

## Why GAO Did This Study

VA administers one of the nation's largest federal disability compensation programs, providing veterans with a cash benefit based on average loss of earning capacity as a result of service-connected disabilities. However, concerns exist that VA's rating schedule—the criteria used to assign degree of work disability—is not consistent with changes in medicine and the labor market. Due in part to these types of challenges, GAO designated federal disability programs as high risk. Consequently, GAO examined (1) VA's progress in revising its rating schedule with updated medical and economic information; and (2) the opportunities and challenges of various policy approaches proposed by commissions and others for updating VA's disability benefits structure. To do this, GAO reviewed literature and VA documents, and relevant federal laws and regulations, as well as interviewed VA officials, disability experts, and veteran groups.

## What GAO Recommends

Congress may wish to direct VA to conduct focused studies on various approaches to modernize disability benefits and, if necessary, propose relevant legislation. GAO is also making several recommendations to improve VA's capacity to revise the rating schedule now and in the future. These include completing plans for conducting earnings loss studies and developing a written strategy for implementing revisions to the rating schedule. VA agreed with the recommendations and noted plans to address them.

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## VA DISABILITY COMPENSATION

### Actions Needed to Address Hurdles Facing Program Modernization

## What GAO Found

The Department of Veterans Affairs (VA) initiated a comprehensive effort in 2009 to revise its disability rating schedule with both updated medical and earnings information, but faces hurdles with several key aspects. The current revision effort takes a more comprehensive and empirical approach than VA's past efforts. VA has hired full-time staff to revise the rating schedule's medical information and plans to conduct studies to evaluate veterans' average loss of earnings in today's economy. As part of this effort, VA is considering modifying the rating schedule—currently based largely on degree of medical severity—to include a veteran's ability to function in the workplace. Moving in this direction is more consistent with how experts conceive of disability. However, this change, in part, has resulted in VA falling behind schedule. As of July 2012, VA is over 12 months behind in revising criteria for the first categories of impairments. In addition, VA has not developed its capacity to produce timely research on the impact of impairments on earnings. Moreover, VA lacks a complete plan—with specific activities and updated time frames—for conducting earnings loss and related studies. VA also does not have a written strategy to address the possible effects that revisions may have on agency operations, including impacts on an already strained claims workload. Finally, although VA intends to conduct medical and earnings updates beyond the current effort, VA lacks a formal mechanism to guide its commitment to do so. It is important that VA update and maintain its rating schedule to reflect current medical and labor market information to avoid overcompensating some veterans with service-connected disabilities while undercompensating others.

Three key approaches for modernizing VA's disability programs recommended by disability commissions and others—providing quality of life payments, providing integrated vocational services with transitional cash assistance, and systematically factoring the effects of assistive technology and medical interventions into rating decisions—hold opportunity and challenges. Experts and veteran groups GAO interviewed believe each approach holds at least some opportunity for serving veterans more fairly, equitably, and effectively. However, challenges exist. For example, they noted that it could be difficult to achieve consensus for specific design elements among the diverse set of stakeholders. Also, VA's capacity to administer these approaches—which could increase the complexity and/or number of claims—is questionable. Importantly, costs of each approach were raised. Some interviewees also noted that two or more of the approaches could be combined into a comprehensive benefits package that may mitigate concerns raised by the implementation of any single approach. For example, if factoring assistive technology into disability ratings resulted in lower disability compensation payment levels for some, a quality of life payment could offset that loss. VA officials told GAO they are not considering these approaches because they fall outside of VA's legal responsibility to compensate for loss of earning capacity. However, a system that maximizes equity, balances fiscal pressures, and ultimately serves individual veterans effectively will benefit from deliberations informed by more modern views about disability.