

25. VETERANS BENEFITS AND SERVICES

Table 25-1. Federal Resources in Support of Veterans Benefits and Services

(In millions of dollars)

Function 700	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ¹	19,261	20,913	22,061	22,061	22,328	22,878	23,382
Mandatory Outlays:							
Existing law	23,838	25,075	25,589	26,292	27,641	28,395	30,989
Proposed legislation		1,800	-1,484	772	1,020	1,490	1,951
Credit Activity:							
Direct loan disbursements	1,660	2,003	659	N/A	N/A	N/A	N/A
Guaranteed loans	43,091	32,136	29,548	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	3,120	3,265	3,405	3,545	3,710	3,880	4,065

N/A = Not available.

¹VA's total available discretionary resources for 2001 will be \$380 million higher than shown because of discretionary changes in mandatory accounts.

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 war- and peacetime veterans during military service. The Federal Government spends over \$46 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.

About seven percent of veterans are military retirees who can receive either military retirement from the Department of Defense (DOD) or veterans benefits from the Department of Veterans Affairs (VA). Active duty military personnel are eligible for veterans housing benefits, and they can contribute to the Montgomery GI Bill (MGIB) program for education benefits that are paid later. VA employs 21 percent of the Federal Government's non-DOD work force—approximately

220,000 people, about 195,000 of whom deliver or support medical services to veterans.

VA's mission is "to administer the laws providing benefits and other services to veterans and their dependents and the beneficiaries of veterans. To serve America's veterans and their families with dignity and compassion and be their principal advocate in ensuring that they receive medical care, benefits, social support, and lasting memorials promoting the health, welfare and dignity of all veterans in recognition of their service to this Nation."

The veteran population continues to decline and age (see Chart 25-1). 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, and the quality of service should continue to improve.

Medical Care

VA provides health care services to 3.3 million veterans through its national system of 22 integrated health networks, consisting

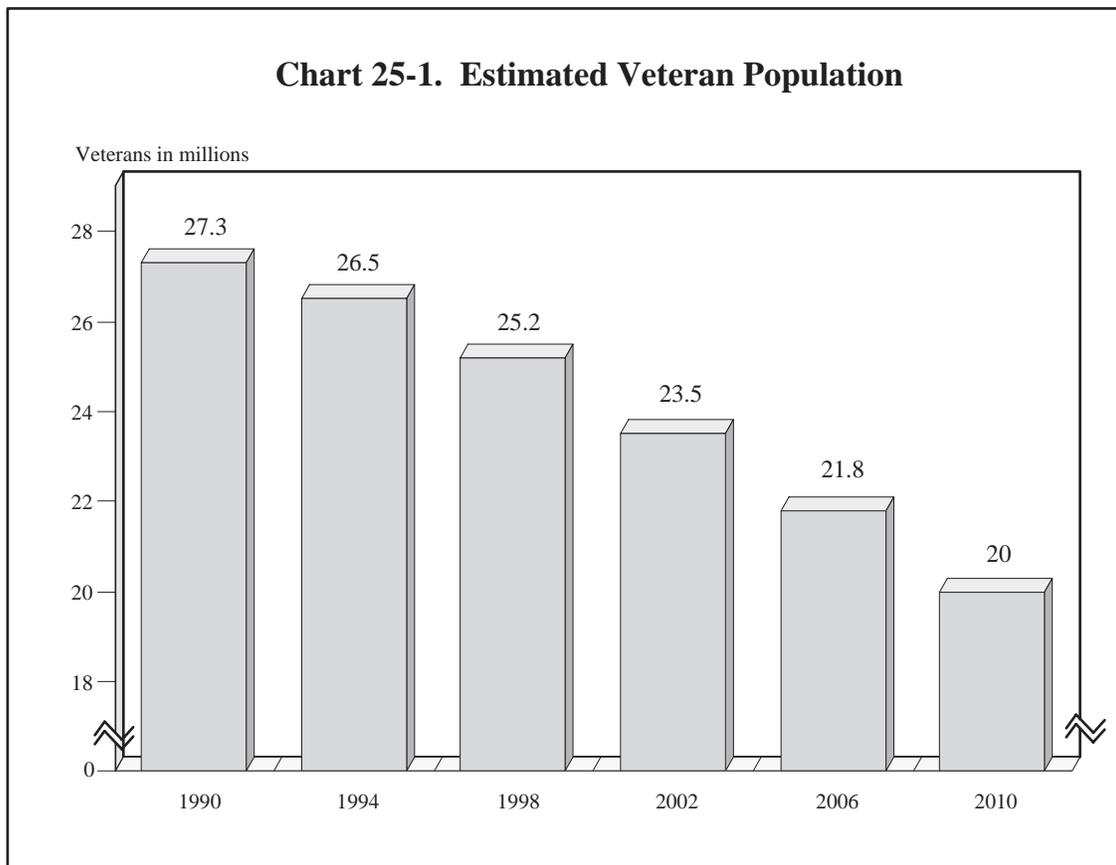
of 172 hospitals, 691 ambulatory clinics, 140 nursing homes, 87 domiciliaries, and 206 vet centers. VA is an important part of the Nation's social safety net because almost half of its patients are low-income veterans who might not otherwise receive care. It also is a leading health care provider for veterans with substance abuse problems, mental illness, HIV/AIDS, and spinal cord injuries because private insurance usually does not fully cover these conditions.

Millennium Act

The President signed the Veterans Millennium Health Care and Benefits Act (Public Law. 106-117) on November 30, 1999. This comprehensive legislation improves a broad array of health services for our Nation's veterans. It firmly establishes a high priority for nursing home care to the most severely disabled veterans and those needing nursing home care for a service-connected disability, and enhances VA's home and community

based extended care programs. The legislation authorizes VA to reimburse certain veterans as payor of last resort for emergency care, expands programs for homeless veterans and sexual trauma counseling, expands enhanced-use leasing authority, and enhances other VA medical programs.

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. VA may provide care to lower-priority veterans if resources allow after it meets the needs of higher-priority veterans. Since 1997, VA has pursued its "30/20/10" goal to reduce the cost per patient (inflation adjusted) by 30 percent from the 1997 level of \$5,458; to increase the number of patients treated by 20 percent from the 1997 level of 3,142,075; and, to increase resources from outside sources to 10 percent of the total



operating budget from less than one percent in 1997.

In recent years, VA has 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. Recent legislation eased restrictions on VA's ability to contract for care and share resources with DOD hospitals, State facilities, and local health care providers.

Veterans Health Administration

VA's efforts in reengineering its health care program have resulted in significant reductions in the cost per patient treated over the last five years (1994–1999) while quality of care increased. Reengineering efforts within the Veterans Health Administration (VHA) included restructuring veterans' health care (to include the organizational, financial and management change associated with the VISNs), shifting care to more appropriate care settings (with an emphasis on primary care) and implementing clinical and administrative efficiencies including consolidations and integrations. More specifically, since 1993/1994:

- patients treated per year increased by over 29 percent (from 2.8 to 3.6 million—includes veterans and non-veterans). Further, 83 percent more homeless patients were treated in 1999 compared to 1993;
- annual inpatient admissions decreased 35 percent (317,688 fewer admissions) by 1999 while ambulatory care visits increased by 50 percent to 37.7 million (12.6 million increase);
- approximately 1,300 sites of care delivery have been organized under 22 Veterans Integrated Service Networks; and,
- over 250 new community-based outpatient clinics have been established.

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 an initial or first-time appointment with their primary care or other appropriate provider within 30 days (baseline will be 2000; strategic goal is 95 percent).
- Increase the percentage of patients who receive a specialty appointment when referred by a primary care provider within 30 days (baseline will be 2000; strategic goal is 95 percent).
- Increase the percentage of patients who are seen within 20 minutes of their scheduled appointment to 79 percent in 2001 from a 1997 baseline of 55 percent (to 75 percent in 2000; 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 measures VA physicians' adherence to established industry practice guidelines for key diseases affecting veterans. Similarly, the Prevention Index measures adherence to disease prevention and screening guidelines. VA plans to:

- increase the scores on the Chronic Disease Care Index to 95 percent by 2001 from the 1997 level of 76 percent; and,
- increase the scores on the Prevention Index to 90 percent by 2001 from the 1997 level of 67 percent.

Medical Research: VA's research program provides \$321 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 2001, 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.

- In 2001, VA will maintain its standard that at least 99 percent of funded research projects will be reviewed by appropriate peers and selected through a merit-based competitive process.

Health Care Education and Training:

The Veterans Health Administration (VHA) is the Nation's largest trainer of health care professionals. About 91,000 students and residents a year get some or all of their training in VA facilities through affiliations with over 1,200 educational institutions. The program trains medical, dental, nursing, and related health professionals to ensure an adequate supply of clinical care providers for veterans and the Nation. The program will continue to realign its academic training and update its curriculum, focusing more on primary care to meet more effectively the needs of the VHA and its patients, students, and academic partners.

- By 2001, 48 percent of VA's residents will be trained in primary care from the 1997 level of 39 percent.

Veterans Benefits Administration (VBA)

VBA processes veterans' claims for benefits in 58 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 58 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, which 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. The following key measures have been established for disability claims requiring a rating:

- In 2001, VA will process rating-related disability claims in 142 days (from 166 days in 1999; strategic goal is 74 days).
- In 2001, VA will improve its rating accuracy (for core rating work) to 85 percent (from 68 percent in 1999; strategic goal is 96 percent).

Income Security

Several VA programs help veterans and their survivors maintain their income when the veteran is disabled or deceased. The Federal Government will spend over \$23 billion for these programs in 2001, including the funds the Congress approves each year to subsidize life insurance for veterans who are too disabled to get 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 2001.

The number of veterans and survivors receiving compensation benefits will total an estimated 2.6 million in 2001. While the veteran population will decline, the compensation caseload is expected to remain relatively constant due to changes in eligibility and better outreach efforts. COLAs and increased payments to aging veterans will increase compensation spending by about \$3 billion from 2001 to 2005.

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 COLAs, will cost over \$3 billion in 2001. The number of pension cases will continue to fall from an estimated 616,000 in 2001 to less than 555,000 in 2005 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 \$447 billion in insurance coverage to over 4.4 million veterans and service members in 2001. 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 and military

personnel 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 \$1.7 billion in 2001. One of the program's goals is:

- In 2001, VA will increase to 70 percent the number of VR&E participants who acquire and maintain suitable employment and are considered to be rehabilitated (from the 1999 level of 53 percent; strategic goal of 70 percent will be achieved in 2001).

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. Basic benefits available now total over \$19,000 per recipient.

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. Nearly 310,000 veterans and service members will use these benefits in 2001. The MGIB also provides education benefits to reservists while they are in service. DOD pays these benefits, and VA administers the program. In 2001, over 70,000 reservists will use the program. Over 90 percent of MGIB beneficiaries use their benefits to attend a college or university. VA has set the following goal:

- In 2001, VA will increase the usage rate of eligible veterans in the MGIB to 60 percent (from 53 percent in 1997; strategic goal is 70 percent).

Veterans' Housing

- In 2001, VA will guarantee an estimated 250,000 loans totaling \$29.5 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 \$332 million in 2001 on this program. This 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 2001, of the loans headed for foreclosure, VA will be successful 40 percent of the time in ensuring that veterans retain their homes (from the 1998 level of 37 percent). (See Chapter 17, Commerce and Housing Credit for more information on mortgage credit).

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 complete at the end of fiscal year 2000.

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 \$110 million in 2001 for VA cemetery operations, excluding

reimbursements from other accounts. Over 77,700 veterans and their family members were buried in national cemeteries in 1998. In addition, VA has jointly funded 45 State veterans cemeteries through its State Cemetery Grants Program (SCGP). In 1999, VA provided 345,389 headstones and markers for eligible veterans, who were buried in national, state, and private cemeteries. Since 1993, NCA has expanded service by opening three new national cemeteries, providing grants to states to build 14 new state veteran cemeteries, and acquiring 3,000 acres of land to meet burial demands. In addition, NCA improved service by installing 14 information kiosks and by encouraging non-VA national and state veterans cemeteries to place headstone orders on-line. VA has established this measure:

- In 2001, VA will increase the percentage of veterans served by a burial option within a reasonable distance of the veteran's place of residence to 76 percent (from the 1999 level of 67 percent; strategic goal is 82 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. 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. The law keeps all cash benefits that VA administers (i.e., disability compensation, pension, and MGIB benefits) free from tax. Together, these three exclusions will cost about \$3.4 billion in 2001, and about \$18 billion between 2001 and 2005.