

# Introduction

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**A**s America begins the second decade of the 21st century, our country remains engaged in conflicts on two fronts. While the conflict in Iraq is currently waning, the intensity of the war on terrorism in Afghanistan is growing and extremely fierce. On December 1, 2009, President Obama announced he was committing an additional 30,000 troops to the war in Afghanistan.

It is against 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 their budget and program recommendations based upon their unique expertise and experience concerning the resources that will be necessary to meet the needs of America’s veterans in fiscal year (FY) 2011. These recommendations are designed to meet the needs of the thousands of young veterans currently serving in America’s armed services who soon will require from the Department of Veterans Affairs (VA) the health care and financial benefits that they have earned and the needs of the millions of veterans from previous conflicts and service who currently depend on VA.

*The Independent Budget for Fiscal Year 2011* represents the 24th consecutive year that these veterans service organizations have joined together to produce a comprehensive budget document highlighting the needs of elderly veterans as well as those of younger men and women who are returning from active duty. Currently, according to information from VA, developed by the National Center for Veterans Analysis and Statistics (08/03/09), America’s veteran population is estimated to be 23,442,000, which includes 1,802,000 (8%) women. Of America’s 23,442,000 million veterans, 7.84 million are enrolled in the VA health-care system, and 5.58 million of them are identified as unique individual patients who received care in VA facilities in 2008. Additionally, 3.03 million veterans receive disability compensation for injuries incurred during service to our country. Also, as of June 30, 2009, 323,189 spouses of deceased veterans rely on VA’s dependency and indemnity compensation for the expenses of everyday living.

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 medical treatment and administrative costs spiral upward. In addition to the rising medical operational costs, 39.4 percent of the total veteran population is 65 years of age or older. This group of elderly veterans has an increased demand for VA health care and long-term-care services. Additionally, the influx of new, and often severely disabled, veterans entering the VA system each month brings new demands for sophisticated medical care each year. Therefore, these complicated age-related treatment issues make accurate financial and personnel resource forecasting difficult but more important each year.

*(Continued)*

Table 1. VA Accounts FY 2011 (Dollars in Thousands)

	FY 2010 Appropriation	FY 2011* Administration	FY 2011 IB	FY 2012** Advance Approp.
<b>Veterans Health Administration (VHA)</b>				
Medical Services	34,707,500	37,136,000	40,940,954	39,649,985
Medical Support and Compliance	4,930,000	5,307,000	5,314,595	5,535,000
Medical Facilities	4,859,000	5,740,000	5,706,507	5,426,000
<b>Subtotal Medical Care, Discretionary</b>	<b>44,496,500</b>	<b>48,183,000</b>	<b>51,962,056</b>	<b>50,610,985</b>
Medical Care Collections	3,026,000	3,355,000		3,679,000
<b>Total, Medical Care Budget Authority (including Collections)</b>	<b>47,522,500</b>	<b>51,538,000</b>	<b>51,962,056</b>	<b>54,289,985</b>
Medical and Prosthetic Research	581,000	590,000	700,000	
<b>Total, Veterans Health Administration</b>	<b>45,077,500</b>	<b>48,773,000</b>	<b>52,662,056</b>	
<b>General Operating Expenses (GOE)</b>				
Veterans Benefits Administration	1,689,207	2,148,776	1,914,027	
General Administration	397,500	463,197	425,337	
<b>Total, General Operating Expenses (GOE)</b>	<b>2,086,707</b>	<b>2,611,973</b>	<b>2,339,364</b>	
<b>Departmental Admin. and Misc. Programs</b>				
Information Technology	3,307,000	3,307,000	3,552,884	
National Cemetery Administration	250,000	250,504	274,500	
Office of Inspector General	109,000	109,367	112,020	
<b>Total, Dept. Admin. and Misc. Programs</b>	<b>3,666,000</b>	<b>3,666,871</b>	<b>3,939,404</b>	
<b>Construction Programs</b>				
Construction, Major	1,194,000	1,151,036	1,295,000	
Construction, Minor	703,000	467,700	785,000	
Grants for State Extended Care Facilities	100,000	85,000	275,000	
Grants for Construct of State Vets cemeteries	46,000	46,000	51,000	
<b>Total, Construction Programs</b>	<b>2,043,000</b>	<b>1,749,736</b>	<b>2,406,000</b>	
Other Discretionary	166,000	164,738	170,482	
<b>Total, Discretionary Budget Authority (including Medical Collections)</b>	<b>56,065,207</b>	<b>60,321,318</b>	<b>61,517,306</b>	

\*P.L. 111-117, "Consolidated Appropriations Act for FY 2010," included advance appropriations for FY 2011 for VA's Medical Care accounts (Medical Services, Medical Support and Compliance, Medical Facilities). Reevaluated estimates for FY 2011 were not included in the FY 2011 budget request.

\*\*The FY 2011 budget request includes estimates for the Medical Care accounts for FY 2012. The Government Accountability Office will examine the budget submission to analyze its consistency with the VA's Enrollee Health Care Projection Model for FY 2012.

Year after year the coauthors of *The Independent Budget* conduct a comparative analysis of VA workload information and carefully review medical and administrative cost data that form the foundation of the *IB*'s recommendations. The *IB* coauthors 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. Unfortunately, Congress often has been unable to complete the VA appropriation process prior to the beginning of VA's new fiscal year on October 1. In fact, FY 2010 was no different, as VA once again faced funding provided under a continuing resolution after October 1. As a response to these constant delays in the appropriations process, the *IB* veterans service organizations advocated for a reasonable solution that we believed would lead to sufficient, timely, and predictable funding—advance appropriations. We are pleased that Congress and the Administration recognized the need for funding reform of the VA health-care system by enacting historic advance appropriations legislation in fall 2009. We congratulate Congress and the President on this very important accomplishment and look forward to the day, in the not too distant future, when VA can properly plan to meet the many health-care demands of veterans.

With regard to veterans' benefits, the *IB* recommends that VA fast-track concrete steps that will help ameliorate nagging claims-processing barriers. Continuing studies to find solutions must be replaced by real action plans that produce positive results. These action steps must be implemented before VA's claims system becomes further mired in its own red tape and ultimately collapses under its own weight. Veterans and their families deserve prompt decisions regarding the benefits for which they have shed their blood. 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 2011* provides recommendations for consideration by our nation's elected leadership that are based upon a rigorous and rational methodology designed to support the Congressionally authorized programs that serve our nation's veterans. The *IB* coauthors are proud that more than 60 veterans, military, medical service, and disability organizations have endorsed the FY 2011 edition of this important 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.

# Benefit Programs

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**T**he Department of Veterans Affairs (VA) provides our nation's veterans a comprehensive range of benefits: disability compensation, dependency and indemnity compensation (DIC), pensions, vocational rehabilitation and employment, education benefits, housing loans, ancillary benefits for service-connected disabled veterans, life insurance, and burial benefits. Disability compensation payments fulfill our primary obligation to attempt to make up for economic and other losses that result from service-connected injuries or diseases. When service members are killed on active duty or veterans' lives cut short by service-connected injuries, or following a substantial period of total service-connected disability, eligible family members receive DIC. Pensions provide a measure of financial relief for needy veterans of wartime service who are totally disabled as a result of nonservice-connected causes or who have reached 65 years of age. Death pensions are paid to needy eligible survivors of wartime veterans.

Burial benefits assist families with a portion of the costs of veterans' funerals and burials and provide for burial flags and grave markers. Miscellaneous assistance includes other special allowances for smaller select groups of veterans and dependents and attorney fee awards under the Equal Access to Justice Act. Congress has also authorized special programs to provide a monthly financial allowance, health care, and vocational rehabilitation for the children who suffer from spina bifida and other birth defects and who are the offspring of veterans who served in Vietnam from January 9, 1962, through May 7, 1975, or of veterans who served in or near the Korean demilitarized zone from September 1, 1967, through August 31, 1971, and were exposed to herbicides.

Recognizing the disadvantages that result from a life of military service, Congress has authorized benefits to assist veterans in readjustment to civilian life. Such benefits provide veterans financial assistance for education or vocational rehabilitation programs and provide financial assistance to seriously disabled veterans for specially adapted housing and automobiles. Education benefits are also available for the children and spouses of those who die on active duty, are permanently and totally disabled, or who die as a result of service-connected disability. Qualifying students pursuing VA education or rehabilitation programs may receive work-study allowances. For temporary financial assistance to veterans undergoing vocational rehabilitation, loans are available from the vocational rehabilitation revolving fund.

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

VA provides life insurance to eligible veterans, disabled veterans, and members of the Retired Reserve. A group plan also covers service members and members of the Ready Reserve and their family members. Mortgage life insurance protects veterans who have received VA specially adapted housing grants.

## COMPENSATION AND PENSIONS

### Compensation

#### ANNUAL COST-OF-LIVING ADJUSTMENT:

*Congress should provide a cost-of-living adjustment (COLA) for compensation and dependency and indemnity compensation (DIC) benefits.*

Traumatic brain injury, amputations, hearing loss, post-traumatic stress disorder—whatever the service-connected disability, compensation is intended to replace the lost earning capacity of the men and women who become disabled during their service to America. In a similar manner, DIC is paid to the surviving spouse and minor children of an individual who dies on active duty or later from service-connected conditions. Unlike compensation, it is not intended to replace the earnings lost because of the untimely death of the service member or veteran. Regardless, it is a benefit that still helps survivors cope with the exigencies of life.

Inflation erodes compensation and DIC, making it more difficult for these veterans, widows, and children to cope with the challenges of day-to-day life. Congress recognizes the effects of inflation and usually adjusts veterans'

and survivors' benefits by the same percentage that Social Security is increased. However, unlike Social Security and similar federal programs, these adjustments are not automatic and must wait for Congress to take action. As a consequence, adjustments are sometimes delayed, causing further and, in our view, unnecessary hardship on veterans and their families. These benefits must therefore be regularly adjusted to keep pace with increases in the cost of living.

#### **Recommendation:**

To offset rises in the cost of living, Congress should enact legislation that automatically adjusts compensation and dependency and indemnity compensation by a percentage equal to the increase Social Security recipients receive.



#### FULL COST-OF-LIVING ADJUSTMENT FOR COMPENSATION:

*Congress must provide cost-of-living adjustments (COLAs) equal to the annual increase in the cost of living without rounding down such increases to the next whole dollar.*

Congress enacted legislation in 1978 to round monthly payments down to the nearest whole dollar after adjustment for cost of living increases. This action was considered temporary when passed, but Congress has since found this to be a convenient way to meet budget reconciliation targets and fund spending for other purposes and refuses to break its habit of extending this provision, even in the face of occasional budget surpluses.

The cumulative effect of this practice over 30 years has eroded, and will continue to substantially erode, the value of compensation and DIC. This continued practice is entirely unjustified. It robs monies from the benefits of some of our most deserving veterans and their

dependents and survivors, who have no choice but to rely on modest VA benefits for life's necessities.

#### **Recommendations:**

Congress should reject any recommendation to permanently extend provisions for rounding down compensation cost-of-living adjustments and allow the temporary round-down provisions to expire on their statutory sunset date.

Congress should enact a one-time adjustment to ensure that once again veterans and survivors of those who gave the ultimate sacrifice in service to our nation will receive the full value of benefits intended by a grateful nation.

## STANDARD FOR SERVICE CONNECTION:

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

A member of the armed forces on active duty is at the disposal of military authority and, in effect, serves on duty 24 hours a day, 7 days a week. Under many circumstances, a service member may be directly engaged in performing various duties for far more extended periods than a typical eight-hour workday and may be on call or standing by for duty the remainder of the day. Other circumstances require service members to live with their unit 24 hours a day, such as when on duty on naval vessels or at remote military outposts. There is no distinction between “on duty” and “off duty” for purposes of legal status in America’s military service, nor is there any clear demarcation between the two. In the overall military environment, there are rigors, physical and mental stresses, known and unknown risks, and hazards unlike and far beyond those seen in civilian occupations.

Service connection for disability or death is the core of veterans’ benefits. When disability or death results from injury or disease incurred or aggravated in the “line of duty,” the disability or death is service connected for purposes of entitlement to these benefits. “Line of duty” means “an injury or disease incurred or aggravated during a period of active military, naval, or air service unless such injury or disease was the result of the veteran’s own willful misconduct or, for claims filed after October 31, 1990, was a result of his or her abuse of alcohol or drugs.”<sup>1</sup> Accordingly, virtually any disability or death occurring during service that meets the current requirements of the law satisfies the criteria for service connection.

These principles are expressly defined by law. The term “service connected” means, with respect to disability or death, “that such disability was incurred or aggravated, or that the death resulted from a disability incurred or aggravated, in the line of duty in the active military, naval, or air service.” The term “active military, naval, or air service” contemplates, principally, “active duty,” although duty for training qualifies when a disability is incurred during such period. The term “active duty” means “full-time” duty in the armed forces of the United States.

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

In spite of these long-standing principles, some Congressional members have proposed the abolishment of these rules by replacing the “line of duty” standard with a strict “performance of duty” standard, under which service connection would not generally be granted unless a veteran could prove that a disability was caused by the actual performance of military duty.

Congress created the Veterans’ Disability Benefits Commission (VDBC) 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” and to produce a report on the study. After more than 30 months of meetings, study, analysis, and debate, the VDBC, in October 2007, unanimously endorsed the current standard for determining service connection.

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

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### Recommendation:

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Congress should reject all suggestions from any source to change the terms for service connection of veterans’ disabilities and deaths.

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<sup>1</sup> Title 38 C.F.R. § 3.1(m).

**STANDARD FOR DETERMINING COMBAT-VETERAN STATUS:**

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

Post-traumatic stress disorder (PTSD) is one of the most common consequences of war. While the diagnostic criteria for PTSD date only from the post-Vietnam period, research shows that psychiatric problems identifiable as PTSD have existed in warriors for millennia. Congress has long recognized that PTSD often has its origins in combat experiences. It also recognized that military personnel, when confronted with the choice of fighting an enemy or documenting the fight, will invariably, as a matter of self-preservation, choose the better course of engaging the enemy rather than filling out paperwork.

As a result of this understanding, Congress enacted title 38, United States Code, section 1154: “Consideration to be accorded time, place, and circumstances of service.” It requires VA “to accept as sufficient proof of service-connection of any disease or injury alleged to have been incurred in or aggravated by such service satisfactory lay or other evidence of service incurrence or aggravation of such injury or disease, if consistent with the circumstances, conditions or hardships of such service, notwithstanding the fact that there is no official record of such incurrence or aggravation in service....” The “service” engaged in is combat. (This law applies to PTSD and any other condition arising from combat.)

World War II and the Korean War were wars with front lines and uniformed enemies. However, the wars fought by America since 1960 have been largely asymmetric: Lebanon, Somalia, Gulf War II, and Afghanistan involved enemies who most often struck from hidden positions and then melted back into the general population. Even in Vietnam, set piece battles were rare. More often than not, attacks would come without warning. There were no front lines and few places of complete safety.

To understand warfare as it has existed since 1960, we need look no further than our daily newspapers, the wire services, or our evening news. Mortar attacks, ambushes, improvised explosive devices (IEDs), suicide bombers—an enemy can come at American military personnel at any time, from any direction. It is for this reason that 38 U.S.C. §1154, as interpreted by VA, is obsolete and in need of amendment to take into account the world in which our service members fight today. Under current law, VA will accept that a person has been in combat if he or she receives certain medals. Further, if

unit records show that an individual was assigned to the unit when it was engaged with the enemy, VA will accept that the individual was in combat. Beyond that, VA requires proof that a service member was engaged in combat with the enemy before applying the relaxed evidentiary standards of section 1154; proof that consists of official military records—records that may have never existed or that may have been lost or misplaced over time. This narrow application of section 1154 means that many service members simply cannot prove that their current disabilities, whether physical or mental, originated during service.

These evidentiary problems can be mitigated by amending section 1154 to require VA to accept statements from veterans as true, in the absence of contradictory evidence, if the events they describe occurred while they were in a combat zone and are otherwise consistent with the nature of their service. This would mean, for example, that a veteran now suffering from PTSD that was diagnosed by a psychiatrist as caused by an attack on his convoy in Vietnam would not have to hunt for unit reports showing the incident. It would mean that a former Army clerk now diagnosed with mild traumatic brain injury acquired while working at a military base outside of Baghdad would not have to prove that his compound was repeatedly mortared while he was there. An amendment to section 1154 would not eliminate checks and balances extant in the law that protect the American people from waste and fraud. Easing the evidentiary standard for a specific group of veterans, those who served in combat zones, provides a carefully balanced approach to solving this chronic problem.

The decisional triad employed by VA to determine whether service connection should be awarded for any condition—a current diagnosis, an event in service, and a nexus between the event and current diagnosis—remains intact. A diagnosis requires the careful and considered assessment of a health-care professional; the nexus requires medical evidence showing that the current condition is related to an event in service; and the source or cause of the current condition would be determined by both the veteran’s statement of what occurred and a determination of whether that statement is consistent with the circumstances, conditions, and hardships of service in a combat zone.

**Recommendation:**

Congress should enact legislation that extends title 38, United States Code, section 1154 to anyone who served in a combat zone. This action would ease the eviden-

tiary burden on veterans and time-consuming development by VA, while leaving in place the need for the veteran to prove the existence of a disability and medical evidence connecting that disability to service.



**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 no less 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 longevity retired pay and compensation to account for reduction of their earning capacity for 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 performed 20 or more years of military service should have that same right.

A longevity-retired disabled veteran should not suffer a financial penalty for choosing a military service career over a civilian career, especially where 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 the 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 retired pay be offset by an amount equal to their rightfully earned VA disability compensation. 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.

## CONTINUATION OF MONTHLY PAYMENTS FOR ALL COMPENSABLE SERVICE-CONNECTED DISABILITIES:

*Lump-sum settlements of disability compensation should be fully rejected.*

Disability compensation is paid monthly to eligible veterans on account of, and at a rate commensurate with, diminished earning capacity resulting from the effects of service-connected diseases and injuries. By design, compensation provides relief from service-connected disability for the life of the condition's disabling effects. The severity of disability determines the rate of compensation, which usually warrants reevaluation when changes in severity occur.

Lump-sum payments have been suggested as a way for the government to avoid the administrative costs of reevaluating service-connected disabilities and future liabilities to qualified veterans when their disabilities worsen or cause secondary disabilities. Under such a scheme, the Department of Veterans Affairs would use the immediate availability of a lump-sum settlement to entice veterans to bargain away future benefits. Lump-sum payments are not in the best interests of disabled veterans.

In its final report, the Veterans' Disability Benefits Commission rejected the concept of paying a lump sum in lieu

of recurring compensation because the "complexity of lump sum payments would likely be excessive and difficult for veterans to understand and accept...[b]e difficult and costly to administer...would have significant short-term impact on the budget of the United States[,] and the break-even point when the up-front costs would be offset by future savings would be many years in the future..."<sup>2</sup> *The Independent Budget* veterans service organizations strongly oppose any change in law to provide for lump-sum payments of compensation.

### Recommendation:

Congress should reject any recommendation to permit VA to discharge its future obligation to compensate service-connected disabilities through payment of lump-sum settlements to veterans.

<sup>2</sup> *Honoring the Call to Duty: Veterans' Disability Benefits in the 21st Century*, Veterans' Disability Benefits Commission, October 2007, 278.



## INCREASE IN RATES OF SPECIAL MONTHLY COMPENSATION:

*Congress should increase rates of payment to veterans who have been determined to be housebound or in need of regular aid and attendance because of service-connected disabilities.*

The Department of Veterans Affairs, under the provisions of title 38, United States Code, sections 1114(k)–(s), provides special monthly compensation (SMC) to select categories of veterans with very severe, debilitating disabilities, such as the loss of a limb and loss of certain senses, and to those who require the assistance of an aide for the activities of daily living, such as dressing, toileting, bathing, and eating.

SMC represents payments for certain issues, such as the loss of an eye or limb, the inability to naturally control bowel and bladder function, the inability to achieve sexual satisfaction, or the need to rely on others for the ac-

tivities of daily life. Many severely injured veterans do not have the means to function in an independent setting and need intensive care on a daily basis. Many veterans spend more on daily attendant care than they receive in SMC benefits. The impact of the extreme nature of disabilities incurred by most veterans in receipt of SMC on quality of life cannot be totally compensated for; however, SMC does at least offset some of the loss of quality of life.

The present special monthly compensation rate of \$96 (subsection k) is paid beyond the service-connected compensation level of disability to a veteran who, as the result of a service-connected disability, has suffered the

devastating loss or loss of use of a creative organ, one foot, one hand, or both buttocks. In addition, a veteran who has suffered blindness of one eye having only light perception; complete organic aphonia with inability to communicate through speech; deafness of both ears having absence of air and bone conduction; or, in the case of a female veteran, has received radiation treatment of breast tissue or the anatomical loss of 25 percent or more of tissue from a single breast or both breasts in combination (including loss by mastectomy or partial mastectomy) as the result of a service-connected disability is entitled to special compensation. 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 these veterans.

In summary, the additional amount of compensation of \$654 (subsection l) that is paid beyond the 100 percent

rate for a single veteran who requires the regular aid and attendance of another person to perform the activities of daily living does not cover the actual cost. It is not realistic to believe that a totally disabled veteran is compensated for having to have someone care for them at a rate that equates to \$21.80 per day.

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### Recommendation:

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Congress should enact legislation to increase the special monthly compensation under title 38, United States Code, sections 1114(k)–(s) by an immediate 20 percent above the current base amount, and increase by 50 percent the current base amount of special monthly compensation under title 38 U.S.C. § 1114(k).



### MENTAL HEALTH RATING CRITERIA:

*The Department of Veterans Affairs should compensate mental health disabilities on parity with physical disabilities.*

Two recent studies, the first by the Center for Naval Analysis, Inc. (commissioned by the Veterans' Disability Benefits Commission)<sup>3</sup> and the second by EconSys (commissioned by the Department of Veterans Affairs),<sup>4</sup> found that veterans who suffer from service-connected psychiatric disabilities suffer greater lost earnings at all levels than do veterans with nonpsychiatric disabilities. VA should update its mental health rating criteria to ensure that those veterans with service-connected psychiatric disabilities are equitably and appropriately evaluated.

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### Recommendation:

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VA should propose a rule change in the *Federal Register* that would update the mental health rating criteria to more accurately reflect the severe impact that psychiatric disabilities have on veterans' average earning capacity.

<sup>3</sup> Ibid., 233, 473.

<sup>4</sup> *A Study of Compensation Payments for Service-Connected Disabilities*, vol. 1. Economic Systems, Inc., September 2008, 31.

## MORE EQUITABLE RULES FOR SERVICE CONNECTION OF HEARING LOSS AND TINNITUS:

*For all veterans with military occupations that typically involved acoustic trauma, service connection for hearing loss or tinnitus should be presumed.*

Many veterans exposed to acoustic trauma during service, who are now suffering from hearing loss or tinnitus, are unable to prove service connection because of inadequate 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.” 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, whether in a combat role or as a result of occupations that exposed them to damaging noise levels. The reason is simple: veterans are typically exposed to prolonged, frequent, and exceptionally loud noises from such sources as gunfire, tanks, artillery, explosive devices, aircraft, heavy equipment, and machinery of countless types. Exposure to acoustic trauma is a well-known cause of hearing loss and tinnitus. Yet many veterans are not able to document their in-service acoustic trauma, nor can they prove their hearing loss or tinnitus is a result of 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.

Audiometric testing in service was insufficient, and testing records are 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; it should do the same for veterans exposed to acoustic trauma, including combat veterans. Congress should instruct VA to develop a list of military occupations that are known to expose service members to noise. VA should be required to presume noise exposure for anyone who worked in one of those military occupations, and grant service connection for those who now experience documented hearing loss or tinnitus. Further, this presumption should be expanded to anyone who is shown to have been in combat.

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### **Recommendation:**

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

## COMPENSABLE DISABILITY RATING FOR HEARING LOSS NECESSITATING A HEARING AID:

*The VA disability-rating schedule should provide a minimum 10 percent disability rating for hearing loss that requires the use of a hearing aid.*

The Department of Veterans Affairs' *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 the 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 the effect of 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. Providing a compensable rating for hearing loss requiring use of a hearing aid would be consistent with minimum ratings provided elsewhere when a disability does not meet the rating formula requirements but requires continuous medication. Such a change would be equitable and fair.

### Recommendation:

VA should amend its *Schedule for Rating Disabilities* to provide a minimum 10 percent disability rating for any hearing loss medically requiring a hearing aid.



## COMPLETE LOSS OF SENSE OF SMELL AND/OR TASTE:

*VA's disability-rating schedule should grant direct service connection for loss of sense of smell and/or taste when diagnosed while on active duty.*

The VA *Schedule for Rating Disabilities* currently states, "Evaluation will be assigned under diagnostic codes 6275 or 6276 only if there is an anatomical or pathological basis for the condition."<sup>5</sup> As a result, military personnel who suffer a loss of their sense of taste and/or smell will be denied service connection if the doctor who completed the appropriate medical testing to confirm the diagnosis did not also provide an opinion as to the etiology of the condition. Physicians asked to later address this diagnosis may be reluctant to provide an opinion as to the cause of the losses because they did not make the initial diagnosis and did not conduct the tests to confirm the diagnosis of this chronic condition when first manifested in service.

Loss of the sense of smell or taste can disqualify individuals from certain military career positions, such as firefighters or security personnel. There is also the issue of personal safety and the costs to safeguard one's self. Gas heating and/or cooking in their homes poses a danger to these veterans because they can't smell the methyl mercaptan added to natural gas that gives it that distinctive gas warning odor. There is a strong association with the loss of these two senses and memory. Veterans who have lost these two special senses can have phantom tastes and phantom smells, just as those who have lost a limb have phantom physical sensations. Loss of sense of smell or taste should be treated similar to other conditions that first occur and are first diagnosed on active duty.

**Recommendation:**

VA should amend its *Schedule for Rating Disabilities* by dropping the requirement for a medical opinion as to the etiology of the condition when loss of the sense of taste or

sense of smell is manifest, was appropriately diagnosed in service, and is not a preexisting condition.

<sup>5</sup> Title 38 C.F.R. part 4, § 4.87a Schedule of ratings—other sense organs.



**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.

This provision deprives many veterans of an increase in compensation to offset the total disability during the first month in which temporary total disability occurs. This deprivation and consequent delay in the payment of increased compensation often jeopardizes disabled veterans' financial security and unfairly causes them hardship.

*The Independent Budget* veterans service organizations urge Congress to enact legislation amending title 38, United States Code, section 5111 to clarify that increased compensation due to temporary total disability ratings that extend beyond a single calendar month shall be payable from the first day the rating is effective.

**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.

## Pensions

### **PENSION FOR NONSERVICE-CONNECTED DISABILITY:**

*Congress should extend basic eligibility for nonservice-connected pension benefits to veterans who serve in combat environments, despite no declaration of war.*

Veterans totally disabled from nonservice-connected conditions (or who are at least 65 years old) with low income and wartime service are eligible to receive a modest pension. The amount of pension awarded is reduced for every dollar of income received from any other source. It is designed to ensure that wartime veterans do not become charges on the public welfare.

Under the Constitution, Congress is charged with declaring war. Congress or the President can prescribe a wartime period for benefit purposes. However, in the past century, large numbers of service members have been sent into many hostile areas around the world to conduct operations in support of American foreign policy and to protect American interests. Typically, these military actions are not conducted under the umbrella of a declaration of war and not all are considered to be a “war” under VA regulations.<sup>6</sup>

As a consequence, not all veterans who have been engaged in combat are eligible for a VA pension. Another factor to consider is that some expeditionary medals

and combat badges are awarded to members of the armed forces who have served in hostile regions, in situations and circumstances other than those of officially designated combat operations, or during a wartime era as declared by Congress.

### **Recommendation:**

Congress should amend eligibility requirements in title 38, United States Code, Part II, Chapter 15 to authorize nonservice-connected disability pension benefits to veterans who have been awarded the Armed Forces Expeditionary Medal, Navy/Marine Corps Expeditionary Medal, Purple Heart, Combat Infantryman’s Badge, Combat Medical Badge, or Combat Action Ribbon or similar medal or badge for participation in military operations not falling within an officially designated or declared period of war.

<sup>6</sup>Title 38 C.F.R. § 3.2.



## Dependency and Indemnity Compensation

### **INCREASE OF DEPENDENCY AND INDEMNITY COMPENSATION FOR SURVIVING SPOUSES OF SERVICE MEMBERS:**

*Congress should increase rates of dependency and indemnity compensation (DIC) for survivor spouses of service members.*

Current law authorizes VA to pay an enhanced amount of DIC, 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 DIC. This is inequitable

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

Pending legislation, Senate Bill 1118, would increase DIC to 55 percent of the 100 percent rate under title

38, United States Code, section 1114(j) for surviving spouses. However, *The Independent Budget* veterans service organizations are disappointed that the bill does not support higher rates for survivors of veterans who were rated for special monthly compensation under sections 1114(k)–(s). We believe that the survivors of severely disabled veterans should be compensated at a higher rate commensurate with the level of disability.

For example, the spouse of a veteran who was rated under section 1114(r)(1) has made sacrifices and provided more care for the veteran while they were alive

due to the severity of the service-connected conditions than would have been required for a veteran who had not been rated for special monthly compensation.

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### Recommendation:

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Congress should pass an amended bill Senate Bill 1118 that provides for a rate of 55 percent of the rates from title 38, United States Code, sections 1114(k)–(s), provided the veteran was so entitled (or would have been, except for still being on active duty) at the time of death.



### REPEAL OF OFFSET AGAINST SURVIVOR BENEFIT PLAN:

*The current requirement that the amount of an annuity under the Survivor Benefit Plan (SBP) be reduced on account of and by an amount equal to dependency and indemnity compensation (DIC) 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 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 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 re-

ceive 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. 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.

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### Recommendation:

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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 die from service-connected disabilities who remarry to be eligible for restoration of dependency and indemnity compensation (DIC) 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 DIC 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 in other federal programs obtain a similar benefit at age 55. 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.

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#### **Recommendation:**

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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.

## READJUSTMENT BENEFITS

### *Housing Grants*

#### **GRANT FOR ADAPTATION OF SECOND HOME:**

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

Like those of other families today, veterans' housing needs tend to change with time and new circumstances. An initial home may become too small when the family grows or become too large when children leave home. Changes in the nature of a veteran's disability may necessitate a home configured differently and/or alterations to the special adaptations. In addition, technological changes occur rapidly, and adaptations may become available after the initial housing grant that merit further modifications to the specially adapted home in order to maximize the veteran's independence as well as improve the ability of 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 to cover the costs of home adaptations for veterans who replace their specially adapted homes with new housing. The grant should be at the same level as the initial housing grant.



#### **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.*

Veterans who have service-connected disabilities for certain combinations of loss, or loss of use, of extremities, blindness, and other organic diseases or injuries are eligible for Temporary Residence Adaptation (TRA) grants. The Department of Veterans Affairs may provide TRA grants when these veterans temporarily reside but do not intend to stay permanently in a home owned by a family member. Specifically, the assistance 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. 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, which are payable to a select few, albeit among the most seriously disabled service-connected veterans.

According to a June 2009 Government Accountability Office report (GAO-09-637R *Temporary Residence Adaptation Grants*), only nine veterans had taken advantage of this grant at that time. The report examined several reasons for the low usage—including the fact that the grant amount counts against the amount of the overall grant—by those who are eligible but who choose to wait to adapt their own home.

Finally, the current authorization for the TRA expires on December 31, 2011. *The Independent Budget* veterans service organizations believe that the grant should become a permanent benefit with implementation of these recommendations.

## Recommendations:

Congress should increase the allowance from \$14,000 to \$28,000 for veterans who have service-connected disabilities for certain combinations of loss, or loss of use, of extremities, and increase the allowance from \$2,000 to \$6,000 for veterans who have a permanent and total service-connected disability rating due to blindness in both eyes and the anatomical loss or loss of use of both hands. Then Congress should provide for automatic annual adjustments in the future to keep pace with inflation.

Congress should make the Temporary Residence Adaptation a stand-alone program so that the grant amount would not count against the overall grant for permanent housing.

Congress should eliminate the expiration date of grant eligibility upon implementation of the previous recommendations.



## Automobile Grants and Adaptive Equipment

### INCREASE IN AMOUNT OF AUTOMOBILE GRANT AND AUTOMATIC ANNUAL ADJUSTMENTS FOR INCREASED COSTS:

*The automobile and adaptive equipment grants need to be increased and automatically adjusted annually to cover increases in costs.*

The Department of Veterans Affairs provides certain severely disabled veterans and service members grants for the purchase of automobiles or other conveyances. VA also provides grants for adaptive equipment necessary for the safe operation of these vehicles. Veterans suffering from service-connected ankylosis of one or both knees or hips are eligible for the adaptive equipment only. This program also authorizes replacement or repair of adaptive equipment.

Congress initially fixed the amount of the automobile grant to cover the full cost of the automobile. However, because sporadic adjustments have not kept pace with increasing costs, over the past 53 years the value of the automobile allowance has been substantially eroded. In 1946 the \$1,600 allowance represented 85 percent of the average retail cost and was sufficient to pay the full cost of automobiles in the “low-price field.”

Looking at current fiscal practices, the Bureau of Labor Statistics (BLS) notes in its frequently asked questions section that the Consumer Price Index (CPI) is often used to adjust consumers’ income payments, as well as benefits paid by Social Security, military, and federal Civil Service retirees and survivors. It is also

common knowledge that the military-related benefits increases lag behind the private sector and the actual rate of inflation.<sup>7</sup> Using the Bureau’s CPI inflation calculator to determine the value of the auto allowance benefit adjusted for inflation since 1946 does not give an accurate picture as to the drop in the value of this benefit. However, if one compares the current benefit amount to the actual cost of a new vehicle (obtained from the Department of Energy website), the true erosion of this benefit over the years becomes very clear (table 2).

The Federal Trade Commission cites National Automobile Dealers Association data that indicate that the average price of a new car in 2009 was \$28,400.<sup>8</sup> Table 2 shows that an \$11,000 automobile allowance represents 62 percent of the 1946 benefit when adjusted for inflation by the CPI; however, it is only 39 percent of the average cost of a new automobile. To restore equity between the cost of an automobile and the allowance, the allowance, based on 80 percent of the average new vehicle cost, would be \$22,800.

Veterans eligible for the automobile allowance under title 38, United States Code, section 3902 are among the most seriously disabled service-connected veterans.

**Table 2. Price of New Vehicle vs. CPI vs. Actual Cost of New Vehicle vs. Auto Allowance**

Year	Auto Allowance	CPI Inflation Calculator	Indicated Year - Percentage of 1946 Benefit	Avg. Cost of New Car	New Vehicle Cost as a % of Allowance
1946	\$1,600	\$1,600	100%	\$1,875	85%
1971	\$2,800	\$1,348.15	84%	\$3,919	72%
1975	\$3,300	\$1,196.10	75%	\$5,084	65%
1978	\$3,800	\$1,136.50	71%	\$6,478	58%
1981	\$4,400	\$943.89	59%	\$8,912	49%
1985	\$5,000	\$906.13	57%	\$11,589	43%
1988	\$5,500	\$906.59	57%	\$13,418	41%
1998	\$8,000	\$957.06	60%	\$18,479	43%
2001	\$9,000	\$990.97	62%	\$19,654	46%
2009	\$11,000	\$993.20	62%	\$28,400	39%

Often public transportation is quite difficult to impossible for them, and the nature of their disabilities requires the larger and more expensive handicap-equipped vans or larger sedans, which have base prices much higher than those of today's smaller automobiles. The current \$11,000 allowance is only a fraction of the cost of even the most modest and smaller models, which are often not suited to these veterans' special needs. Accordingly, if this benefit is to accomplish its purpose, it must be adjusted to reflect the current cost of automobiles.

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### Recommendations:

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Congress should increase the automobile allowance to 80 percent of the average cost of a new automobile in 2009 and then provide for automatic annual adjustments based on the rise in the cost of living.

Congress should consider increasing the automobile allowance to cover 100 percent of the average cost of a new vehicle and provide for automatic annual adjustments based on the actual cost of a new vehicle, not the CPI.

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<sup>7</sup> [http://www.bls.gov/dolfaq/bls\\_ques1.htm](http://www.bls.gov/dolfaq/bls_ques1.htm)

<sup>8</sup> <http://www.ftc.gov/bcp/edu/pubs/consumer/autos/aut11.shtm>

## 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. It is unconscionable to require veterans to surrender their life insurance to receive nursing home care. Life insurance is intended to provide for survivors after the veteran's passing. 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 ex-

empt from countable income for purposes of other government programs.

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#### **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.



#### **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 (SDVI) policies based on improved life expectancy under current mortality tables.*

Because of service-connected disabilities, disabled veterans have difficulty getting life insurance or are charged higher premiums on the commercial market. Congress therefore created the SDVI program to furnish service-disabled veterans' life insurance at standard rates.

When this 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 the improved life expectancy shown by current mortality tables. However, VA continues 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. Senate Bill 728 would correct this deficiency. VA supports this recommendation, as stated in *Senate Report 111-071*.

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#### **Recommendation:**

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

**INCREASE IN MAXIMUM SERVICE-DISABLED VETERANS' INSURANCE COVERAGE:**

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

When life insurance for veterans was first made available to members of the armed forces in October 1917, coverage was limited to \$10,000. At that time, the law authorized an annual salary of \$5,000 for the director of the Bureau of War Risk Insurance. Obviously, the average annual wages of service members in 1917 were considerably less than \$5,000, and a \$10,000 life insurance policy provided sufficiently for the loss of income from the death of the insured.

Today, more than 90 years later, maximum coverage under the base 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 re-

placement for the survivors of service-disabled veterans. A May 2001 report from an SDVI program evaluation conducted for VA recommended that basic SDVI coverage be increased to a \$50,000 maximum, with a review every five years to determine whether the amount is still adequate. Again, this provision is addressed in Senate Bill 728 and is supported by VA in *Senate Report 111-071*.

**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.

**Veterans' Mortgage Life Insurance****INCREASE IN MAXIMUM VETERANS' MORTGAGE LIFE INSURANCE COVERAGE:**

*The maximum amount of mortgage protection under Veterans' Mortgage Life Insurance (VMLI) needs to be increased.*

The maximum VMLI coverage (\$90,000) was last increased by \$50,000 in 1992. Since then, housing costs have risen substantially. Because of the great geographic differentials in the costs associated with accessible housing, many veterans have mortgages that exceed the maximum face value of VMLI. Thus, the current maximum coverage amount does not cover many catastrophically disabled veterans' outstanding mortgages. Moreover, severely disabled veterans may not have the option of purchasing extra life insurance coverage from commercial insurers at affordable premiums.

In addition, veterans who are eligible for VMLI receive a minimum of \$3,327 for service-connected disabilities. When they die, their surviving spouse (if applicable) may receive as little as \$1,154 for dependency and indemnity compensation. Consequently, many surviv-

ing spouses can no longer afford the mortgage, even after the VMLI pays off the maximum, since their payment will remain the same. Refinancing to lower the payment may not be an option because of the severe drop in income. Increasing the payoff to a maximum of \$150,000 (and later to \$200,000) would remedy this situation in many cases. Senate Bill 728 supports an increase in VMLI to \$150,000, with a subsequent increase to \$200,000 after January 1, 2012. VA stated its support in *Senate Report 111-071*.

**Recommendation:**

Congress should increase the maximum coverage under Veterans' Mortgage Life Insurance from \$90,000 to \$150,000 with a subsequent increase to \$200,000 after January 1, 2012.