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VA BENEFITS

**Fundamental Changes to
VA's Disability Criteria
Need Careful Consideration**

Statement of Cynthia A. Bascetta, Director,
Education, Workforce, and Income Security Issues



Mr. Chairman and Members of the Committee:

I am pleased to be here to discuss our past reviews of the Department of Veterans Affairs (VA) disability programs as you consider the fundamental issue of eligibility for benefits and the related issue of concurrent receipt of VA disability compensation and Department of Defense (DOD) retirement pay. Our work has addressed these issues in addition to identifying significant program design and management challenges hindering VA's ability to provide meaningful and timely support to disabled veterans and their families. It is especially fitting, with the continuing deployment of our military forces to armed conflict, that we reaffirm our commitment to those who serve our nation in its times of need. Therefore, effective and efficient management of VA's disability programs is of paramount importance.

As you know, in January 2003, we designated VA's disability compensation programs, as well as other federal disability programs including Social Security Disability Insurance and Supplemental Security Income, as high-risk areas.¹ We did this to draw attention to the need for broad-based transformation of these programs, which is critical to improving the government's performance and ensuring accountability within expected resource limits. In March 2003, we cautioned that the proposed modification of concurrent receipt provisions in the military retirement system would not only have significant implications for DOD's retirement costs but could also increase the demands placed on the VA claims processing system. This would come at a time when the system is still struggling to correct problems with quality assurance and timeliness. Moreover, we testified that it would be appropriate to consider the pursuit of more fundamental reform of the disability programs as the Congress and other policy makers consider concurrent receipt.

Today, as you requested, I would like to highlight the findings of our related past work on VA's disability programs, including our 1989 report on veterans receiving compensation for disabilities unrelated to military service. My comments are based on numerous reports and testimonies prepared over the last 15 years as well as our broader work on other federal disability programs. (See Related GAO Products.)

¹ U.S. General Accounting Office, *High-Risk Series: An Update*, [GAO-03-119](#) (Washington, D.C.: Jan. 1, 2003).

In summary, VA needs to modernize its disability programs. In particular, VA relies on outmoded medical and economic disability criteria in adjudicating claims for disability compensation. In addition, VA has long-standing problems providing veterans with accurate, consistent, and timely benefit decisions, although recent efforts have made important improvements in timeliness. However, complex program design features, including eligibility, have developed over many years, and solutions to the current problems will require thoughtful analysis to ensure that efficient, effective, and equitable solutions are crafted. Moreover, these solutions might need to take into account a broader perspective from other disability programs to ensure sound federal disability policies across government programs and to reduce the risks associated with the current programs.

Background

VA provides disability compensation to veterans with service-connected conditions, and also provides compensation to survivors of service members who died while on active duty. Disabled veterans are entitled to cash benefits whether or not employed and regardless of the amount of income earned. The cash benefit level is based on the percentage evaluation, commonly called the “disability rating,” that represents the average loss in earning capacity associated with the severity of physical and mental conditions. VA uses its Schedule for Rating Disabilities to determine, based on an evaluation of medical and other evidence, which disability rating to assign to a veteran’s particular condition. VA’s ratings are in 10 percent increments, from 0 to 100 percent.

Although VA generally does not pay disability compensation for disabilities rated at 0 percent, such a rating would make veterans eligible for other benefits, including health care. About 65 percent of veterans receiving disability compensation have disabilities rated at 30 percent or lower, and about 8 percent are 100 percent disabled. Basic monthly payments range from \$104 for a 10 percent disability to \$2,193 for a 100 percent disability.

VA’s Disability Criteria Are Outmoded

In assessing veterans’ disabilities, VA remains mired in concepts from the past. VA’s disability programs base eligibility assessments on the presence of medically determinable physical and mental impairments. However, these assessments do not always reflect recent medical and technological advances, and their impact on medical conditions that affect potential earnings. VA’s disability programs remain grounded in an approach that equates certain medical impairments with the incapacity to work.

Moreover, advances in medicine and technology have reduced the severity of some medical conditions and allowed individuals to live with greater independence and function more effectively in work settings. Also, VA's rating schedule updates have not incorporated advances in assistive technologies—such as advanced wheelchair design, a new generation of prosthetic devices, and voice recognition systems—that afford some disabled veterans greater capabilities to work.

In addition, VA's disability criteria have not kept pace with changes in the labor market. The nature of work has changed in recent decades as the national economy has moved away from manufacturing-based jobs to service- and knowledge-based employment. These changes have affected the skills needed to perform work and the settings in which work occurs. For example, advancements in computers and automated equipment have reduced the need for physical labor. However, the percentage ratings used in VA's Schedule for Rating Disabilities are primarily based on physicians' and lawyers' estimates made in 1945 about the effects that service-connected impairments have on the average individual's ability to perform jobs requiring manual or physical labor. VA's use of a disability schedule that has not been modernized to account for labor market changes raises questions about the equity of VA's benefit entitlement decisions; VA could be overcompensating some veterans, while undercompensating or denying compensation entirely to others.

In January 1997, we suggested that the Congress consider directing VA to determine whether the ratings for conditions in the schedule correspond to veterans' average loss in earnings due to these conditions and adjust disability ratings accordingly. Our work demonstrated that there were generally accepted and widely used approaches to statistically estimate the effect of specific service-connected conditions on potential earnings. These estimates could be used to set disability ratings in the schedule that are appropriate in today's socioeconomic environment.²

In August 2002, we recommended that VA use its annual performance plan to delineate strategies for and progress in periodically updating labor market data used in its disability determination process.³ We also

² U.S. General Accounting Office, *VA Disability Compensation: Disability Ratings May Not Reflect Veterans' Economic Losses*, [GAO/HEHS-97-9](#) (Washington, D.C.: Jan. 7, 1997).

³ U.S. General Accounting Office, *SSA and VA Disability Programs: Re-Examination of Disability Criteria Needed to Help Ensure Program Integrity*, [GAO-02-597](#) (Washington, D.C.: Aug. 9, 2002).

recommended that VA study and report to the Congress on the effects that a comprehensive consideration of medical treatment and assistive technologies would have on its disability programs' eligibility criteria and benefit package. This study would include estimates of the effects on the size, cost, and management of VA's disability programs and other relevant VA programs and would identify any legislative actions needed to initiate and fund such changes.

Some Veterans Are Compensated For Disabilities Not Related To Military Service

A disease or injury resulting in disability is considered service-connected if it was incurred or aggravated during military service. No causal connection between the disability and actual military service is required. In 1989, we reported on the U.S. practice of compensating veterans for conditions that were probably neither caused nor aggravated by military service.⁴ These conditions included diabetes unrelated to exposure to Agent Orange⁵, chronic obstructive pulmonary disease, arteriosclerotic heart disease, and multiple sclerosis. A review of case files for veterans receiving compensation found that 51 percent of compensation beneficiaries had disabilities due to injury; of these, 36 percent were injured in combat, or otherwise performing a military task. The remaining 49 percent were disabled due to disease; of these, 17 percent had disabilities probably caused or aggravated by military service; 19 percent probably did not have disabilities related to service; and for 13 percent, the link between disease and military service was uncertain. We suggested that the Congress might wish to reconsider whether diseases neither caused nor aggravated by military service should be compensated as service-connected disabilities.

In March 2003, the Congressional Budget Office (CBO) reported that, according to VA data, about 290,000 veterans received about \$970 million in disability compensation payments in fiscal year 2002 for diseases identified by GAO as neither caused nor aggravated by military service. CBO estimated that VA could save \$449 million in fiscal years 2004 through 2008, if disability compensation payments to veterans with several nonservice-connected, disease-related disabilities were eliminated in

⁴ U.S. General Accounting Office, *VA Benefits: Law Allows Compensation for Disabilities Unrelated to Military Service*, GAO/HRD-89-60 (Washington, D.C.: July 31, 1989).

⁵ In May 2001, VA issued a regulation identifying Type 2 diabetes as a service-connected disability for veterans who served in Vietnam, based on presumed exposure to Agent Orange.

future cases. In August 2003, we also identified this as an opportunity for budgetary savings if the Congress wished to reconsider program eligibility.⁶

Because of the complexities involved in a potential change in eligibility, the details of how such a change would be implemented and its ramifications are important to the Congress, VA, veterans, and other stakeholders. For example, serviceconnection is linked with eligibility for other VA benefits, such as health care and vocational rehabilitation. Moreover, efforts to change VA disability programs, including eligibility reform, would benefit from consideration in the broader context of fundamental reform of all federal disability programs.

Mr. Chairman, this concludes my prepared remarks. I would be happy to answer any questions that you or Members of the Committee might have.

Contact and Acknowledgments

For further information, please contact me at (202) 512-7101 or Irene Chu at (202) 512-7102. Greg Whitney also contributed to this statement.

⁶ U.S. General Accounting Office, *Opportunities for Oversight and Improved Use of Taxpayer Funds: Examples from Selected GAO Work*, [GAO-03-1006](#) (Washington, D.C.: Aug. 1, 2003).

Related GAO Products

Opportunities for Oversight and Improved Use of Taxpayer Funds: Examples from Selected GAO Work. [GAO-03-1006](#). Washington, D.C.: August 1, 2003.

Department of Veterans Affairs: Key Management Challenges in Health and Disability Programs. [GAO-03-756T](#). Washington, D.C.: May 8, 2003.

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Veterans' Benefits: Quality Assurance for Disability Claims and Appeals Processing Can Be Further Improved. [GAO-02-806](#). Washington, D.C.: August 16, 2002.

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Jeff Nelligan, Managing Director, NelliganJ@gao.gov (202) 512-4800
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