their transition to civilian life. This includes financial assistance, employment services, disability needs such as adaptive living devices, social and "everyday" assistance, and housing aid. In addition to these services, the British government provides a range of non-veteran-specific services for which a veteran may be eligible, many of which focus on maternity and children's care. As with the New Zealand system, while these services are not veteran-specific, they do provide insight into potential services that could be offered under a veterans' disability benefits program.

The table below provides a comparison of the foreign government programs across several areas, and how each country addresses those needs for their veterans.

Program Eligibility	Foreign Government Programs		
	England	Canada	New Zealand
	War pensioners	All Veterans	All Population
Housing	Veterans' Housing Care and Assistance Services		Accommodation Supplement Advance Payment of Benefit Special Needs Grant Temporary Additional Support Recoverable Assistance Payment
Employment	Vocational Counseling	Transition Services Assistance Service	Business Training and Advice Grant Enterprise

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		Vocational Rehabilitation Job Placement Financial Advice	Allowance New Employment Transition Grant Work Start Grant Recoverable Assistance Payment Pathways Payment Seasonal Work Assistance Payment Training Incentive Allowance
Healthcare	Adaptive Equipment Services	Assistance Service	Community Services Card Home Help Special Needs Grant
Family	Social Assistance	Assistance Service Clothing Allowance Family Counseling Rehabilitation Services Case Management	Childcare Subsidy OSCAR Subsidy* Family Assistance Recoverable Assistance Payment Home Help Care Supplement

* Out of School Care And Recreation Subsidy (OSCAR)

Findings:

There is an array of ancillary and special purpose benefits available to veterans and their families based on different eligibility criteria and entitlements. These benefits are designed to mitigate the impairments and negative impacts that might result from military service and have been established over the years to meet the needs of disabled veterans. Post-service readjustment can be a difficult time for many service members and their families and the assistance provided by VA should support their short-term transitions and/or long-term needs. In some cases, a veteran might need less support and in other cases more complex levels of care might be required. Additionally, there are gaps in these benefits, such as for burn victims and TBI patients. The eligibility criteria have not been revised to enable these veterans to receive the benefits. These benefits have been well intentioned but not well executed. Veterans and their families should be supported with the best possible benefits to facilitate a return to a previous level of functioning or maximize their rehabilitative capacities in order to lead a satisfying life. They should be able to find proper housing, gainful

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employment, further their education, protect their health, and provide for themselves and their families with peace of mind and dignity.

The previously described benefit package is intended by Congress to fulfill these goals. However, each benefit as described is often not keeping pace with inflation. Additionally, some of the benefits are outdated, and are not in line with current medical knowledge or with sociological norms. The three foreign programs discussed provide a number of ancillary benefits, some of which are available only to veterans and some which are available to other eligible citizens. For the most part, these ancillary benefits focus on financial needs arising from the care of a family, such as childcare, housing and children's medical needs, and on employment-related issues. Employment-related assistance includes temporary financial assistance during the transition period, employment counseling, and adaptive technology to allow the veteran to obtain better employment or live a fuller life. Some of these benefits are similar to those offered by VA, but other benefits are not. The two main areas not fully covered by VA are Family Support Services and Financial Planning as offered by the Canadians.

Finally, there are no statutory provisions for automatic cost of living allowance (COLA) increases for VA compensation or ancillary benefits. Historically, there has been annual COLA legislation that increases the following benefits only: 1) disability compensation, 2) additional compensation for dependents, 3) clothing allowance, 4) dependency and indemnity compensation to surviving spouse, and 5) dependency and indemnity compensation to children. The increase is usually the same percentage as the amounts payable under title 2 of the Social Security Act and, rounded to the next lower whole dollar amount. Under current consideration is the Veterans' Compensation Cost-of-Living Adjustment Act, which would provide a 1.4 percent rate increase, which is the expected increase in the Consumer Price Index. The cost of the increase is estimated to be \$348 million in the first year."¹²⁰

There have been other legislative initiatives that would require the government to provide COLA adjustments for certain veterans' disability benefits but these have not been enacted. Adjustments to ancillary benefits have generally been inconsistent and sporadic with the result that many of the benefits have not kept pace with the cost of living.

Options:

1. Maintain the current status quo of all of the ancillary and special purpose benefits available to veterans and their families
2. Congress should enact legislation that would bring the ancillary and special purpose benefits to the levels originally intended considering cost

¹²⁰ Department of Veterans' Affairs, Summary Volume IV (<http://www.va.gov/budget/summary/VolumeIVSummaryVolume.pdf>), 2-28.

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- of living and then automatically adjust annually to keep pace with cost of living.
3. Support changes that would enhance benefits to certain severely injured who are not currently included in benefits, such as the automotive allowance, aid and attendance, or the TSGLI
 4. Support expanded benefits to include family support services and provide access to parents and grandparents who are caregivers.
 5. Extend CHAMPVA coverage to abused former spouses under a premium or co-pay basis
 6. Relate aid and attendance and housebound allowances to cost of assistance, such as for ventilator patients, and provide partial support for certain or limited services
 7. Allow for adaptive benefits to be paid for temporary and permanent residences.
 8. Create a Financial Planning Counseling Service for disabled veterans

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Appendix

Figure 1:

Readjustment Benefits Summary of Appropriation Highlights (dollars in thousands)					
	2007				
	2006 Actual	Budget Estimate	Current Estimate	2008 Estimate	Increase (+) Decrease(-)
Obligations:					
Veterans/servicemembers	\$1,937,037	\$2,251,996	2,200,053	\$2,108,619	\$-91,434
Reservists (1606)	119,913	206,583	214,738	252,359	+37,621
Reservists (1607)	153,362	192,400	197,400	178,800	-18,600
Dependents' Education and Training	413,136	465,900	450,234	478,342	+28,108
VR&E Subsistence Allowance	226,039	258,699	241,262	252,982	+11,720
VR&E Books, Tuition, Supplies, Fees, etc.	340,341	398,794	377,327	409,965	+32,638
Specially Adapted Housing Grants	25,780	28,920	26,520	26,520	0
Automobile Grants	14,246	15,800	14,200	14,200	0
Adaptive Equipment	36,491	50,900	37,600	38,800	+1,200
Tuition Assistance	19,710	20,755	20,498	20,970	+472
National Call to Service	0	3,400	680	680	0
Licensing and Certification Tests	1,414	1,478	1,471	1,504	+33
National Exams	13	13,995	67	70	+3
Work-Study 1/	21,407	29,056	23,202	23,945	+743
State Approving Agencies	17,657	19,000	19,000	13,000	-6,000
Reporting Fees	4,783	4,031	3,719	3,756	+37
Reimbursement to GOE	1,662	2,200	6,720	2,260	-4,460
Total Obligations	\$3,332,991	\$3,963,906	\$3,834,691	\$3,826,771	\$-7,920
Funding:					
Unobligated balance (SOY)	\$-157,357	\$-192,438	\$-511,302	\$0	\$+511,302
Unobligated balance (EOY)	511,302	0	0	0	0
Budget authority (gross)	3,686,936	3,771,467	3,323,389	3,826,772	+503,383
Offsetting collections	-377,702	-509,461	-511,383	-526,483	-15,100
Budget authority (net)	\$3,309,234	\$3,262,006	\$2,812,006	\$3,300,289	\$+488,283
Appropriation	3,309,234	3,262,006	3,262,006	3,300,289	+38,283
Transfer from C&P	0	0	-450,000	0	+450,000
Appropriation adjusted	3,309,234	0	2,812,006	3,300,289	+488,283
Outlays (net)	\$2,949,314	\$3,407,488	\$3,278,133	\$3,287,542	\$+9,409
Total Obligations	\$3,332,991	\$3,963,906	\$3,834,691	\$3,826,771	\$-7,920
Education Program	2,758,721	3,297,718	3,208,268	3,155,024	-53,244
VR&E Program 2/	574,270	666,188	626,424	671,748	+45,324
Budget authority (net)	\$3,309,234	\$3,262,006	\$2,812,006	\$3,300,289	\$+488,283
Education Program	2,751,428	2,595,818	2,185,582	2,628,541	+442,959
VR&E Program	557,806	666,188	626,424	671,748	+45,324
Outlays (net)	\$2,949,314	\$3,407,488	\$3,278,133	\$3,287,542	\$+9,409
Education Program	2,376,060	2,750,574	2,659,978	2,619,709	-40,269
VR&E Program	573,254	656,914	618,156	667,833	+49,667

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Figure 2:

<i>Estimates of Combat Theatre Obligations from the National Survey (dollars in millions)</i>			
Appropriations	2006 Obligations	Estimate of Combat Theatre Veterans *	Estimated Obligation on Combat Theatre Veterans
Employment Services			
HIRE/CETA	N/A	N/A	
EJTP/VJIP	N/A	N/A	
Compensation	\$26,470	58%	\$15,353
Dependency and Indemnity Compensation	4,363	N/A	
Pensions			
Veterans	2,747	51%	\$1,401
Survivors	778	N/A	
Inpatient Facilities	13,828	50%	\$6,914
Outpatient Care	16,640	49%	\$8,154
Miscellaneous Medical Service	1,153	N/A	
Readjustment Counseling	77	N/A	
Veterans Insurance and Indemnities	46	50%	\$23
Specially Adapted Housing	26	N/A	
Burial Benefits	141	49%	\$69
Educational Assistance	2,269	40%	\$908
Vocational Rehabilitation	574	43%	\$247
Survivors' and Dependents' Educational Assistance	413	N/A	
Home Loan Guaranty (Liquidating)	11	43%	\$5
Automobiles and Adaptive Equipment	51	N/A	

* Combat Theatre is based on the question, "Did you ever serve in a combat or war zone?" from the 2001 National Survey of Veterans (NSV). N/A - Not available from the 2001 NSV.

Most NSV questions on program usage refer to current usage (2000 - 2001 time period) or in case of burial benefits anticipated usage. However, because education and vocational rehabilitation questions asked if veterans had ever used these programs, answers for this table for those programs were restricted to veterans discharged in the last 10 years. Home Loan Guaranty refers to veterans who used the program since leaving the military.

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Figure 3:

Participation in VA Programs

Program Participation Category	Estimated FY 2008 Participants ⁽¹⁾
Medical Care	
Unique Patients	5,819,200
Compensation	
Veterans	2,879,300
Survivors/Children	340,700
Pension	
Veterans	320,400
Survivors	192,700
Education	
Veterans/ Servicemembers	345,500
Reservists	154,000
Survivors/Dependents	86,400
Vocational Rehabilitation	
Program Participants	94,500
Housing	
Loans Guaranteed	180,000
Insurance	
Veterans	1,583,600
Servicemembers/Reservists	2,387,500
Spouses/Dependents	2,982,000
Burial	
Interments	104,900
Graves Maintained	2,922,100
Headstones/Markers (Processed)	344,900
Presidential Memorial Certificates	384,300

⁽¹⁾Figures are rounded to nearest hundred.

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Figure 4:

<i>Appropriations</i> (dollars in thousands)			
Appropriation/Fund Account	2006	2007	2008
Federal funds:			
Benefit programs:			
Disability Compensation			
Mandatory Benefits	\$30,216,116	\$34,750,690	36,911,486
Proposed 1.4 Percent COLA increase in 12/1/2007	0	0	348,421
Total Disability Compensation	30,216,116	34,750,690	37,259,907
Burial Mandatory Benefits	141,349	199,673	178,910
Pensions Mandatory Benefits	3,540,322	3,671,997	3,797,505
Subtotal, Compensation and Pension	33,897,787	38,622,360	41,236,322
Education Mandatory Benefits	2,751,428	2,185,582	2,628,541
Vocational rehabilitation and employment Mandatory Benefits	557,806	626,424	671,748
Vocational rehabilitation loan subsidy (non-add)	50	53	71
Subtotal, Readjustment Benefits	3,309,234	2,812,006	3,300,289
Insurance Mandatory Benefits	45,907	49,850	41,250
Housing Mandatory Benefits	46,604	66,234	17,389
Total Benefits Mandatory	37,299,532	41,550,450	44,595,250
Medical Research and Support	412,000	408,622	411,000
Medical programs:			
Medical services	22,145,206	23,129,030	27,167,671
Medical care collection fund	1,994,172	2,198,154	2,352,469
Total Medical services with collections	24,139,378	25,327,184	29,520,140
Medical administration	3,430,542	2,811,209	3,442,000
Medical facilities	3,357,869	3,372,740	3,592,000
VA/DoD Health Care Sharing Incentive Fund ¹	30,000	0	0
Total Medical Care	30,957,789	31,511,133	36,554,140
Total medical programs	31,369,789	31,919,755	36,965,140
National Cemeteries Administration	149,798	155,666	166,809
Department Administration:			
General administration	294,431	317,855	273,543
Credit Reform - General Counsel (non-add)	4,796	4,904	5,009
VBA-GOE	1,078,809	1,119,723	1,198,294
Credit Reform - VBA (non-add)	128,886	127,435	118,766
Subtotal, GOE	1,373,240	1,437,578	1,471,837
Office of Inspector General	69,074	69,499	72,599
Construction Major	1,560,519	283,670	727,400
Construction Minor	233,137	168,000	233,396
Grants for State Extended Care	85,000	85,000	85,000
Grants for State Cemeteries	32,000	17,777	32,000
Receipts	27,828	0	10,000
Credit Reform	152,340	154,123	155,572
Information Technology	1,231,420	1,076,582	1,859,217
Total Departmental Administration	4,764,558	3,292,229	4,647,021
Total appropriations	\$73,583,677	\$76,918,100	\$86,374,220
Total Mandatory	\$37,299,532	\$41,550,450	44,595,250
Total Discretionary without MCCF	\$34,262,145	\$33,169,496	\$39,416,501
Total Discretionary with MCCF and other receipts	\$36,284,145	\$35,367,650	\$41,778,970

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Figure 5:

Veterans Housing Benefit Program Workload Summary (dollars in thousands)					
	2006 Actual	2007		2008 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Veterans Housing Benefit Program:					
Liquidating Account:					
Property acquisitions	294	236	236	188	-48
Properties sold	782	704	704	599	-105
Guaranteed Loans:					
Subsidy rate	-0.32%	-0.36%	-0.36%	-0.37%	-.01%
Number of guaranteed loans	135,151	230,000	180,000	180,000	0
Amount of guaranteed loans	\$23,499,949	\$37,189,036	\$28,260,360	\$29,104,463	+\$844,103
Average loan amount (full dollars)	\$173,879	\$161,691	\$157,002	\$161,691	+\$4,689
Loan Sales Securities:					
Subsidy rate	0.00%	3.99%	0.00%	0.00%	0.00%
Guaranteed loans sold:					
Number of loans sold	0	5,395	0	0	0
Amount of loans sold	0	\$491,842	0	\$491,842	0
Average loan amount (full dollars)	0	\$91,172	0	\$91,172	0
Gross proceeds from sale	0	\$496,513	0	\$496,513	0
Direct Loans:					
Acquired Loans:					
Subsidy rate	9.18%	10.43	10.43	8.84%	-1.59%
Number of Loans	1,150	3,734	2,868	2,631	+18
Total amount of loans	\$77,433	\$223,080	\$209,855	\$196,708	+\$5,936
Average loan amount (full dollars)	\$67,305	\$59,749	\$73,182	\$74,779	+\$1,318
Vendee Loans:					
Subsidy rate	-5.64%	-3.46%	-3.46%	-1.59%	-2.18%
Number of Loans	788	5,082	1,192	2,883	+2,876
Total amount of loans	\$73,326	\$365,581	\$124,777	\$329,907	+\$214,607
Average loan amount (full dollars)	\$93,053	\$71,939	\$104,719	\$114,425	+\$3,523

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Chart

Benefit	Participant	Intent of Benefit	Eligibility	Compensation	Possible Recommendation(s)
Automotive And Adaptive Equipment	Veteran Or Servicemember	▶ provide veteran with the ability to be mobile	▶ service connected disability (and) ▶ loss, or permanent loss of use, of one, or both feet/hands or permanent impairment of vision in both eyes to a certain degree	▶ \$11,000 for the purchase of one automobile ● last change occurred on 12/27/01 (previous amount was \$9,000) ▶ Any adaptive equipment required is paid by the VAMC	▶ benefit should be adjusted for cost of living ▶ benefit adjusted to meet 80% of a new car's price ▶ burn victims should be able to attain the benefit
Clothing Allowance	Veteran Or Survivor(s)	▶ compensate veteran for damaged done to a veteran's clothing due to service-connected disability	▶ service-connected for anatomical loss (and) ▶ wears or uses a prosthetic or orthopedic appliance because of a service-connected disability which tends to wear out or tear the clothing of the veteran (or) ▶ uses medication prescribed by a physician for a service- connected skin condition which causes irreparable damage to the veteran's outer garments	▶ \$662 per year ● has changed every year since 1972 ● last change occurred on 12/1/05 (previous amount was \$641)	▶ benefit should be increased to \$730 to adjust for cost of living
Specially Adapted Housing (SAH) VBA administered	Veteran Or Servicemember	▶ provide veteran with barrier free living environment	▶ service-connected disability (and) ▶ permanent and totally disabling	▶ \$50,000 max payment ● last change occurred in 2002 (previous max was \$48,000) ▶ Temporary Assistance Adaptation (TAA) allows \$14,000 of SAH to be used on a family member's home	▶ Pay for temporary and permanent residences ▶ benefit should be adjusted for geographic variance in cost of construction

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Primary and Special Purpose Benefits
Chart

Benefit	Participant	Intent of Benefit	Eligibility	Compensation	Possible Recommendation(s)
<u>Special Housing Adaptation Grants</u>	Veteran	▶ provide veteran with barrier free living environment	<ul style="list-style-type: none"> ▶ service-connected disability (and) ▶ used to continue treatment (or) ▶ provide front door access (or) ▶ loss of both eyes or hands 	<ul style="list-style-type: none"> ▶ \$10,000 max payment ▶ Temporary Assistance Adaptation program allows \$2,000 of SAH to be used on a family member's home ▶ Home Improvement Structural Alteration (HISA) grant max amount is \$4,100 	<ul style="list-style-type: none"> ▶ Pay for temporary and permanent residences ▶ benefit should be adjusted for geographic variance in cost of construction
<u>Home Improvement Structural Alteration</u>	Veteran <i>VHA administered</i>		<ul style="list-style-type: none"> ▶ service-connected disability (and) ▶ disability pertains to anatomical loss, loss of use of, or creates levels of impairment 	<ul style="list-style-type: none"> ▶ variable depending on disability severity 	<ul style="list-style-type: none"> ▶ cost of living should be applied automatically ▶ Independent Budget report recommended increasing it by 50% ▶ American Legion recommends increase "k" (\$89) rating to \$598
<u>Special Monthly Compensation</u>	Veteran		<ul style="list-style-type: none"> ▶ served in the military (and) ▶ exit service under honorable circumstances ▶ 20% with employment handicap (or) ▶ 10% with serious employment handicap 	<ul style="list-style-type: none"> ▶ max monthly subsistence is \$508.04 ▶ previous max was \$488.50 for 2006 (compensation based on credit hours) (and/or) ▶ finding/maintaining work (and/or) ▶ job training (and/or) ▶ vocational counseling and planning 	<ul style="list-style-type: none"> ▶ subsistence benefit should be adjusted for cost of living by geographic region
<u>Vocational Rehabilitation and Employment</u>	Veteran Or Service-member	▶ provide veteran with the ability to be provide financially for himself or live independently	<ul style="list-style-type: none"> ▶ service-connected disability (and) ▶ veteran's condition is such that he cannot keep their himself clean or feed (or) ▶ cannot dress their person (or) ▶ avoid dangers of life 	<ul style="list-style-type: none"> ▶ max level aid of attendance is \$2,669/mo • last changed in 2005 from \$2,497/mo 	<ul style="list-style-type: none"> ▶ relate allowances to cost of assistance ▶ provide partial support for certain limited services - ventilator dependent rate (\$17,280/mo)
<u>Aid and Attendance</u>	Veteran	▶ aid helpless veterans with activities of daily life			

Ancillary and Special Purpose Benefits Chart

Benefit	Participant	Intent of Benefit	Eligibility	Compensation	Possible Recommendation(s)
<u>Housebound</u>	Veteran	<ul style="list-style-type: none"> ▶ alternative option for veterans that cannot receive Aid and Attendance 	<ul style="list-style-type: none"> ▶ single disability rated as total ▶ additional disability rate at or above 60% (or) ▶ permanently housebound 	<ul style="list-style-type: none"> ▶ compensation is \$2,678 ● last changed in 2005 from \$2,506 	<ul style="list-style-type: none"> ▶ relate allowances to cost of assistance ▶ provide partial support for certain limited services ▶ benefit should be adjusted for cost of living by geographic region
<u>Health Care</u>	Veteran		<ul style="list-style-type: none"> ▶ based on the eight priority groups 	<ul style="list-style-type: none"> ▶ hospitalization ▶ fee based care ▶ dental, pharmacy, preventive care ▶ complete list in paper 	<ul style="list-style-type: none"> ▶ accurately project workload demand & demand business planning for eligible ▶ add title 38 authority for families of severely injured ▶ extend health care 5 yrs after discharge
<u>Beneficiary Travel</u>	Veteran	<ul style="list-style-type: none"> ▶ compensate for costs of getting to VA facility for tests or treatment 	<ul style="list-style-type: none"> ▶ veteran rated 30% or more (or) ▶ veteran receiving VA pension 	<ul style="list-style-type: none"> ▶ compensation - 11 cents per mile (or) - 17 cents per mile for repeated test 	<ul style="list-style-type: none"> ▶ align compensation rate with the benefit that federal employees receive (48.5 cents per mile) ▶ expand to cover other forms of travel and certain family members
<u>Insurance:</u> TSGLI ▶	Veteran Or Servicemember	<ul style="list-style-type: none"> ▶ offset market discrimination 	<ul style="list-style-type: none"> ▶ insured by SGLI, (and) incur a scheduled loss and that loss must be a direct result of a traumatic injury 	<ul style="list-style-type: none"> ▶ \$25,000-\$100,000 ● no change 	<ul style="list-style-type: none"> ▶ include TBI and PTSD ▶ retroactive to all seriously injured since October 7, 2001 in OEF/OIF ● changes Dec. 1, 2005 effective date
SDVI ▶	Veteran Or Servicemember	<ul style="list-style-type: none"> ▶ offset market discrimination 	<ul style="list-style-type: none"> ▶ service-connected disabled veterans 	<ul style="list-style-type: none"> ▶ max amount : \$20,000 ● no change 	<ul style="list-style-type: none"> ▶ use modern mortality tables instead of relying on tables from 1941
VMLI ▶		<ul style="list-style-type: none"> ▶ offset market discrimination 	<ul style="list-style-type: none"> ▶ recipients of VA's specially adapted housing grant 	<ul style="list-style-type: none"> ▶ max amount: \$90,000 ● last changed in 1992 from \$40,000 	<ul style="list-style-type: none"> ▶ increase max between \$150,000 and \$200,000 to align with intent of Congress ▶ index the coverage maximum based on annual increase in new loan origination
Home Loan Guaranty Veterans ▶	Veteran Or Survivor(s)	<ul style="list-style-type: none"> ▶ provide favorable home loan terms and competitive interest rates 	<ul style="list-style-type: none"> ▶ served in armed service (and) ▶ military discharge under Honorable conditions 	<ul style="list-style-type: none"> ▶ lender guarantee does not exceed \$104,250 ● last changed in 2003 from \$60,000 ▶ max purchase is \$417,000 ● last changed in 2005 from \$359,650 	<ul style="list-style-type: none"> ▶ maintain status quo
Spouses ▶	Veteran Or Survivor(s)		<ul style="list-style-type: none"> ▶ spouse must be unmarried (and) ▶ not eligible themselves 		

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Ancillary and Special Purpose Benefits Chart

Benefit	Participant	Intent of Benefit	Eligibility	Compensation	Possible Recommendation(s)
<p><u>Veteran's Preference</u></p> <p>5 point ▶ 10 point ▶</p>	<p>Veteran Or Survivor(s)</p>	<p>▶ offset market discrimination</p>	<p>▶ service in armed forces during a wartime campaign (and) ▶ military discharge under conditions other than dishonorable</p> <p>▶ released due to service-connected disability (or) ▶ receiving compensation from VA or DoD</p>	<p>▶ 5 points added to federal assessment score ▶ 10 points added to federal assessment score</p>	<p>▶ expand to include preference for Senior Executive Service (SES)</p>
<p><u>Burial and Memorial Benefits</u></p>	<p>Veteran Or Survivor(s)</p>		<p>▶ service in armed forces (and) ▶ military discharge under conditions other than dishonorable</p>	<p>▶ service-connected disabled veteran: \$2,000 • last changed in 2001 from \$1,500 (and) ▶ gravesite (VA cemetery), grave liner, headstone or marker, grave site care, burial flag, military honors • last changed in 2006 from \$128 to \$132 (marker) • last changed in 2001 from \$150 (plot allowance)</p>	<p>▶ relate allowances to a percentage greater than current level of assistance -Average funeral costs \$6,506</p>
<p><u>CHAMPVA</u></p>	<p>Survivor(s)</p>	<p>▶ reimburse beneficiaries for the medical expenses</p>	<p>▶ survivor of a totally disabled veteran (and) ▶ un-remarried former spouse of a veteran (and) ▶ age is $x \leq 55$ ▶ dependent child</p>	<p>▶ reimbursement for medical expenses (inpatient, outpatient, pharmacy, etc.)</p>	<p>▶ extend program to abused former spouses under a premium or co-pay basis</p>

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Ancillary and Special Purpose Benefits Chart

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Benefit	Participant	Intent of Benefit	Eligibility	Compensation	Possible Recommendation(s)
<u>Dependents' Education Assistance</u>	<ul style="list-style-type: none"> ▶ Children (or) ▶ Spouse (or) ▶ Surviving Spouse 	<ul style="list-style-type: none"> ▶ provide beneficiaries standard of living consistent with what the veteran would have provided 	<ul style="list-style-type: none"> ▶ a veteran is deemed total service connected disability permanent in nature (or) ▶ death due to service-connected disability (or) ▶ a veteran has a service-connected disability at time of death (or) ▶ Servicemember that dies in line of duty (or) ▶ veteran is IU (considered permanent) 	<ul style="list-style-type: none"> ▶ funds allocated for academic or vocational training <ul style="list-style-type: none"> - subsistence pay - tuition - books/supplies ▶ a child generally receives benefit between the ages of 18 to 26 ▶ a spouse has a 10 year period of eligibility which begins on the 91st day after date of serve 	<ul style="list-style-type: none"> ▶ maintain status quo
<u>Dependency and Indemnity Compensation</u>	Survivor(s)	<ul style="list-style-type: none"> ▶ keep surviving beneficiaries out of poverty 	<ul style="list-style-type: none"> ▶ A veteran dies as a result of service-connected disability (or) ▶ Servicemember that died in line of duty while active duty 	<ul style="list-style-type: none"> ▶ \$1067 per month for single spouse ● last changed in 2005 from \$1033 (or) ▶ \$265 per month for each dependent child ● last changed in 2005 from \$257 	<ul style="list-style-type: none"> ▶ increase to 125% or 150% of poverty rate
<u>Bereavement Counseling</u>	Survivor(s)		<ul style="list-style-type: none"> ▶ survivors of a Servicemember who died on active duty 	<ul style="list-style-type: none"> ▶ counseling 	<ul style="list-style-type: none"> ▶ expand coverage for a full range of family benefits
<u>Birth Defects Benefits</u>	Survivor(s)		<ul style="list-style-type: none"> ▶ child dependents of certain Korean and/or Vietnam veteran (and) ▶ child dependents have spinal bifida or other defects 	<ul style="list-style-type: none"> ▶ \$1,550/mo allowance is max ● last changed in 2005 from \$1,500/mo 	<ul style="list-style-type: none"> ▶ maintain status quo