

16. VETERANS BENEFITS AND SERVICES

Table 16-1. Federal Resources in Support of Veterans Benefits and Services

(In millions of dollars)

Function 700	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	20,904	22,463	23,469	23,996	24,533	25,085	25,651
Mandatory Outlays:							
Existing law	26,330	23,004	28,142	29,725	31,319	35,407	34,054
Proposed legislation			19	-24	-55	-87	-117
Credit Activity:							
Direct loan disbursements	1,451	1,712	1,724	1,923	1,962	2,008	2,045
Guaranteed loans	20,159	29,548	28,969	29,577	30,198	30,838	31,458
Tax Expenditures:							
Existing law	3,280	3,490	3,670	3,860	4,050	4,260	4,470

The Federal Government provides benefits and services to veterans and their survivors of conflicts as long ago as the Spanish-American War recognizing the sacrifices of wartime and peacetime veterans during military service. The Federal Government spends over \$51 billion a year on veterans benefits and services, including medical care to low-income and disabled veterans and education and training for veterans reentering civilian life. In addition, veterans benefits provide financial assistance to needy veterans of wartime service and their survivors, and over \$3 billion in tax benefits to compensate veterans and their survivors for service-related disabilities.

The Department of Veterans Affairs' (VA's) mission is "to care for him who shall have borne the battle and for his widow and his orphan." The spirit of these words, spoken by President Lincoln over 100 years ago, is ingrained in the Department's statutory mandate "to administer the laws providing benefits and other services to veterans and the dependents and the beneficiaries of veterans." The mandate sets forth VA's role as the principal advocate for veterans and charges it with ensuring that veterans receive

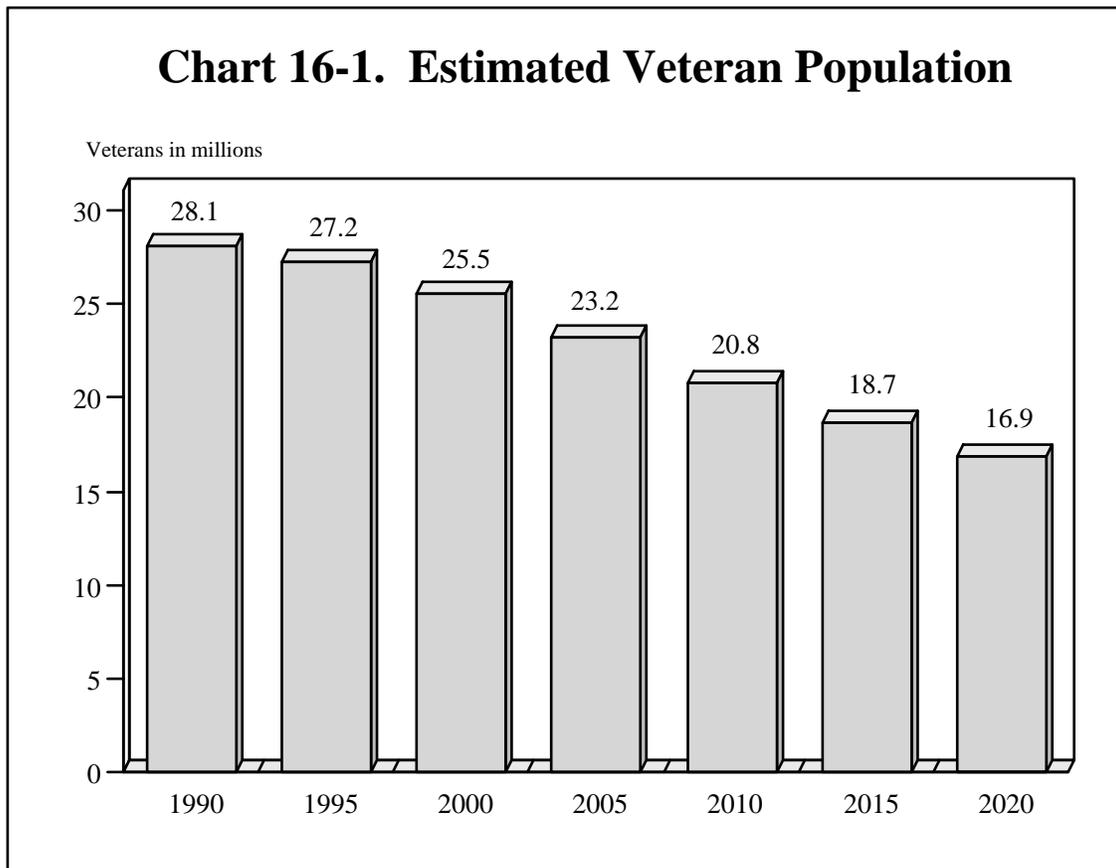
the medical care, benefits, social support, and lasting memorials they deserve in recognition of their service to this Nation.

Active duty military personnel are eligible for veterans housing benefits, and they can contribute to the Montgomery GI Bill program for education benefits that are paid later. VA employs 21 percent of the Federal Government's non-Department of Defense (DOD) work force—approximately 220,000 people, about 195,000 of whom deliver or support medical services to veterans.

The veteran population continues to decline and age (see Chart 16-1). The types of benefits and services needed by veterans likely will change as the population ages. Further, as the veteran population shrinks and technology improves, access to quality services should continue to improve. The Administration will work to provide veterans with the kind of efficient and effective service, which has been lacking.

Veterans Health Administration (VHA)

VA provides health care services to over four million veterans through its national system of 22 integrated health networks, consisting of 172 medical centers, 781



outpatient clinics, 135 nursing homes, 43 domiciliaries, and 206 vet centers. VA is an important part of the Nation's social safety net because over 42 percent of its patients are low-income veterans who might not otherwise receive care. It also is a leading health care provider for veterans with substance abuse problems, mental illness, HIV/AIDS, and spinal cord injuries.

VA's core mission is to meet the health care needs of veterans who have compensable service-connected injuries or very low incomes. By law, these core veterans are the highest priority for available Federal dollars for health care. The Veterans Health Care Eligibility Reform Act of 1996 allowed VA, for the first time, to treat all veterans "enrolled" in the system. VA was able to enroll all veterans that its funding level would allow. Previously, VA could provide care to lower-priority veterans (non-disabled, high-income) only on a space-available basis. Many people claim that these lower-priority veterans pay

for themselves through co-payments and insurance collections; however, VA's collections total only \$0.6 billion annually for all categories of veterans—a figure that has not substantially changed over the last five years despite the fact that 21 percent of its users are lower-priority patients. VA will emphasize increasing collections from lower-priority veterans so that this population will eventually pay for itself.

As a result of past problems in delivering timely, quality care, VA will emphasize its service and access initiative. This multi-year effort sets the standard to provide patients with primary and specialty care appointments within 30 days, and to ensure patients are seen within 20 minutes of their scheduled appointment at a VA health care facility.

Currently, more than 700,000 military retirees are enrolled in both the Department of Defense (DOD) and the VA health systems and may use either whenever they choose. As a result, DOD and VA encounter problems

in allocating the necessary resources due to their difficulty estimating the number of people that will obtain health care services in each of the systems. The budget includes appropriations language for DOD that will require military retirees to choose either DOD or VA as their health delivery system—providing continuity of care and a more efficient use of resources.

In the mid-1990s, VA reorganized its field facilities from 172 largely independent medical centers into 22 Veterans Integrated Service Networks (VISNs), charged with providing veterans the full continuum of care. During the same time, legislation was passed that eased restrictions on VA's ability to contract for care and share resources with DOD hospitals, State facilities, and local health care providers.

VA's efforts in reengineering its health care program have resulted in significant reductions in the cost per patient treated while quality of care increased. Reengineering efforts within VHA included restructuring veterans' health care (to include the organizational, financial, and management change associated with the VISNs), shifting to a primary care delivery system, and implementing clinical and administrative consolidations and integrations. However, VA still lags behind the private sector in some respects. The significant changes were:

- patients treated per year increased by over 37 percent (from 2.8 to 3.8 million—includes veterans and non-veterans);
- annual inpatient admissions decreased 38 percent (347,894 fewer admissions) in 2000 while ambulatory care visits increased by 56 percent to 39.2 million (14 million increase); and
- approximately 1,150 sites of care delivery have been organized under 22 VISNs.

Because of VHA's increased emphasis on service delivery and access, the following specific performance goals have been developed:

- increase the percentage of patients who receive a non-urgent patient appointment with their primary care or other appropriate provider within 30 days (base-

line will be 2001; strategic goal is 90 percent);

- increase the percentage of patients who receive a non-urgent appointment with a specialist within 30 days of the date of referral (baseline will be 2001; strategic goal is 90 percent); and
- increase the percentage of patients who are seen within 20 minutes of their scheduled appointment to 75 percent in 2002 (1997 baseline is 55 percent; strategic goal is 90 percent).

Also, VA formed partnerships with the National Committee on Quality Assurance, the American Hospital Association, the American Medical Association, the American Nurses Association, and other national associations to ensure quality patient care. The Chronic Disease Care Index II measures VA physicians' adherence to established industry practice guidelines for key diseases affecting veterans. Similarly, the Prevention Index II measures adherence to disease prevention and screening guidelines. VA plans to:

- increase the scores on the Chronic Disease Care Index II to 78 percent by 2002 (strategic goal is 82 percent); and
- increase the scores on the Prevention Index II to 76 percent by 2002 (strategic goal is 85 percent).

Medical Research: VA's research program provides \$360 million to conduct basic, clinical, epidemiological, and behavioral studies across the spectrum of scientific disciplines, seeking to improve veterans medical care and health and enhance our knowledge of disease and disability. If all funding sources are included, VA spends more than \$1 billion on research. In 2002, VA will focus its research efforts on aging, chronic diseases, mental illness, substance abuse, sensory loss, trauma-related impairment, health systems research, special populations (including Persian Gulf War veterans), and military occupational and environmental exposures.

- VA will increase to 60 percent the degree of Institutional Review Board compliance with National Committee for Quality Assurance accreditation (strategic goal is 100 percent).

Health Professions Education and Training: VA conducts education and training programs to enhance the quality of care provided to patients within the health care system. Education and training efforts for health profession students and residents are accomplished through partnerships with affiliated academic institutions. Title 38 U.S.C. mandates that VA assist in the training of health professionals for its own needs and for those of the Nation. Building on the long-standing, close relationships between VA and the country's academic institutions, VA plays a leadership role in defining the education of future health care professions to help meet the rapidly changing needs of the Nation's health care delivery system. Each year, approximately 85,000 medical and other students receive some or all of their clinical training in VA facilities through affiliations with over 1,200 educational institutions, including 107 medical schools. Many of these trainees have their health professions degrees and contribute substantially to VA's ability to deliver cost-effective and high-quality patient care during their advanced clinical training at VA.

- In 2002, VA will increase medical residents' and other trainees' scores to 81 on a VA survey assessing their clinical training experience (strategic goal is 85 out of a possible 100).

Veterans Benefits Administration (VBA)

VBA processes veterans' claims for benefits in 57 regional offices across the country. As the veteran population declines, generally the number of new compensation and pension claims and appeals from veterans is expected to decline. VBA anticipates a slight increase in new claims from survivors and claims for burial benefits. Since 1993, VBA has realigned 57 regional offices into nine service delivery networks. It has established nine Regional Loan Centers and four Regional Processing Offices for education claims in an effort to improve efficiency and quality of services to its customers. VBA has also taken steps to integrate information technology into claims processing to improve timeliness and quality of service delivery. It has also implemented a "balanced scorecard," a tool that has helped management to weigh the importance of and measure

progress toward meeting VBA's strategic goals. These include improving responsiveness to customers' needs and expectations, improving service delivery and benefit claims processing, and ensuring best value for the available taxpayers' dollar.

VBA monitors its performance in deciding disability benefits claims through measures of accuracy, customer satisfaction, processing timeliness, and unit cost. Performance remains noticeably off track in the timeliness and accuracy of processing claims for disability compensation and pensions. Claims processing has become increasing complex as a result of an increased number of disabilities per claim as veterans age. Moreover, workload suddenly increased in 2001 as the result of new legislation and regulatory changes. The recent duty-to-assist-veterans legislation and the agent-orange diabetes presumption regulation will generate a workload increase of more than 20 percent in 2001. In light of these changes, performance will substantially decline in the near term. Improving benefits delivery is a top priority of this Administration, so considerable attention and resources will be expended to ensure that this temporary setback will be overcome.

In 2002:

- VA will process rating-related disability claims in 273 days (from 173 days in 2000; strategic goal is 74 days); and
- VA's rating accuracy (for core rating work) will be 75 percent (from 59 percent in 2000; strategic goal is 96 percent).

Income Security

Several VA programs help disabled veterans and their survivors maintain their income. The Federal Government will spend over \$24 billion for these programs in 2002, including the funds the Congress approves each year to subsidize life insurance for veterans who are too disabled to obtain affordable coverage from private insurers. Veterans may receive these benefits in addition to the income security benefits available to all Americans, such as Social Security and unemployment insurance. VBA is developing outcome goals for the compensation and pension programs.

Compensation: Veterans with disabilities resulting from, or coincident with, military service receive monthly compensation payments based on the degree of disability. The payment does not depend on a veteran's income or age or whether the disability is the result of combat or a natural-life affliction. It does depend, however, on the average fall in earnings capacity that the Government presumes for veterans with the same degree of disability. Survivors of veterans who die from service-connected injuries receive payments in the form of dependency and indemnity compensation. Compensation benefits are indexed annually by the same cost-of-living adjustment (COLA) as Social Security, which is an estimated 2.5 percent for 2002.

The number of veterans and survivors receiving compensation benefits will total an estimated 2.7 million in 2002. While the veteran population will decline, the compensation workload is expected to increase due mainly to numerous changes in eligibility such as the new duty-to-assist legislation and the agent-orange diabetes presumption. COLAs and increased payments to aging veterans will increase compensation spending by more than \$5 billion from 2002 to 2006.

Pensions: The Government provides pensions to lower-income, wartime-service veterans or veterans who became permanently and totally disabled after their military service. Survivors of wartime-service veterans may qualify for pension benefits based on financial need. Veterans' pensions, which also increase annually with cost-of-living adjustments, will cost nearly \$3 billion in 2002. The number of pension cases will continue to fall from an estimated 587,000 in 2002 to less than 522,000 in 2006 as the number of veterans declines.

Insurance: VA has provided life insurance coverage to service members and veterans since 1917 and now directly administers or supervises eight distinct programs. Six of the programs are self-supporting, with the costs covered by policyholders' premium payments and earnings from Treasury securities investments. The other two programs, designed for service-disabled veterans, require annual congressional appropriations to meet the claims costs. Together, these eight programs will provide \$554 billion in insurance coverage to over

4.2 million veterans and service members in 2002. The program provides insurance protection to veterans who cannot purchase commercial policies at standard rates because of their service-connected disabilities. The program is designed to provide disbursements (e.g., death claims, policy loans, and cash surrenders) quickly and accurately, meeting or exceeding customers' expectations.

Veterans' Education, Training, and Rehabilitation

Several Federal programs support job training and finance education for veterans and others. The Department of Labor runs several programs for veterans. In addition, several VA programs provide education, training, and rehabilitation benefits to veterans, military personnel, reservists, and survivors and dependents who meet specific criteria. These programs include the Montgomery GI Bill—which is the largest—the post-Vietnam-era education program, the Vocational Rehabilitation and Employment (VR&E) program, and the Work-Study program. Spending for all these VA programs will total an estimated \$2.4 billion in 2002.

- In 2002, VA will increase to 67 percent the percentage of VR&E participants who acquire and maintain suitable employment and are considered to be rehabilitated (from the 2000 level of 65 percent; strategic goal is 70 percent).

The Montgomery GI Bill (MGIB): The Government originally created MGIB as a test program, with more-generous benefits than the post-Vietnam era education program, to help veterans move to civilian life and to help the Armed Forces with recruitment. Service members who choose to enter the program have their pay reduced by \$100 a month in their first year of military service. VA administers the program and pays basic benefits once the service member becomes eligible. Legislation enacted in 2000 dramatically increased these benefits by more than 20 percent and authorized MGIB payments to active-duty personnel to supplement their military tuition assistance. Basic benefits available now total over \$23,000 per recipient, and program participants may receive additional benefits if they contribute more of their own pay.

MGIB beneficiaries receive a monthly check based on whether they are enrolled as full- or part-time students. They can get 36 months worth of payments, but they must certify monthly that they are in school. DOD may provide additional benefits to help recruit certain specialties and critical skills. VA estimates that nearly 650,000 veterans and service members will use these benefits in 2002. The MGIB also provides education benefits to reservists while they are in service. DOD pays these benefits, and VA administers the program. In 2002, more than 70,000 reservists will use the program. Over 90 percent of MGIB beneficiaries use their benefits to attend a college or university.

- In 2002, VA will increase the MGIB usage rate by eligible veterans to 60 percent (from 55 percent in 2000; strategic goal is 70 percent).

Veterans' Housing

In 2002, VA will guarantee an estimated 240,000 loans totaling \$28.9 billion. Approximately 80 percent of these loans will have no downpayment, with over half going to first-time homebuyers. The Federal Government will spend an estimated \$197 million in 2002 on this program. This amount represents the subsidy necessary to help offset costs due to foreclosures, as well as administrative expenses.

Avoiding foreclosure is critical to VA and veterans. VA's goal is to reduce the likelihood of foreclosure through aggressive intervention actions when loans are referred to VA as a result of three payments in default. Costs to the Government are reduced when VA is able to pursue an alternative to foreclosure. Veterans are helped either by saving their home or avoiding the expense and damage to their credit rating caused by foreclosure.

- In 2002, of the loans headed for foreclosure, VA will be successful 34 percent of the time in ensuring that veterans avoid foreclosure.

As part of a continuing effort to reduce administrative costs, in addition to restructuring and consolidations, VA is conducting a study of the property management function to determine whether it would be more

cost effective to contract this activity. The study will be completed in 2001. The Administration proposes to eliminate the vendee home loan program—a program unrelated to VA's mission. Vendee loans are awarded to the general public when purchasing a home acquired by the Federal Government after a veteran defaults on a VA-guaranteed home loan.

National Cemetery Administration (NCA)

VA provides burial in its national cemetery system for eligible veterans, active duty military personnel, and their dependents. VA manages 119 national cemeteries across the country and will spend over \$121 million in 2002 for VA cemetery operations, excluding reimbursements from other accounts. Over 82,700 veterans and their family members were buried in national cemeteries in 2000. In addition, VA has jointly funded 45 State veterans cemeteries through its State Cemetery Grants Program. In 2000, VA provided 327,514 headstones and markers for eligible veterans, who were buried in national, State, and private cemeteries. In addition, NCA installed 24 information kiosks and encouraged non-VA national and State veterans cemeteries to place headstone orders online.

- In 2002, VA will increase the percentage of veterans served by a burial option within a reasonable distance of the veteran's place of residence to 77 percent (from the 2000 level of 75 percent; strategic goal is 88 percent).

Related Programs

Many veterans get help from other Federal income security, health, housing credit, education, training, employment, and social service programs that are available to the general population. The Administration inherited some duplication and often redundant Government programs, but it will work to reduce these inefficiencies wherever possible. A number of these programs have components specifically designed for veterans. Some veterans also receive preference for Federal jobs.

Tax Incentives

Along with direct Federal funding, certain tax benefits help veterans. All cash benefits that VA administers (i.e., disability compensa-

tion, pension, and MGIB benefits) are excluded from taxable income. Together, these three exclusions will cost nearly \$4 billion in 2002, and over \$20 billion between 2002 and 2006.