Introduction

With America having been engaged in conflicts in Afghanistan for nearly 10 years and Iraq nearly 8 years, the numbers of new veterans and disabled veterans entering the Department of Veterans Affairs (VA) health-care and benefits systems shows no signs of declining. Tens of thousands of soldiers, sailors, airmen, marines, and coastguardsmen have experienced injury or illness associated with their service during the global war on terrorism; meanwhile, the responsibility that this country has to take care of those men and women continues to grow.

It is under this dramatic backdrop of dire current military events that the four coauthors of *The Independent Budget (IB)*—AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and the Veterans of Foreign Wars—offer our budget and program recommendations based upon our unique expertise and experience concerning the resources that will be necessary to meet the needs of America's veterans in fiscal year (FY) 2012. These recommendations are designed to meet the needs of the thousands of young veterans currently serving in America's armed services who have earned and may soon require VA health care and financial benefits and to meet the needs of the millions of veterans from previous conflicts and service who currently depend on the Department of Veterans Affairs.

We are particularly proud of the fact that the fiscal year 2012 edition of *The Independent Budget* represents the 25th consecutive year that our partnership of veterans service organizations has joined together to produce a comprehensive budget document that highlights the needs of elderly veterans and those of younger men and women who join their ranks each year as they return from active duty. During that time, the *IB* has improved significantly while gaining much more respect and recognition.

The Veterans Health Administration, similar to private sector health-care providers and other federal health-care programs, including Medicare, Medicaid, and TRICARE, is facing growing demand for services as America ages and as medical treatment and administrative costs spiral upward. We believe that this growing demand may even have accelerated the passage of comprehensive health-care reform during the 111th Congress, particularly as more veterans may turn to VA as acceptable coverage for their health-care needs. Meanwhile, the influx of new, and often severely disabled, veterans entering the VA system each month brings new demands for sophisticated medical care each year. Moreover, we anticipate greater demand on the resources of the VA health-care system as VA begins implementation of Public Law 111-163, the "Caregivers and Veterans Omnibus Health Services Act of 2010." These considerations make accurate financial and personnel resource forecasting difficult but even more important each year.

Year after year, the coauthors of *The Independent Budget* conduct comparative analysis of VA workload information and carefully review medical and administrative cost data that form the foundation of the *IB*'s recommendations. *The Independent Budget* veterans service organizations (IBVSOs) then call upon Congress and the Administration to provide sufficient

funding to meet the health-care and financial benefit needs of veterans in a timely and predictable manner. This has proved to be a difficult, but welcome, challenge, particularly in light of recent economic conditions, as we seek to ensure that the needs of all veterans are properly met.

Fortunately, enactment of advance appropriations legislation during the 111th Congress has provided a more stable foundation for funding for the VA health-care system. However, now it is imperative that constant oversight and analysis of the VA's health-care budget be conducted to ensure that the resource needs of the VA health-care system are properly met. With this in mind, we look forward to working with the Administration, Congress, and the Government Accountability Office to follow through on the advance appropriations requirements for FY 2013, specifically to ensure that the GAO finally provides the detailed analysis that is required of the President's budget request.

With regard to veterans' benefits, the IBVSOs believe VA must fast-track real steps that will help ameliorate nagging claims-processing barriers. Studies to find solutions must be replaced by real action plans that produce positive results. Veterans and their families deserve prompt decisions regarding the benefits they have earned and deserve. These benefits are part of a covenant between our nation and the men and women who have defended it. Veterans have fulfilled their part of the covenant. Now VA must avoid further delay and move forward to meet its obligations in a timely manner.

The Independent Budget for Fiscal Year 2012 provides recommendations for consideration by our nation's elected leadership that are based upon rigorous and rational methodology designed to support the Congressionally authorized programs that serve our nation's veterans. *The Independent Budget* coauthors are proud that more than 60 veterans, military, medical service, and disability organizations have endorsed the FY 2012 edition of this historic document. Our primary purpose is to inform and encourage the United States Government to provide the necessary resources to care for the men and women who have answered the call of our country and taken up arms to protect and defend our way of life.

Table 1. VA Accounts FY 2012 (Dollars in Thousands)				
	FY 2011* Appropriation	**FY 2012** Administration**	**FY 2012 *IB****	**FY 2013 Advance Approp.**
Veterans Health Administration (VHA)				
Medical Services	37,136,000	40,051,000	43,780,136	41,354,000
Medical Support and Compliance	5,307,000	5,424,000	5,354,985	5,746,000
Medical Facilities	5,740,000	5,376,000	5,904,437	5,441,000
Subtotal Medical Care, Discretionary	**48,183,000**	**50,851,000**	**55,039,558**	**52,541,000**
Medical Care Collections	3,393,000	3,078,000		3,300,000
Total, Medical Care Budget Authority *(including Collections)*	**51,576,000**	**53,929,000**	**55,039,558**	**55,841,000**
Medical and Prosthetic Research	581,000	508,774	620,000	
Total, Veterans Health Administration	**52,157,000**	**54,437,774**	**55,659,558**	
General Operating Expenses (GOE)				
Veterans Benefits Administration	2,148,776	2,018,764	2,321,439	
General Administration	397,500	448,225	406,214	
Total, General Operating Expenses (GOE)	**2,546,276**	**2,466,989**	**2,727,653**	
Departmental Admin. and Misc. Programs				
Information Technology	3,146,898	3,161,376	3,383,202	
National Cemetery Administration	250,000	250,934	274,500	
Office of Inspector General	109,000	109,391	112,020	
Total, Dept. Admin. and Misc. Programs	**3,505,898**	**3,521,701**	**3,769,722**	
Construction Programs				
Construction, Major	1,151,036	589,604	2,201,000	
Construction, Minor	467,700	550,091	585,000	
Grants for State Extended Care Facilities	85,000	85,000	200,000	
Grants for Construct of State Vets cemeteries	46,000	46,000	51,000	
Total, Construction Programs	**1,749,736**	**1,270,695**	**3,037,000**	
Other Discretionary	166,000	156,000	170,482	
Total, Discretionary Budget Authority (including Medical Collections)	***60,124,910***	***61,853,159***	***65,364,415***	

*FY 2011 appropriations levels reflect the amounts included in H.R. 1, the "Continuing Resolution for FY 2011," introduced by the House Committee on Appropriations on February 11, 2011.
**Adjustments to FY 2012 Medical Services, Medical Support and Compliance, and Medical Facilities accounts reflects a decrease of $713 million in appropriations below the levels provided by H.R. 1, the "Continuing Resolution for FY 2012" due to the freeze in federal pay. However, the Administration's FY 2012 request reflects a $953 million contingency fund that seems to be factored into the needed appropriations total for Medical Services for FY 2012.
***The recommendations of *The Independent Budget* (*IB*) for FY 2012 reflect the expectation for a 0 percent pay increase for all VA employees. If Congress chooses to provide a cost-of-living increase or pay raise, sufficient funding must then be provided over and above the recommendations of the *IB*.

Benefit Programs

The Department of Veterans Affairs (VA) is the primary federal agency providing a variety of benefits to our nation's veterans. These include, but are not limited to, disability compensation, dependency and indemnity compensation, education benefits, home loans, ancillary benefits for service-connected disabled veterans, life insurance, and burial benefits.

Disability compensation payments seek to make up for some of the economic and other losses veterans experience from the effects of service-connected diseases and injuries. When veterans' lives are cut short as a result of a service-connected cause or following a substantial period of total serviced-connected disability, eligible family members receive dependency and indemnity compensation. Veterans' pensions provide some measure of financial assistance for disadvantaged veterans of wartime service who are totally disabled as a result of nonservice-connected causes, or who have reached the age of 65. Death pensions are paid to underprivileged eligible survivors of wartime veterans. Burial benefits assist families in meeting the costs of veterans' funerals and burials, and provide for burial flags and grave markers. Miscellaneous assistance includes other special allowances for select groups of veterans and dependents. Because of an apparent correlation between veterans who served in Vietnam and chronic illnesses, such as spina bifida and other genetic illnesses in their children, Congress authorized special programs to provide a monthly allowance, medical treatment, and vocational rehabilitation to help assist in improving the quality of life for these children.

In recognition of the disadvantages that result from the interruption of civilian life to perform military service, Congress authorized various benefits to aid veterans in their readjustment back to civilian life. These readjustment benefits provide monetary assistance to veterans who choose to participate in education or vocational rehabilitation programs and to seriously disabled veterans in acquiring specially adapted housing and automobiles. Educational benefits are also available for children and spouses of veterans who are permanently and totally disabled or die as a result of a service-connected disability.

Under its home loan program, VA guarantees home loans for veterans, certain surviving spouses, certain service members, and eligible reservists and National Guard personnel. VA also makes direct loans to supplement specially adapted housing grants. VA makes direct housing loans to Native Americans living on trust lands as well.

Under several different plans, VA offers limited life insurance to eligible disabled veterans. Mortgage life insurance protects the families of veterans who have received specially adapted housing grants.

Through continual scrutiny by the authors of *The Independent Budget,* and our work with Congress and the Administration, these carefully crafted benefits programs have provided for the needs of many. However, we have identified areas in which adjustments are needed to

make the programs better serve veterans or meet changing circumstances.

Our continued efforts contributed to the passage of Public Law 111-275, the "Veterans Benefits Act of 2010." This omnibus benefits and health bill contained a number of important provisions to disabled veterans and their families, including:

- Increase in the automobile grant, which now extends eligibility to veterans with severe burn injuries, from $11,000 to $18,900 effective October 2011, to be indexed to the Consumer Price Index to allow for annual adjustment;

- Enhancement of disability compensation for severely disabled veterans who have difficulty using prostheses (criteria change more favorable to amputees—prior language "so near the [joint of the affected limb(s)]" preventing use of prosthesis is changed to "with factors" preventing use of prosthesis, such as a painful neuroma);

- Eligibility for Aid and Attendance benefits for veterans suffering from traumatic brain injury (TBI) (veterans with service-connected TBI may not meet the eligibility criteria for SMC "R-2" [special aid and attendance], so this change allows them to receive additional compensation at the maximum level);

- Increase in Supplemental Service-Disabled Veterans' Insurance (SDVI or "RH") on October 1, 2011, from $20,000 to $30,000 for totally disabled veterans;

- Increase in Veterans Mortgage Life Insurance (VMLI) for disabled veterans from $90,000 to $150,000 effective October 1, 2011, with a 2012 increase to $200,000;

- Increase in the number of veterans who can participate in VA's independent living services and assistance program from 2,600 to 2,700;

- Increase in the amount of burial/funeral expense benefits from $300 to $700, and increase in the amount of plot or internment allowance from $300 to $700; both to be indexed to the Consumer Price Index to allow for annual adjustment.

Unfortunately, inaction by government to regularly adjust benefit rates, or to tie them to cost-of-living increases so they automatically adjust, and inability to meet other needed changes, threatens the effectiveness of other veterans' benefits.

Veterans' programs must remain a national priority. Additionally, they must be maintained, protected, and improved as necessary. In order to maintain or increase their effectiveness, we offer the following recommendations in this section of *The Independent Budget*.

Compensation and Pensions

Compensation

COMPENSATION FOR QUALITY OF LIFE AND NONECONOMIC LOSS:

In conjunction with the ongoing update and revision of the rating schedule, the Department of Veterans Affairs should develop and implement a system to compensate service-connected disabled veterans for loss of quality of life and noneconomic loss.

The Institute of Medicine (IOM) Committee on Medical Evaluation of Veterans for Disability Compensation published a report, "A 21st Century System for Evaluating Veterans for Disability Benefits," in 2007 recommending that the current VA disability compensation system be expanded to include compensation for nonwork disability (also referred to as "noneconomic loss) and loss of quality of life.[1] The report touches upon several systems that could be used to measure and compensate for loss of quality of life, including the World Health Organization–devised International Classification of Functioning, Disability, and Health, the Canadian Veterans' Affairs disability compensation program, and the Australian Department of Veterans' Affairs disability compensation program.[2]

In its report the IOM distinguished between the purpose of disability benefits and the operational basis for those benefits.[3] The report grouped the operational measures used for compensating disabilities into seven categories and subcategories:

> IA. Medical impairment: anatomical loss refers to impairment ratings that are based on anatomical loss, such as amputation of the leg.
>
> IB. Medical impairment: functional loss refers to impairment ratings that are based on the extent of functional loss, such as loss of motion of the wrist.
>
> II. Limitations in the activities of daily living refers to limitations on the ability to engage in the activities of daily living, such as bending, kneeling, or stooping, resulting from the impairment, and to participate in usual life activities, such as socializing and maintaining family relationships.
>
> IIIA. Work disability: loss of earning capacity refers to the presumed loss of earning capacity resulting from the impairment and limitations in the activities of daily living.
>
> IIIB. Work disability: actual loss of earnings refers to the actual loss of earnings resulting from the impairment and limitations in the activities of daily living.
>
> IV. Nonwork disability refers to limitations on the ability to engage in usual life activities other than work. This includes ability to engage in activities of daily living, such as bending, kneeling, or stooping, resulting from the impairment, and to participate in usual life activities, such as reading, learning, socializing, engaging in recreation, and maintaining family relationships.
>
> V. Loss of quality of life refers to the loss of physical, psychological, social, and economic well-being in one's life.[4]

The report organized these categories into the relationship shown in Figure 1, page 8:

Under the current VA disability compensation system, the purpose of the compensation is to make up for average loss of earning capacity (IIIA), whereas the operational basis of the compensation is usually based on medical impairment (IA and IB).[6] Neither of these models generally appears to incorporate noneconomic loss or quality of life into the final disability ratings, though special monthly compensation (SMC) does in some limited cases. The IOM report stated:

> In practice, Congress and VA have implicitly recognized consequences in addition to work disability of impairments suffered by veterans in the Rating Schedule and other ways. Modern concepts of disability include work disability, nonwork disability, and quality of life (QOL)…" [and that] "This is an unduly restrictive rationale for the program and is inconsistent with current models of disability.[7]

The congressionally mandated Veterans Disability Benefits Commission (VDBC), established by the National Defense Authorization Act of 2004 (P.L. 108-136),

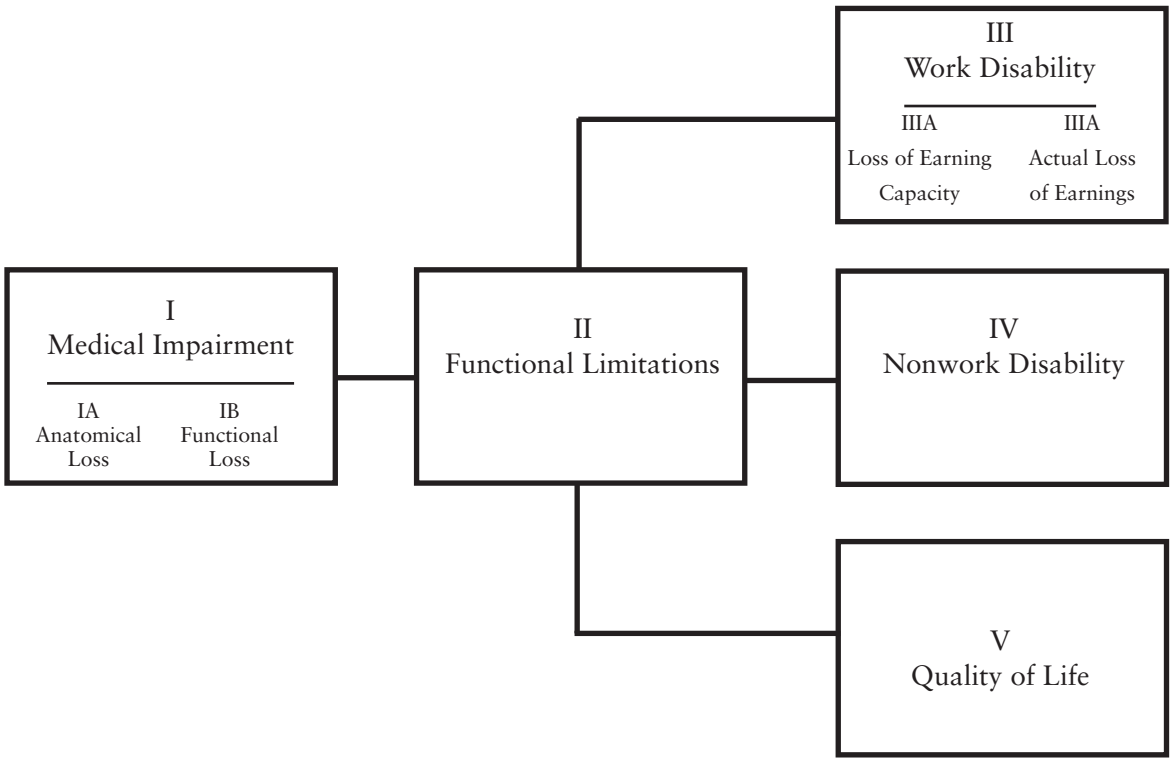

Figure 1: IOM Disability Model

spent more than two years examining how the rating schedule might be modernized and updated. Reflecting the recommendations of a comprehensive study of the disability rating system by the IOM, the VDBC in its final report issued in 2007 recommended:

> The veterans disability compensation program should compensate for three consequences of service-connected injuries and diseases: work disability, loss of ability to engage in usual life activities other than work, and loss of quality of life.[8]

The IOM Report, the VDBC (and an associated Center for Naval Analysis study), and the Dole-Shalala Commission (President's Commission on Care for America's Returning Wounded Warriors) all agreed that the current benefits system should be reformed to include noneconomic loss and quality of life as a factor in compensation. Once this principle is established in statute, only then shall Congress and VA be able to fully and accurately address the question of whether such compensation should be provided through immediate changes to the rating schedule that would modify or include additional compensation paid for average loss of earnings capacity or whether it should come from a separate compensation program, such as SMC.

Recommendations:

Congress should amend title 38 to clarify that disability compensation, in addition to providing compensation to service-connected disabled veterans for their average loss of earnings capacity, must also include compensation for their noneconomic loss and for loss of their quality of life.

Congress and VA should determine the most practical and equitable manner in which to provide compensation for noneconomic loss and loss of quality of life and then move expeditiously to implement this updated disability compensation program.

[1] Committee on Medical Evaluation of Veterans for Disability Compensation, Institute of Medicine of the National Academies, *A 21st Century System for Evaluating Veterans for Disability Benefits* (2007) [hereinafter IOM Report].
[2] Ibid., 78–81.
[3] Ibid., 116.
[4] Ibid., 116–17 (emphasis in original).
[5] Ibid., 117 fig.4-1.
[6] Ibid., 117–18.
[7] Ibid., 3.
[8] Veterans' Disability Benefits Commission, *Honoring The Call To Duty: Veterans' Disability Benefits in the 21st Century* (2007), 76.

Updating and Revising the Rating Schedule:

***The Veterans Benefits Administration must work in an open and collaborative manner with all stakeholders, especially veterans service organizations, as it updates and revises the VA* Schedule for Rating Disabilities.**

The amount of disability compensation paid to a service-connected disabled veteran is determined according to the VA *Schedule for Rating Disabilities,* which is divided into 15 body systems with more than 700 diagnostic codes. In 2007, both the Congressionally mandated Veterans Disability Benefits Commission (VDBC), established by the "National Defense Authorization Act of 2004" (P.L. 108-136), as well as the IOM Committee on Medical Evaluation of Veterans for Disability Compensation in its report "A 21st Century System for Evaluating Veterans for Disability Benefits" recommended that VA regularly update the *Schedule for Rating Disabilities* to reflect the most up-to-date understanding of disabilities and how disabilities affect veterans' earnings capacity.

In line with these recommendations, the Veterans Benefits Administration (VBA) is currently engaged in the process of updating the first 2 of the 15 body systems (mental disorders and musculoskeletal). Additionally, it has committed to regularly updating the entire VA *Schedule for Rating Disabilities* every five years.

To help implement the recommendations of the VDBC, Congress established the Advisory Committee on Disability Compensation (ACDC) in Public Law 110-389 to advise the Secretary on "…the effectiveness of the schedule for rating disabilities…and…provide ongoing advice on the most appropriate means of responding to the needs of veterans relating to disability compensation in the future." In its 2009 "Interim Report" and its first "Biennial Report" dated July 27, 2010, the Advisory Committee recommended that the VBA follow a coordinated and inclusive process while reviewing and updating the *Schedule for Rating Disabilities*. Specifically, the ACDC recommended that veterans service organization stakeholders be consulted several times throughout the review and revision process, both before and after any proposed rule is published for public comment.

In January 2010, the VBA held a Mental Health Forum jointly with the Veterans Health Administration (VHA), which included a veterans service organization (VSO) panel. In August 2010, the VBA and VHA held a Musculoskeletal Forum, which also included a VSO panel. While *The Independent Budget* veterans service organizations (IBVSOs) were appreciative of these outreach efforts, there has been no additional outreach from the VBA on either body system update since the initial public meeting. Because these public forums were conducted at the very beginning of the rating schedule review process, veterans service organizations were not able to provide informed comment, as the VBA had not yet undertaken review or research activities.

Since the initial public meetings, the VBA has not indicated it has any plans to involve VSOs at any other stage of the rating schedule update process other than what is required once the final rule is published, at which time they are required by law to open the proposed rule to all public comment. The IBVSOs believe strongly that the VBA would benefit from VSO input throughout the process of revising the various body systems in the rating schedule. In addition, since the VBA is committed to a continuing review and revision of the rating schedule, it would also be beneficial to conduct reviews of the revision process so that future body system rating schedule updates can benefit from "lessons learned" during prior body system updates.

Recommendations:

The Veterans Benefits Administration should involve veterans service organizations throughout the process of reviewing and revising each body system in the rating schedule, not only at the beginning and end of its deliberative process.

The VBA should conduct regular after-action reviews of the rating schedule update process, with veterans service organization participation so that it may apply "lessons learned" to future body system updates.

Annual Cost-of-Living Adjustment:

Congress should provide a cost-of-living adjustment for compensation and dependency and indemnity compensation benefits without rounding down such increases to the next whole dollar.

Cost-of-Living Adjustment

In September 2010, the President signed Public Law 111-247, which decreed that the rate of compensation paid to service-connected veterans and recipients of dependency and indemnity compensation should be increased by the same percentage as Social Security is increased, as of November 30, 2010. Increases in Social Security benefits are based on the Consumer Price Index.

Passage of this legislation is a ritual, scripted and performed each year by Congress to ensure that veterans and the surviving spouses of deceased veterans receive benefits in the following year, which are adjusted for inflation.

Disability compensation is paid to the men and women who returned home from military service with the residuals of disease or injury incurred coincident with that service. Compensation was designed to replace the earnings capacity lost because of service-connected disabilities. However, inflation can erode these benefits and, without timely adjustment, can have a material impact on the value of these payments and the quality of life of veterans and their families. While dependency and indemnity compensation is not designed to replace lost earnings capacity, it does provide surviving spouses a modicum of assistance in the absence of a service member who died while in service or a veteran who died as a result of service-connected disabilities. As with compensation, Congress periodically adjusts dependency and indemnity compensation for inflation.

Veterans' and Survivors' Benefits Payment Rounded Down

In government, "temporary" programs often become permanent. In 1990, Congress, in an omnibus reconciliation act, mandated that veterans and survivors benefit payments be rounded down to the next lower whole dollar. Initially, this policy was limited to a few years, but Congress periodically extended this measure, and it is now law.

Rounding down veterans' and survivors' benefits payments to the next lower whole dollar reduces the payments to veterans and their survivors by up to $12 per year. Each year's cost-of-living adjustment is calculated on the rounded down amount of the previous year's payments. Over time, the cumulative effect of this maneuver has resulted in a significant loss to veterans. For example, a totally disabled service-connected veteran received $809 per month in 1994. Today, that benefit is worth $2,673 per month. However, had that veteran received the full cost-of-living adjustment each year as shown in the Consumer Price Index, that benefit would now be $2,710.[9] A reduction of $37 per month means an additional tax of $444 on this veteran each year.

Recommendations:

To offset cost-of-living increases, Congress should enact legislation that automatically adjusts disability compensation and dependency and indemnity compensation in the same manner as for Social Security benefits.

Congress should repeal the current policy of rounding down veterans' and survivors' benefits payments.

[9] This amount was calculated using the Bureau of Labor Statistics CPI calculator found at http://data.bls.gov/cgi-bin/cpicalc.pl.

Standard for Service Connection:

Standards for determining service connection should remain grounded in current law.

> Disability compensation. (1) Basic entitlement for a veteran exists if the veteran is disabled as the result of a personal injury or disease (including aggravation of a condition existing prior to service) while in active service if the injury or the disease was incurred or aggravated in line of duty.[10]

Every so often a commission, committee, government agency (e.g., Government Accountability Office, Office of Management and Budget) or Member of Congress offers the proposition that military service should be treated as if it were a day job: if service members happen to get sick or injured while working a shift they may be eligible, after discharge, for medical treatment and perhaps compensation from the Department of Veterans Affairs. Conversely, if service members are injured before or after work, or become ill from a disease that isn't obviously related to military service, they would not be eligible for service connection at all. Further, medical care would be completely their responsibility.

This idea is offered as a way to "reform and improve" the VA compensation program. In the view of *The Independent Budget* veterans service organizations, it is nothing short of dialing the clock back several hundred years in order to shift the cost of military service to the very men and women who volunteer to serve our nation in both peace and war.

In the military there is no real distinction between "on duty" and "off duty." A service member on active duty is always at the disposal of military authority and is, essentially, on call 24 hours a day, seven days a week. At any given time a soldier can be placed on alert and assigned to a specific location for as long as his or her superior desires. Sailors can be ordered to sea with minimal notice, where they work their "day job" when they are not standing watch. When the Pentagon wants to send a show of force to a potential adversary somewhere in the world, airmen prepare the planes that aircrews fly, not just from 9 to 5, but anytime day or night.

No one asks them if they can work a little overtime; they are ordered to report and work as long as required to get the job done. Unlike a "day job," they can't quit. They are there when needed, every day. And far too often they are put at risk of injury, disease, or death in defense of all Americans.

Congress created the Veterans' Disability Benefits Commission to carry out a study of "the benefits under the laws of the United States that are provided to compensate and assist veterans and their survivors for disabilities and deaths attributable to military service…." After more than 30 months of meetings, study, analysis, and debate, the commission, in October 2007, unanimously endorsed the current standard for determining service connection.[11]

Current law requires only that an injury or disease be incurred or aggravated coincident with active military service. There is no requirement that a veteran prove a causal connection between military service and a disability for which service connection is sought.

The Independent Budget veterans service organizations believe current standards defining service connection for veterans' disabilities and deaths are practical, sound, equitable, and time-tested. We urge Congress to reject any revision to this long-standing policy.

Recommendation:

Congress should reject suggestions from any source that would change the terms of service connection for veterans' disabilities and death.

[10] Title 38 CFR 3.4(b)(1).
[11] Ibid., note 8, 100.

Standard for Determining Combat-Veteran Status:

Evidentiary standards for establishing a disability should be relaxed if the event causing disability occurs while serving in an active combat zone.

In the past several years *The Independent Budget* veterans service organizations (IBVSOs) have asked Congress to extend title 38, United States Code, section 1154 to any veteran who served in a combat zone in order to ease the evidentiary burden, and reduce time-consuming development by the Department of Veterans Affairs, so that veterans could more readily obtain service connection for disabilities related to service, especially post-traumatic stress disorder (PTSD).

Relying on medical studies and research, VA amended 38, Code of Federal Regulations, section 3.304 effective July 12, 2010. This change:

> …eliminates the requirement for corroborating that the claimed in-service stressor occurred if a stressor claimed by a veteran is related to the veteran's fear of hostile military or terrorist activity and a VA psychiatrist or psychologist, or a psychiatrist or psychologist with whom VA has contracted, confirms that the claimed stressor is adequate to support a diagnosis of PTSD and that the veteran's symptoms are related to the claimed stressor, provided that the claimed stressor is consistent with the places, types, and circumstances of the veteran's service.[12]

This change effectively removed the single-largest impediment to the proper and timely adjudication of claims involving PTSD incurred while in combat.

The Independent Budget veterans service organizations congratulate VA for taking the initiative to correct this problem. VA's action in response to our concerns and those of others will demonstrably ease the evidentiary hurdles placed before veterans while ensuring that the integrity of the compensation program is maintained.

Unfortunately, this regulation is not without a major flaw. In section 3.304(f)(3), VA requires that the claimed stressor can only be confirmed by either a "VA psychiatrist or psychologist, or a psychologist with whom VA has contracted." While we recognize that VA mental health professionals have, by necessity, developed an expertise in treating veterans with PTSD, the requirement that only they have the capability to confirm that a veteran suffers from PTSD and that the stressor is related to military service is both wrong and incredibly wasteful of scarce medical resources.

VA is the largest trainer of health-care professionals in the United States. These interns and residents are exposed to and trained on myriad medical issues that afflict America's veterans. Each year thousands who receive training by VA leave and begin practices in the private sector. They take their training and experience with them and apply it daily. For Veterans Benefits Administration (VBA) officials to assume that psychiatrists and psychologists who receive training in PTSD while at VA would somehow lose that skill once they leave is unreasonable.

An additional anomaly is this: the requirement states that a psychiatrist contracted to perform compensation examinations is able to diagnose PTSD and confirm the relationship of the stressor to service. However, the VBA would apparently not accept a diagnosis and confirmation if that same psychiatrist contractor diagnoses and treats a veteran in his or her private practice. Obviously, this doesn't pass the test of common sense.

Finally, refusing to accept a diagnosis and confirmation from a private psychologist or psychiatrist is wasteful of scarce government resources. The savings to VA would be substantial if the acceptance of information from private health-care professionals allowed the VBA to avoid scheduling compensation examinations.

Recommendation:

VA should amend title, 38 Code of Federal Regulations, section 3.304 to allow veterans to submit, and VA to accept, the diagnosis of post-traumatic stress disorder by an outside qualified clinician along with a confirmation that the stressor is directly related to post-traumatic stress disorder and military service.

[12] *Federal Register* 75, no. 133 (July 13, 2010), 39843.

Concurrent Receipt of Compensation and Military Longevity Retired Pay:

All military retirees should be permitted to receive military longevity retired pay and VA disability compensation concurrently.

Many veterans retired from the armed forces based on longevity of service must forfeit a portion of their retired pay, earned through faithful performance of military service, before they receive VA compensation for service-connected disabilities. This is inequitable—military retired pay is earned by virtue of a veteran's career of service on behalf of the nation, careers of usually more than 20 years.

Entitlement to compensation, on the other hand, is paid solely because of disability resulting from military service, regardless of the length of service. Most nondisabled military retirees pursue second careers after serving in order to supplement their income, thereby justly enjoying a full reward for completion of a military career with the added reward of full civilian employment income. In contrast, military retirees with service-connected disabilities do not enjoy the same full earning potential. Their earning potential is reduced commensurate with the degree of service-connected disability.

To put longevity retirees disabled from service on equal footing with nondisabled retirees, VA should provide full military retired pay and compensation to account for reduction of the earning capacity of all those with disability ratings of less than 50 percent. To the extent that military retired pay and VA disability compensation now offset each other, the disabled retiree is treated less fairly than is a nondisabled military retiree. Moreover, a disabled veteran who does not retire from military service but elects instead to pursue a civilian career after completing a service obligation can receive full VA compensation and full civilian retired pay—including retirement from any federal civil service. A veteran who honorably served and retired after 20 or more years who suffers from service-connected disabilities should have that same right.

A longevity-retired disabled veteran should not suffer a financial penalty for choosing a military career over a civilian career, especially when, in all likelihood, a civilian career would have involved fewer sacrifices and greater rewards. Disability compensation to a disabled veteran should not be offset against military longevity retired pay. While Congress has made progress in recent years in correcting this injustice, current law still provides that service-connected veterans rated less than 50 percent who retire from the armed forces on length of service may not receive disability compensation from VA in addition to full military retired pay. *The Independent Budget* veterans service organizations believe the time has come to finally remove this prohibition completely.

Recommendation:

Congress should enact legislation to totally repeal the inequitable requirement that veterans' military longevity retired pay be offset by an amount equal to their rightfully earned VA disability compensation if rated less than 50 percent. To do otherwise results in the government compensating disabled retirees with nothing for their service-connected disabilities. *The Independent Budget* veterans service organizations urge Congress to correct this continuing inequity.

Mental Health Rating Criteria:

Compensation for service-connected mental disorders should be adjusted to accurately reflect the effects those disabilities have on earnings capacity as required by law.

Federal law requires that compensation rates be set, as nearly as is practicable, at such a level as to offset the average impairment to earnings capacity caused by a service-connected disability.[13]

Studies published in 2007 and 2008, the first by the Center for Naval Analysis, Inc.[14] (commissioned by the Veterans Disability Benefits Commission)[15] and the second by Economic Systems, Inc.[16] (commissioned by the Department of Veterans Affairs)[17] found that veterans suffering from service-connected psychiatric disabilities were undercompensated by VA for lost earnings at all levels of disability percentages.

In early 2010, VA began a process that should lead to a rewriting of the entire section of the *Schedule for Rating Disabilities* that deals with mental disorders. VA must ensure that veterans with psychiatric problems related to service are equitably and appropriately evaluated and compensated.

Recommendation:

VA's revision of the Mental Disorder section of the *Schedule for Rating Disabilities* must accurately reflect the severe impact that psychiatric disabilities have on veterans' average earning capacity.

[13] 38 U.S.C. 1155.
[14] The CAN Corporation, *Final Report for the Veterans Disability Benefits Commission: Compensation, Survey Results and Selected Topics* (2007), 4, 16, 194.
[15] Ibid.
[16] EconSys., *A Study of Compensation Payments for Service-Connected Disabilities, Vol. III* (2008), 162–69, 180.
[17] Ibid., 162–69.

More Equitable Rules for Service Connection of Hearing Loss and Tinnitus:

Hearing loss and tinnitus should be granted service connection if found to a compensable degree in veterans who participated in combat or in those whose military occupations typically involved exposure to acoustic trauma.

Many veterans exposed to acoustic trauma during service are now suffering from hearing loss or tinnitus. Unfortunately, they are unable to prove service connection because of inadequate in-service testing procedures, lax examination practices, or poor record-keeping. The presumption requested herein would resolve this long-standing injustice.

The Institute of Medicine (IOM) issued a report in September 2005 titled *Noise and Military Service: Implications for Hearing Loss and Tinnitus*.[18] The IOM found that patterns of hearing loss consistent with noise exposure can be seen in cross-sectional studies of military personnel. Because large numbers of people have served in the military since World War II, the total number who experienced noise-induced hearing loss by the time their military service ended may be substantial.

Hearing loss and tinnitus are common among veterans who were in combat, and/or served in combat support career fields. The reason is simple: they were typically exposed to prolonged, frequent, and exceptionally loud noises from such sources as weapons fire, explosive devices, and weapons delivery platforms. Exposure to acoustic trauma is a well-known cause of hearing loss and tinnitus. Yet many combat veterans are not able to document their in-service acoustic trauma nor can they prove their hearing loss or tinnitus is due to military service. World War II veterans are particularly at a disadvantage because testing by spoken voice and whispered voice was universally insufficient to detect all but the most severe hearing loss.

Recent medical literature indicates that audiometric testing at high kilohertz levels (10–20 kHz) is more

likely to provide early detection of noise-induced high frequency loss than tests at levels currently used by the Departments of Veterans Affairs and Defense. Although changing testing to higher frequencies for discharging service members would identify those with noise-induced hearing loss while still in service, providing early detection and opportunities for increased education in hearing conservation and the necessary link of hearing loss to military service, this would not result in any changes for veterans who experienced acoustic trauma in service years ago.

Previous audiometric testing in service was insufficient, and testing records were lacking for a variety of reasons. Congress has made special provisions for other deserving groups of veterans whose claims are unusually difficult to establish because of circumstances beyond their control. Congress should do the same for veterans exposed to acoustic trauma, including combat veterans. Congress should instruct VA, in collaboration with the Department of Defense, to develop a list of military occupations with a high probability of acoustic trauma. VA should be required to presume that any veteran with a military occupational specialty that exposed that veteran to acoustic trauma should be granted service connection for documented hearing loss or tinnitus.

Recommendation:

Congress should enact a presumption of service-connected disability for combat veterans and veterans whose military duties exposed them to high levels of noise and who subsequently suffer from tinnitus or hearing loss.

[18] Institute of Medicine, *Noise and Military Service: Implications for Hearing Loss and Tinnitus (2005)*.

Compensable Disability Rating for Hearing Loss Necessitating a Hearing Aid:

The VA* Schedule for Rating Disabilities *should provide a minimum 10 percent disability rating for hearing loss that requires use of a hearing aid.

The VA *Schedule for Rating Disabilities* does not provide a compensable rating for hearing loss at certain levels severe enough to require hearing aids. The minimum disability rating for any hearing loss warranting use of a hearing aid should be 10 percent, and the schedule should be amended accordingly.

A disability severe enough to require use of a prosthetic device should be compensable. Beyond the functional impairment and the disadvantages of artificial hearing restoration, hearing aids negatively affect the wearer's physical appearance, similar to scars or deformities that result in cosmetic defects. Also, it is a general principle of VA disability compensation that ratings are not offset by the function artificially restored by a prosthetic device.

For example, a veteran receives full compensation for amputation of a lower extremity although he or she may be able to ambulate with a prosthetic limb. Additionally, a review of the *Schedule for Rating Disabilities* shows that disabilities for which treatment warrants an appliance, device, implant, or prosthetic, other than hearing loss with hearing aids receive a compensable rating.

Assigning a compensable rating for medically directed hearing aids would be consistent with minimum ratings provided throughout the rating schedule. Such a change is equitable and fair.

Recommendation:

VA should amend title 38, Code of Federal Regulations, part 4, *Schedule for Rating Disabilities* to provide a minimum of 10 percent disability rating for any hearing loss medically requiring a hearing aid.

Temporary Total Compensation Awards:

Congress should exempt temporary awards of total disability compensation from delayed payment dates.

An inequity exists in current law controlling the beginning date for payment of increased compensation based on periods of incapacity due to hospitalization or convalescence. Hospitalization exceeding 21 days for a service-connected disability entitles the veteran to a temporary total disability rating of 100 percent. This rating is effective the first day of hospitalization and continues to the last day of the month of discharge from the hospital. Similarly, where surgery for a service-connected disability necessitates at least one month's convalescence or causes complications, or where immobilization of a major joint by cast is necessary, a temporary 100 percent disability rating is awarded, effective on the date of hospital admission or outpatient visit.

The effective date of temporary total disability ratings corresponds to the beginning date of hospitalization or treatment. Title 38, United States Code, section 5111(c)(2) provides that, in cases where the hospitalization or treatment commences and terminates within the same calendar month, the increase shall commence on the first day of that month. However, in cases where the hospitalization or treatment commences in one month and terminates in a subsequent month, section 5111 delays the effective date for payment purposes until the first day of the month following the effective date of the increased rating. In many cases this delay in payment causes undue financial hardship on veterans and their families. Disabled veterans, especially those who are unable to work as a result of hospitalization or period of convalescence, rely heavily on this temporary total compensation to replace the lost income. Veterans whose hospitalization or convalescence begins in one month and ends in a different month are left with their temporary total compensation being unnecessarily delayed by at least one month. This practice is unfair in comparison to veterans whose hospitalization or convalescence begins and ends within the same month.

Recommendation:

Congress should amend title 38, United States Code, section 5111 to authorize increased compensation based on a temporary total rating for hospitalization or convalescence that commences in one calendar month and continues beyond that month to be effective, for payment purposes, on the date of admission to the hospital or on the date of treatment, surgery, or other circumstances necessitating convalescence.

Agent Orange in Korea:

Differing criteria have been established for Korean War Veterans exposed to herbicides during that conflict.

The delineating dates for presumptive service connection due to exposure to herbicides (Agent Orange) in Korea are not the same for Korean War veterans as they are for Vietnam veterans. If a veteran served in Korea, north of the Imjin River at any time after Agent Orange was applied, presumptive service connection should be granted for the presumptive conditions contained in title 38, Code of Federal Regulations, section 3.309(e).

The current law provides that a veteran who served in Vietnam at anytime during the Vietnam War is presumed to have been exposed to herbicides. If that individual later develops any of the recognized conditions, service connection is conceded. Service connection opens the door to medical care and compensation.

The same is true if a veteran served in Korea from April 1968 up through July 1969 and was in a unit that rotated to the Korean demilitarized zone (DMZ). Department of Defense records show that herbicides were used extensively in sections of the DMZ during this period.

Korean DMZ veterans must have been stationed there when Agent Orange was applied from April 1968 through July 1969. If a veteran was rotated into the Korean DMZ on 1 August 1969 or later, presumption of

exposure is not conceded and service connection is not granted. Although the Department of Veterans Affairs may still grant service connection if the veteran proves exposure to herbicides and has a listed disability, the evidentiary burden of proving exposure is difficult because the Department of Defense denied for decades the use of Agent Orange anywhere other than in Vietnam. This inequity has created a new class of underserved veterans.

Research has shown that the dioxin in Agent Orange has a half-life of one to three years in surface soil and up to seven years in interior soil.[19] "The toxicity of dioxin is such that it is capable of killing newborn mammals and fish at levels as small as 5 parts per trillion (or one ounce in 6 million tons). Its toxic properties are enhanced by the fact that it can enter the body through the skin, the lungs, or through the mouth."[20]

The dioxin on the Korean DMZ did not lose its efficacy on August 1, 1969. It continued to be absorbed into the bodies of the troops who were operating north of the Imjin River and wreaks havoc on those veterans today just as it does to veterans from the Vietnam War.

Recommendation:

Congress should change the eligibility requirements for Korean War Veterans who served north of the Imjin River on the Korean demilitarized zone starting from April 1, 1968, to April 30, 1975.

[19] http://www.agentorangecanada.com/dioxin.php.
[20] http://www.vn-agentorange.org/newsletters.html.

Pensions

Pension for Nonservice-Connected Disability:

Congress should extend basic eligibility for nonservice-connected pension benefits to veterans who serve in combat environments regardless of whether a period of war has been established.

Pension is payable to a veteran who is 65 years of age or older or who is permanently and totally disabled as a result of nonservice-connected disabilities, and who has at least one day's service during a period of war and who has a low income.[21] The amount of pension awarded is modest at best and is reduced, dollar for dollar, based on countable income. It is designed to ensure that wartime veterans do not become charges on the public welfare.

Although Congress has the sole authority to make declarations of war, the President, as Commander in Chief, may send men and women into hostile situations at any time to defend American interests. While some of these incidents may occur during periods of war (e.g., Somalia, '92–'95), many other military actions take place during periods of "peace" (e.g., Granada, '83; Lebanon, '82–'87; Panama, '89). Even the Mayaguez Incident, May 12–15, 1975, falls outside the official dates of the Vietnam War, which ended May 7, 1975.

It is quite apparent that the sole service criteria for eligibility to pension, at least one day of service during a period of war, too narrowly defines military activity in the last century. Expeditionary medals, combat badges, and the like can better serve the purpose of defining combat or warlike conditions when Congress fails to declare war and when the President neglects to proclaim a period of war for veterans' benefits purposes. Congress should change the law to allow that receipt of an expeditionary medal, campaign medal, combat action ribbon, or similar military service decoration, or service that qualifies the service member for receipt of hostile fire pay, will qualify an individual for pension benefits.This action would ensure that veterans who served during periods of peace but who were placed in hostile situations are eligible for nonservice-connected pension.

Recommendation:

Congress should change the law to authorize eligibility to nonservice-connected pension for veterans who have been awarded the Armed Forces Expeditionary Medal, Purple Heart, Combat Infantryman's Badge, or similar medal or badge for participation in military operations that fall outside officially designated periods of war.

[21] The requirements for pension, along with applicable definitions, are found throughout 38 U.S.C. (e.g., sections 101(15), 1521, 1501).

Dependency and Indemnity Compensation

Dependency and Indemnity Compensation for Surviving Spouses of Service Members:

Congress should increase rates of dependency and indemnity compensation for surviving spouses of service members.

Current law authorizes the Department of Veterans Affairs to pay an enhanced amount of dependency and indemnity compensation, in addition to the basic rate, to surviving spouses of veterans who die from service-connected disabilities after at least an eight-year period of the veteran's total disability rating prior to death. However, surviving spouses of military service members who die on active duty receive only the basic rate of dependency and indemnity compensation.

This practice is inequitable because surviving spouses of deceased active duty service members face the same financial hardships as the survivors of deceased service-connected veterans who were totally disabled for eight years prior to their deaths.

Recommendation:

Congress should authorize dependency and indemnity compensation eligibility at increased rates to survivors of deceased military personnel on the same basis as that for the survivors of totally disabled service-connected veterans.

Repeal of Offset Against Survivor Benefit Plan:

The current requirement that the amount of an annuity under the Survivor Benefit Plan be reduced on account of and by an amount equal to dependency and indemnity compensation is inequitable.

A veteran disabled in military service is compensated for the effects of service-connected disability. When a veteran dies of service-connected causes, or following a substantial period of total disability from service-connected causes, eligible survivors or dependents receive dependency and indemnity compensation (DIC) from VA. This benefit indemnifies survivors, in part, for the losses associated with the veteran's death from service-connected causes or after a period of time when the veteran was unable, because of total disability, to accumulate an estate for inheritance by survivors.

Career members of the armed forces earn entitlement to retired pay after 20 or more years' service. Unlike many retirement plans in the private sector, survivors have no entitlement to any portion of the member's retired pay after his or her death. Under the survivor benefit plan (SBP), deductions are made from the member's retired pay to purchase a survivors' annuity. This is not a gratuitous benefit.

Upon the veteran's death, the annuity is paid monthly to eligible beneficiaries under the plan. If the veteran died of other than service-connected causes or was not totally disabled by service-connected disability for the required time preceding death, beneficiaries receive full SBP payments. However, if the veteran's death was a result of his or her military service or followed from the requisite period of total service-connected disability, the SBP annuity is reduced by an amount equal to the DIC payment. Where the monthly DIC rate is equal to or greater than the monthly SBP annuity, beneficiaries lose all entitlement to the SBP annuity.

The Independent Budget veterans service organizations believe this offset is inequitable because no duplication of benefits is involved. Payments under the SBP and DIC programs are made for different purposes. Under the SBP, a dependent purchases coverage that would be paid in the event of the death of the service member. On the other hand, DIC is a special indemnity compensation paid to the survivor of a service member who dies while serving or a veteran who dies from service-connected disabilities. In such cases VA indemnity compensation should be added to the SBP, not substituted for it. We note that surviving spouses of federal civilian retirees who are veterans are eligible for DIC without losing any of their purchased federal civilian survivor benefits. The offset penalizes survivors of military retired veterans whose deaths are under circumstances warranting indemnification from the government separate from the annuity funded by premiums paid by the veteran from his or her retired pay.

Recommendation:

Congress should repeal the offset between dependency and indemnity compensation and the Survivor Benefit Plan.

RETENTION OF REMARRIED SURVIVORS' BENEFITS AT AGE 55:

Congress should lower the age required for survivors of veterans who have died from service-connected disabilities who remarry to be eligible for restoration of dependency and indemnity compensation to conform with the requirements of other federal programs.

Current law permits the Department of Veterans Affairs to reinstate DIC benefits to remarried survivors of veterans if the remarriage occurs at age 57 or older or if survivors who have already remarried apply for reinstatement of dependency and indemnity compensation at age 57. Although *The Independent Budget* veterans service organizations appreciate the action Congress took to allow this restoration of rightful benefits, the current age threshold of 57 years is arbitrary. Remarried survivors of retirees of the Civil Service Retirement System, for example, obtain a similar benefit at age 55.[22] We believe the survivors of veterans who died from service-connected disabilities should not be further penalized for remarriage and that equity with beneficiaries of other federal programs should govern Congressional action for this deserving group.

Recommendation:

Congress should lower the existing eligibility age from 57 to 55 for reinstatement of disability and indemnity compensation to remarried survivors of service-connected veterans.

[22] http://www.opm.gov/retire/pubs/pamphlets/R125-26.pdf.

Readjustment Benefits

Housing Grants

GRANT FOR ADAPTATION OF A NEW HOME:

Grants should be available for special adaptations to homes that veterans purchase or build to replace initial specially adapted homes.

Like those of other families today, veterans' housing needs change with time and circumstances. An initial home may become too small when the family grows or become too large when children leave home. Likewise, changes in the nature of a veteran's disability(ies) may necessitate a home configured differently and/or changes to the special adaptations. In addition, technological changes occur rapidly and additional modifications, after the initial housing grant, may maximize the veteran's independence as well as improve the ability for caregivers to provide medically necessary care. These evolving requirements merit a second grant to cover the costs of adaptations to a new home.

Recommendation:

Congress should establish a grant at the same level as the initial housing grant to cover the costs of home adaptations for veterans who replace their specially adapted homes with new housing.

GRANTS FOR ADAPTATION OF HOMES FOR VETERANS LIVING IN FAMILY-OWNED TEMPORARY RESIDENCES:

Grants should be increased for special adaptations to homes in which veterans temporarily reside that are owned by a family member.

The Department of Veterans Affairs may provide Temporary Residence Allowance (TRA) Grants for veterans who have service-connected disabilities for certain combinations of loss or loss of use of extremities and blindness or other organic diseases or injuries when those veterans reside in but do not intend to permanently reside in a residence owned by a family member. Specifically, the assistance for the first group may not exceed $14,000 for veterans who have a permanent and total service-connected disability as a result of the loss or loss of the use of both lower extremities, such as to preclude locomotion without the aid of braces, crutches, canes, or a wheelchair.

For the second group, the assistance may not exceed $2,000 for veterans who have a permanent and total service-connected disability rating due to blindness in both eyes with 5/200 visual acuity or less and the disability includes the anatomical loss or loss of use of both hands. Unless the amounts of these grants are periodically adjusted, inflation erodes these benefits that are payable to a select few, albeit among the most seriously disabled service-connected veterans.

A 2009 Government Accountability Office report[23] indicated that only nine veterans had taken advantage of this grant. The report examines several reasons for the low usage. It concluded that because the TRA grant amount counts against the amount of the overall amount of the Specially Adapted Housing Grant, eligible veterans may choose to wait until they want to adapt their own home.

Finally, the current authorization for the TRA expires on December 31, 2011. *The Independent Budget* veterans service organizations believe the grant should be-

come a permanent benefit with implementation of these recommendations.

Recommendations:

Congress should increase the allowance from $14,000 to $28,000 for veterans with permanent and total service-connected disabilities as a result of loss or loss of use of both lower extremities that preclude locomotion without the aid of braces, crutches, canes, or wheelchairs.

Congress should increase the allowance from $2,000 to $5,000 for veterans who have permanent and total service-connected disabilities due to blindness in both eyes with 5/200 visual acuity or lower and the disability includes the anatomical loss or loss of use of both hands. Congress should provide for automatic annual adjustments to keep pace with inflation.

Congress should separate the Temporary Residence Adaptation Grant as a stand-alone program so that the grant amount would not count against the overall grant for permanent housing and eliminate the expiration date of grant eligibility upon implementation of the previous recommendations.

[23] GAO-09-637R.

Insurance

Government Life Insurance

VALUE OF POLICIES EXCLUDED FROM CONSIDERATION AS INCOME OR ASSETS:

For purposes of other government programs, the cash value of veterans' life insurance policies should not be considered assets, and dividends and proceeds should not be considered income.

For nursing home care under Medicaid, the government forces veterans to surrender their government life insurance policies and apply the amount received from the surrender for cash value toward nursing home care as a condition for Medicaid coverage of the related expenses of needy veterans. It is unconscionable to require veterans to surrender their life insurance to receive nursing home care.[24] Life insurance is intended to provide for survivors after the veteran's death. It is not a savings method that should be garnered to pay for one's care. Similarly, dividends and proceeds from veterans' life insurance should be exempt from countable income for purposes of other government programs.

Recommendation:

Congress should enact legislation to exempt the cash value of, and dividends and proceeds from, VA life insurance policies from consideration in determining entitlement under other federal programs.

[24] http://www.insurance.va.gov/gli/glihandbook/glibooklet2010.pdf,pg12.

LOWER PREMIUM SCHEDULE FOR SERVICE-DISABLED VETERANS' INSURANCE:

The Department of Veterans Affairs should be authorized to charge lower premiums for Service-Disabled Veterans' Insurance policies based on improved life expectancy under current mortality tables.

Because of service-connected disabilities, disabled veterans often have difficulty obtaining life insurance in the commercial market. Even when they can purchase life insurance, premiums are higher than for nondisabled individuals. As a consequence, Congress created the Service-Disabled Veterans' Insurance (SDVI) program to furnish life insurance for disabled veterans at standard rates.

When the SDVI program began in 1951, its rates, based on mortality tables then in use, were competitive with commercial insurance. Commercial rates have since been lowered to reflect improved life expectancy shown by current mortality tables. However, the Department of Veterans Affairs is required to base its rates on the mortality tables from 1941.

Consequently, SDVI premiums are no longer competitive with commercial insurance and therefore no longer provide the intended benefit for eligible veterans. In addition, Public Law 111-275, the "Veterans Benefits Act of 2010," authorized an increase from $20,000 to $30,000 in the supplemental amount of insurance available. Eligible veterans must pay for this additional coverage and may not have premiums waived for any reason. Unfortunately, Congressional intent will not be met because the premiums under the current schedule are not affordable for many service disabled veterans.

Recommendation:

Congress should enact legislation to authorize VA to revise its premium schedule for Service Disabled Veterans' Insurance based on current mortality tables.

INCREASE IN MAXIMUM SERVICE-DISABLED VETERANS' INSURANCE COVERAGE:

The current $10,000 maximum for life insurance under Service-Disabled Veterans' Insurance does not provide adequately for the needs of survivors.

Life insurance for veterans was first made available to members of the armed forces in October 1917 because life insurance issued by commercial life insurers either excluded protection against the extra hazards of war, or if such protection was included, the premium rates were much higher than the normal rate. The War Risk Insurance Act was amended on June 12, 1917, to cover merchant marine personnel. The act was again amended on October 6, 1917, authorizing for the first-time issuance of government life insurance to members of the armed forces. More than 4 million policies were issued during World War I.[25] Coverage was available in increments of $1,000 up to $10,000.[26] At that time the law authorized an annual salary of $5,000 for the director of the Bureau of War Risk Insurance.[27] Obviously, the average annual wages of service members in 1917 were considerably less than $5,000. A $10,000 life insurance policy provided sufficiently for the loss of income from the death of the insured in 1917.

Today, more than 90 years later, maximum coverage under the base Service-Disabled Veterans' Insurance (SDVI) policy remains at $10,000. Given that the annual cost of living is many times what it was in 1917, the same maximum coverage now nearly a century later clearly does not provide meaningful income replacement for the survivors of service-disabled veterans.

A May 2001 report from an SDVI program evaluation conducted for the Department of Veterans Affairs[28] recommended that basic SDVI coverage be increased to $50,000 maximum. *The Independent Budget* veterans

service organizations therefore recommend that the maximum protection available under SDVI be increased to at least $50,000 in increments of $10,000 with a review every five years to determine if the amount remains adequate.

Recommendation:

Congress should enact legislation to increase the maximum protection under base Service Disabled Veterans' Insurance policies to $50,000 with a review every five years to determine if the amount remains adequate.

[25] http://www.insurance.va.gov/gli/glihandbook/glibooklet2010.pdf,pg12.
[26] http://www.archive.org/stream/allotmentsfamily00unitrich#page/42/mode/2up,pg42.
[27] *Chicago Daily News, Almanac and Year-Book for 1918*, 248.
[28] Department of Veterans Affairs,"Program Evaluation of Benefits for Survivors of Veterans with Service-Connected Disabilities, Volume IV, page 127" by Systems Flow, Inc., Economic Systems, Inc., Macro International, Inc., and Hay Group, (May 2001).