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Report to the Chairman, Subcommittee
on Benefits, Committee on Veterans'
Affairs, House of Representatives

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VA DISABILITY COMPENSATION

Comparison of VA Benefits With Those of Workers' Compensation Programs





United States
General Accounting Office
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**Health, Education, and
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The Honorable Jack Quinn
Chairman, Subcommittee on Benefits
Committee on Veterans' Affairs
House of Representatives

Dear Mr. Chairman:

Federal and state workers' compensation programs provide economic support for individuals who incur work-related illnesses or injuries, while the Department of Veterans Affairs' (VA) disability compensation program provides economic support for certain veterans with service-connected conditions. In fiscal year 1995, VA paid a total of about \$11.5 billion to the approximately 2.2 million veterans on its disability rolls. State workers' compensation programs annually paid workers' compensation indemnity benefits ranging from about \$14.2 million for approximately 9,750 claims filed in Rhode Island to about \$4.6 billion for 350,000 claims filed in California (see app. I).¹ Between July 1, 1995, and June 30, 1996, the Department of Labor paid \$1.29 billion in 78,873 claims under the Federal Employees' Compensation Act (FECA), one of three workers' compensation programs administered by the Department of Labor.

We prepared this report at the request of the Chairman of the former Subcommittee on Compensation, Pension, Insurance, and Memorial Affairs, who asked us to compare (1) the criteria used by the VA disability compensation program and federal and state workers' compensation programs to determine compensation and (2) the compensation individuals with selected work-related injuries and diseases would receive under VA's disability program and what they would receive for the same impairments under FECA.

To determine the difference between the criteria VA and workers' compensation programs use to determine eligibility and compensation, we reviewed program policies, literature, and other data compiled on the VA, federal, state, and District of Columbia programs, as well as conferred with officials from VA and the Department of Labor's Office of Workers'

¹Most recent annual reporting periods for state workers' compensation programs vary, as shown in app. I.

Compensation Programs.² The discussion of the federal workers' compensation program in this report refers to FECA only.

Because the provision of FECA that provides for cash benefits for permanent impairments is more similar to VA's compensation than the component that provides cash benefits for wage loss, we compared the basic cash benefits payable for six conditions that appear on both the FECA schedule of permanent impairments and the VA disability rating schedule. The six impairments selected were the loss or loss of use of (1) a foot, (2) both ears, (3) a hand, (4) an arm, (5) a leg, and (6) an eye. We selected these impairments because the criteria for each were clear and similar on both schedules.

Within the federal government, when comparisons are drawn between military and civilian salaries, the salary for a military rank of O-4, a Major or Lieutenant Commander, has been traditionally considered comparable to the salary of a federal employee at grade 12, step 1, on the general schedule (GS) pay scale.³ Therefore, as agreed with the Subcommittee staff, we based our estimates of the benefits a Major or Lieutenant Commander would receive under FECA at a GS-12, step 1, salary level. To provide a broader perspective of compensation amounts, we used the GS-7, step 1,⁴ salary level to estimate the compensation someone with a military rank of O-1, Second Lieutenant, would receive under FECA. In addition, we provided information on what someone would receive at the GS-5, step 1,⁵ level and the GS-15, step 10,⁶ level, the maximum amount of compensation payable under FECA. (See app. I for a detailed description of our benefit calculations.)

We did our work from July to November 1996 in accordance with generally accepted government auditing standards.

Results in Brief

The VA disability compensation program and workers' compensation programs, including FECA, differ with respect to program goals, types of benefits provided, and eligibility requirements for benefits. Both programs

²Our comparison of VA's compensation program and workers' compensation programs is limited to the programs' general objectives, design, eligibility requirements, and benefits.

³In 1996, an annual salary of \$41,926.

⁴In 1996, an annual salary of \$23,634.

⁵In 1996, an annual salary of \$19,081.

⁶In 1996, an annual salary of \$90,090.

provide cash awards—VA for conditions incurred or aggravated by military service, and workers' compensation for work-related injuries or illnesses. Most workers' compensation programs provide separate cash payments for (1) wages lost and (2) permanent impairment, while VA provides compensation only for service-connected conditions, which need not be permanent. Unlike the VA program, workers' compensation programs emphasize returning employees to work while limiting employers' liability, and the vast majority who receive workers' compensation receive only medical benefits, not cash awards.

To be eligible for wage loss benefits under workers' compensation programs, workers must actually lose all or a portion of their wages for a specified minimum period of time. Then they receive a portion (usually 66-2/3 percent) of their actual lost wages for the duration of the period that wages are lost. To collect compensation for permanent impairments, workers must sustain permanent loss or loss of use of a body part or function, but they need not lose wages to receive compensation for their permanent impairments. They receive a portion of their usual wages (again, often 66-2/3 percent) for the period specified by law.

Unlike workers' compensation programs, the amount of basic compensation veterans may receive is established by statute and is not based on their individual wage loss or usual wages. It is based on the rating VA's Schedule for Rating Disabilities assigns to that veteran's specific condition. This rating represents the average impairment in earning capacity that VA determines veterans in general experience with that condition. All veterans whose conditions are assigned the same rating receive the same basic benefit amount. Unlike workers' compensation for permanent impairments, there is no limit on the length of time veterans can receive benefits or the total amount they can receive for permanent conditions.

The monthly cash benefits for permanent impairments under FECA for employees at the GS-12, step 1, salary level tend to be higher than the benefits under VA's disability program for the same types of conditions. This is likely to be the case for those at higher, but not lower, salary levels under FECA because workers' compensation is based on workers' usual wages, whereas veterans' benefits are not. Unless workers' compensation continues under the wage loss provision after the cash awards for permanent impairment end, the amount and present value of VA compensation could be higher than FECA's over the long term. This is

because VA benefits are not limited in either the length of time or the total amount that can be paid.

Background

Each of the 50 states and the District of Columbia has a workers' compensation program. These programs vary by state, as each is authorized by its own state law. There are three federal workers' compensation programs including the one authorized by FECA, which covers federal employees. Federal and most state workers' compensation programs were initially enacted in the first part of the 20th century. VA's disability compensation program, which was based to some extent on state workers' compensation programs, was substantially overhauled with the enactment of the War Risk Insurance Act of 1917. The act directed VA to establish a schedule to compensate veterans for the average impairment in earning capacity resulting from injuries or diseases incurred during military service.

Differences in Program Objectives, Design, and Eligibility

The FECA program and other workers' compensation programs differ in purpose and design from VA's disability compensation program (see table 1). Cash benefits under FECA and the workers' compensation programs and those provided under VA's disability compensation program are provided for different purposes. FECA and other workers' compensation programs primarily focus on compensating workers for their actual lost wages and permanent impairments resulting from occupational diseases or injuries. In contrast, VA's disability program focuses on compensating veterans for the average reduction in earning capacity they are expected to experience as a result of service-connected conditions. An overall goal of workers' compensation programs is to return injured employees to work, and in some workers' compensation programs, benefits are terminated if the worker does not participate in vocational rehabilitation. VA's disability compensation program focuses on providing monetary compensation for service-connected conditions. VA also provides other services, such as vocational rehabilitation, to eligible veterans. However, veterans are not required to participate in vocational rehabilitation in order to receive compensation.

Table 1: Comparison of VA Disability Compensation and Workers' Compensation Programs

	VA disability compensation	Workers' compensation
Objectives	To compensate veterans for physical or mental conditions incurred or aggravated during military service, based on the average economic losses that are expected to result.	To provide adequate benefits to workers who sustain work-related injuries or diseases, limit employers' liabilities to workers' compensation payments, and return the injured worker to work.
Types of benefits	<p>Cash benefits for service-connected conditions.</p> <p>Special monthly compensation for loss or loss of use of procreative organs, or body parts or functions.</p> <p>Allowances for clothing, attendant, or other special needs.</p> <p>Dependents' and survivors' benefits.</p> <p>Eligibility for medical care in VA hospitals and all expenses for vocational rehabilitation, including stipends.</p>	<p>Cash benefits for wage loss.</p> <p>Cash benefits for permanent impairments, that is, "schedule awards" for permanent loss or loss of use of body parts or functions.^a</p> <p>Survivors' and, in some programs, dependents' benefits.</p> <p>Payment of medical expenses for work-related injuries or illnesses.</p> <p>Vocational rehabilitation.</p>
Eligibility criteria	<p>For cash and other benefits, existence of a service-connected condition.</p> <p>Eligibility is not contingent on individual veteran's ability to work, amount earned or earning capacity, or participation in vocational rehabilitation.</p>	<p>For cash benefits related to wage loss, worker must have actually lost wages because of work-related injury or illness. Some programs require participation in vocational rehabilitation if it is necessary for the person to obtain employment again.</p> <p>For cash benefits related to permanent impairments, worker must have lost or lost use of certain body parts or functions due to work-related injury. Workers may be eligible to receive cash benefits for both wage loss and permanent impairment for the same injury, but not concurrently.</p> <p>For payment of medical expenses, worker must have a work-related injury or illness.</p>
Basis for compensation amounts	<p>Based on the disability rating (percentage evaluation of 10-100%) assigned to a veteran's specific condition by VA's Schedule for Rating Disabilities.</p> <p>The dollar amount for each disability rating level is set by law, and all veterans with conditions assigned the same disability rating receive the same basic compensation amount.</p>	<p>For wage loss, amount is based on a percentage (usually 66-2/3% without dependents) of the actual wages lost by the individual worker as a result of the work-related injury or illness.</p> <p>For permanent impairments (schedule awards), amount is based on a percentage (usually 66-2/3% without dependents) of the worker's usual wages.</p>

(continued)

	VA disability compensation	Workers' compensation
Compensation limits	No limit on the total dollar amount or time period over which veterans can receive compensation.	<p>For wage loss, benefits can be paid for the duration of the wage loss, but many states limit the maximum weekly compensation amounts.</p> <p>For permanent impairments (schedule awards), limits are placed on the maximum length of time benefits are payable and the total amount payable.</p> <p>Workers may be eligible to apply for wage loss benefits if they are still unable to work after the schedule award payments are exhausted.</p>

^aWorkers' compensation programs use a schedule to help determine monetary benefits for selected permanent impairments. Awards appearing on the schedule are referred to as "schedule awards."

Workers' Compensation Programs

Workers' compensation programs attempt to provide adequate benefits to injured workers while limiting employers' liabilities strictly to workers' compensation benefits. These programs provide cash benefits to employees for wage loss and permanent impairments. For selected permanent impairments, the programs use a schedule to determine monetary benefits, which are referred to as "schedule awards." Workers' compensation also provides medical care benefits and vocational rehabilitation to help employees return to work. In some programs, workers who refuse vocational rehabilitation services when these services are necessary for the person to be employed again may forfeit their right to receive wage-loss benefits. In addition, if an employee dies from a job-related injury or illness, the employee's dependents can receive survivors' benefits.

The compensation benefits that are paid to workers depend on the nature and extent of their injuries and the ability of injured employees to earn their usual wages. Employees whose injuries are not serious may only receive reimbursement for medical care for work-related injuries or illnesses. Many workers' compensation claims result only in payment for medical care rather than in monetary awards for lost wages or permanent impairments.

Employees whose injuries or illnesses result in lost wages may be entitled to receive wage-loss benefits. Employees whose injuries or illnesses result

in the permanent loss or loss of use of certain body parts or functions are entitled to compensation for permanent impairments. The majority of the monetary benefits that are paid to workers are for wages lost as opposed to permanent impairment. Often wage-loss benefits are paid for temporary disabilities, which may last a relatively short period of time. For example, according to the Department of Labor, for the claims submitted under FECA in fiscal year 1994 for which wage-loss benefits were paid during the first year after submission, the median amount paid was about \$4,000. The median time period for which benefits were paid was about 70 days.⁷

No two workers' compensation programs are exactly alike. Despite the various differences among state, FECA, and the District of Columbia programs, to be eligible for benefits under any of these laws, workers' injuries or occupational diseases must arise out of and occur in the course of employment. These criteria, though used somewhat differently among jurisdictions, generally mean that a worker's illness or injury must occur in the course of performing his or her job in order to be compensable. To be eligible for monetary benefits under workers' compensation, workers must experience an actual loss in wages or a permanent impairment.

Most states and the District of Columbia require that employees be out of work during a waiting period ranging from 3 to 7 days before benefits for lost wages can be paid.⁸ FECA requires a 3-day waiting period that begins after the expiration of any "continuation of pay" to which the worker may be entitled. Continuation of pay is a unique feature of FECA whereby FECA authorizes federal agencies to continue paying employees who are absent from work because of work-related traumatic injuries their regular salaries for up to 45 days before the 3-day waiting period begins. Continuation-of-pay benefits are not payable in occupational disease cases. Under state workers' compensation programs, if an employee is absent from work continuously for 5 to 42 days after the date of injury, he or she is entitled to wage-loss benefits retroactive to the date of injury.⁹ Under FECA, an employee absent for 14 days after continuation of pay ends is eligible for restoration of benefits withheld during the 3-day waiting period.

VA's Disability Compensation Program

While workers' compensation programs attempt to protect the interests of both workers and employers, VA's disability compensation program

⁷The mean amount for this period was about \$6,700. The mean length of time, about 100 days.

⁸Workers' Compensation: Selected Comparisons of Federal and State Laws (GAO/GGD-96-76, Apr. 3, 1996).

⁹All statutes except Montana's provide for wage-loss benefits retroactive to the date of injury.

focuses on economic support for veterans. It is designed to provide cash benefits to veterans for physical or mental service-connected conditions. The benefits paid to veterans depend on the degree to which their specific conditions or injuries are believed to reduce the average earning capacity of veterans in general with that condition.

VA's disability compensation program, like workers' compensation programs, provides survivors' benefits and vocational rehabilitation. Unlike most workers' compensation programs, vocational rehabilitation is optional under VA. Both programs cover medical care, but VA generally provides care for veterans through the Veterans Health Administration. VA's program, however, does provide for additional compensation for dependents; special needs related to a veteran's condition; and special monthly compensation—statutory awards—for the loss or loss of use of certain body parts or functions, or procreative organs. VA also provides stipends to veterans in its vocational rehabilitation program in addition to monthly disability compensation.

To be eligible for compensation under VA's disability compensation program, veterans must incur or aggravate injuries or diseases in the line of duty or during a period of active military service. Such illnesses and injuries are considered service-connected. Unlike workers' compensation programs, a veteran's injury or illness need not occur because of or in the course of actually performing his or her military-related duty to be compensable. Members of the military are covered 24 hours a day with respect to diseases or injuries they incur, because they are considered on duty 24 hours a day.

A veteran does not have to experience an actual reduction in earning capacity or loss in wages to be eligible for disability compensation. Thus, like workers' compensation for permanent impairments, veterans can receive compensation even if they are working and regardless of the amount they earn.

Determining Compensation

Workers' compensation programs base compensation on workers' wages prior to their injury or the onset of occupational disease. Workers are paid a percentage of their wages or the wages they lose as a result of their work-related injury or disease, depending on whether they are being compensated for lost wages or permanent impairments. For selected permanent impairments, workers' compensation programs use a schedule to determine monetary benefits, or "schedule awards." For permanent

impairments that do not appear on a schedule, programs may use one or more of three methods to determine compensation. In contrast, VA uses its Schedule for Rating Disabilities to determine the degree of impairment in earning capacity presumed to be associated with specific temporary and permanent conditions. This degree of impairment determines the basic amount of compensation veterans are eligible for. An individual veteran's actual earnings lost as a result of a condition have no bearing on the compensation amount.

Determining Monetary Awards for Loss of Wages Under Workers' Compensation

If employees are unable to earn their usual wages because of work-related disabilities, they are compensated for their lost wages. The amount of monetary compensation a worker receives under workers' compensation is calculated by taking a specified percentage—in many jurisdictions, 66-2/3 percent—of the worker's actual wage loss. Thus, the amount of compensation different employees receive for the same disability varies on the basis of their particular wage loss. Most states and the FECA program, however, place minimum and maximum limits on the weekly compensation amounts an individual can receive. Most programs compensate for lost wages for the duration of the wage loss. Workers who become permanently and totally disabled generally receive benefits for life.

An employee in Arizona, for example, who earns \$600 a week and loses wages as a result of a work-related injury should theoretically receive \$400 (66-2/3 percent x \$600) a week in compensation. However, this employee would actually receive \$323.10 a week because this is the maximum weekly benefit amount Arizona allows for wage loss. Under the FECA program, the same employee also would receive 66-2/3 percent (75 percent if the employee has dependents) of his or her lost wages. However, the employee would receive the full \$400 because the weekly maximum FECA allows for wage loss is \$1,299.38. This same worker would also receive the full \$400 in the District of Columbia, which limits maximum weekly benefits to \$723.34.

Determining Workers' Compensation Awards for "Scheduled" Permanent Impairments

For certain permanent impairments, workers' compensation programs use a schedule to determine the maximum amount of compensation that can be awarded. As of January 1995, the FECA, District of Columbia, and most state workers' compensation programs each maintained a schedule that specified the maximum number of weeks of compensation a worker under their jurisdiction could receive for specific permanent impairments that

result in the total loss or loss of use of certain members (such as a hand, arm, or foot), organs, and functions of the body. Benefits for these permanent impairments are called “schedule awards.” Permanent partial loss or loss of use of members, organs, or body functions listed on federal or state schedules is also compensable, but for less than the maximum number of weeks. The maximum amount of money and period of time during which compensation may be paid for specific functional losses are authorized by statute and vary by program. Table 2 shows the variation in the maximum number of weeks of compensation and dollars payable for certain permanent impairments among selected states and the FECA program. The maximum amount and weeks for the states we selected cover the range of these maximum limits across all states. However, the actual amount employees are paid is based on their salaries, so many employees receive less than the maximum.

Table 2: Maximum Benefit Payments and Time Periods for Selected Permanent Impairments for Selected States and FECA

Jurisdiction	Foot		Both ears	
	Maximum benefit amount	Maximum number of weeks	Maximum benefit amount	Maximum number of weeks
Arizona	\$55,896	173	\$84,006	260
Colorado	15,600	104	20,850	139
Delaware	57,150	160	62,508	175
District of Columbia	148,284	205	144,668	200
Georgia	37,125	135	41,250	150
Illinois	117,879	155	152,102	200
Kansas	40,750	125	35,860	110
Maine	71,442	162	88,200	200
Maryland	134,865	333	134,865	333
Pennsylvania	131,750	250	137,020	260
Texas	42,200	125	50,400	150
Virginia	60,000	125	48,000	100
Washington	52,566	^a	60,076	^a
Wisconsin	42,250	250	36,504	216
Wyoming	28,600	100	22,880	80
FECA	266,373	205	259,876	200

Hand		Arm at shoulder		Leg at hip		Eye	
Maximum benefit amount	Maximum number of weeks	Maximum benefit amount	Maximum number of weeks	Maximum benefit amount	Maximum number of weeks	Maximum benefit amount	Maximum number of weeks
\$70,113	217	\$84,006	260	\$70,113	217	\$42,003	130
15,600	104	31,200	208	31,200	208	20,850	139
78,581	220	89,297	250	89,297	250	71,438	200
176,494	244	225,682	312	208,321	288	115,734	160
44,000	160	61,875	225	61,875	225	41,250	150
144,496	190	228,153	300	209,140	275	121,681	160
48,900	150	73,350	225	65,200	200	39,120	120
94,815	215	118,629	269	94,815	215	71,442	162
134,865	333	162,000	400	162,000	400	134,865	333
187,085	355	216,070	410	216,070	410	144,925	275
50,400	150	67,200	200	67,200	200	33,600	100
72,000	150	96,000	200	84,000	175	48,000	100
67,585	^a	75,095	^a	75,095	^a	30,038	^a
67,600	400	84,500	500	84,500	500	46,475	275
34,892	122	42,900	150	38,610	135	26,844	94
317,049	244	405,407	312	374,221	288	207,901	160

^aLaw provides for payment of fixed sums for specified injuries in monthly or lump-sum payments, under certain circumstances.

Source: U.S. Department of Labor, Employment Standards Administration, Office of Workers' Compensation Programs, State Workers' Compensation Laws (Washington, D.C.: Department of Labor, Jan. 1996).

For the types of impairments included on a workers' compensation schedule, whether total or partial, the injured or disabled worker is awarded a percentage of his or her usual wages for no greater than the number of weeks specified on the schedule. For example, under FECA, an employee may receive 66-2/3 percent of his or her salary or wages if there are no dependents (75 percent if there are) for up to a maximum of 312 weeks for the total loss or loss of use of an arm. Accordingly, the loss or loss of use of an arm provides the same number of weeks of benefits to all injured federal workers, but workers with lower wages will receive a lesser amount of monetary benefits. If a worker loses 50-percent use of an arm, he or she would likely receive 66-2/3 percent of his or her salary or wages for 156 weeks, which is 50 percent of the maximum number of weeks allowed. Workers with permanent partial impairments continue to receive compensation for their loss until they receive the full amount they

are eligible for, even if they are working. If the worker is unable to return to work or earn his or her usual wages after receiving the maximum amount allowable, the worker may apply for wage-loss benefits. Under FECA, workers cannot collect compensation for wage loss and permanent impairment concurrently.

Determining Workers' Compensation Awards for "Nonscheduled" Permanent Impairments

For permanent impairments that are not included in the schedule, commonly called "nonscheduled" or "unscheduled" injuries, one or more of three methods may be used to determine the compensation amount. Nonscheduled injuries are normally injuries to the trunk, internal organs, nervous system, and other body systems that are not included in the list of injuries found in District of Columbia or state statutes that address workers' compensation. FECA does not provide schedule awards for permanent impairments that do not appear on its schedule. The states and the District of Columbia may base awards for nonscheduled injuries on (1) functional limitation or impairment, (2) wage loss, (3) loss of wage-earning capacity, or (4) some combination of these three.

Impairment Method

The impairment approach compares the worker's condition with that of a person with no impairment or with that of someone at the opposite end of the scale—a "totally disabled" person—and produces a rating of impairment as a percentage. Thus, it is basically an extension of the schedule applied to injuries not listed. For example, in a state that equates a person with no impairments to 500 weeks of benefits, a worker determined to have a 25-percent impairment may receive a percentage of his or her usual wages for 125 weeks (25 percent x 500).

Under this method, workers with the same permanent impairment receive the same number of weeks of compensation, even if the impairment is more or less disabling for different individuals. The same type of back injury, for example, would provide the same number of weeks of benefits to a professor and a carpenter, even though the professor is able to return to work and suffers only a temporary loss of wages, while, by contrast, the carpenter may be unable to return to work and suffers a permanent loss in wages. However, when a worker suffers a permanent loss of wages, he or she may apply for wage-loss benefits under workers' compensation.

Wage-Loss Method

Under the wage-loss method, workers are compensated for a percentage of the actual loss of earnings that stems from their work-related illness or injury. The amount of benefits paid to workers depends upon the extent to which postinjury earnings are affected by the impairment or condition.

The degree of functional impairment alone has little or no bearing on the amount of benefits paid.

Loss-of-Wage-Earning-Capacity Method

This approach compensates the worker for the anticipated or projected loss of earning capacity as a result of his or her permanent disability. This is similar to what VA's schedule conceptually does. However, VA's schedule reflects the impact a condition is presumed to have on the average earning capacity among all veterans with that condition as opposed to its impact on each individual veteran's earnings. States using this approach assess the seriousness of the worker's medical condition; consider such factors as prior education, work experience, and other personal characteristics that affect one's ability to obtain and retain employment; and estimate the worker's loss in earning capacity in percentage terms. States normally express total earning capacity in terms of a specified number of weeks. For example, in a state that equates total loss of earning capacity with 600 weeks of benefits, a worker with a 20-percent loss of earning capacity would receive a percentage of his or her projected earning capacity for 120 weeks (20 percent x 600).

Combination of Methods

States can also use some combination of the three basic methods. For example, Texas pays workers benefits for permanent disabilities on the basis of their functional impairment for a limited number of weeks. However, workers can also receive additional benefits for loss of wages after their impairment benefits are exhausted. Only workers whose functional impairment is rated at least at 15 percent or higher are eligible for these supplemental benefits. Wisconsin also pays impairment benefits on the basis of loss of functional capacity for permanent disabilities for a limited number of weeks. However, if the worker does not return to work by the end of this period at the preinjury earnings level, additional benefits are based on loss of wage-earning capacity.

Determining Disability Compensation Amounts Under VA's Program

The amount of compensation veterans are awarded for their service-connected conditions is based on a percentage evaluation, commonly called the disability rating, which VA's Schedule for Rating Disabilities assigns to a veteran's specific condition. The veteran receives the specific benefit amount the law sets for that disability rating level. Unlike workers' compensation, VA does not base compensation on each individual veteran's salary or wage loss, nor does it base compensation on how each veteran's earning capacity is actually affected by his or her service-connected condition. Veterans with the same condition at the same level of severity usually receive the same basic cash benefit.

The rating schedule contains medical criteria and disability ratings. The medical criteria consist of a list of diagnoses, organized by body system, and a number of levels of medical severity specified for each diagnosis. The schedule assigns a disability rating to each level of severity associated with a diagnosis. These disability ratings, which are supposed to reflect the average impairment in earning capacity associated with each level of severity, range from 10 percent to 100 percent¹⁰ and correspond to specific dollar amounts of compensation set by law.

For example, VA has determined that the loss of a foot during military service results in a 40-percent impairment in earning capacity, on average, among all veterans with this injury. These veterans, therefore, are entitled to a 40-percent disability rating whether this injury actually reduces their earning capacity by more than 40 percent or does not reduce it at all. In 1996, all veterans having conditions with a disability rating of 40 percent received basic compensation of \$380 per month.¹¹ In 1996, under VA's disability program, a veteran received basic compensation of \$91 per month, or \$1,092 annually, for a condition rated at 10 percent, and up to \$1,870 per month, or \$22,440 annually, for a condition rated at 100 percent (see table 3).

In contrast to many workers' compensation programs, VA's program does not place any limits on the total amount of monetary benefits veterans can receive or the time period for which they can receive these benefits. Veterans can receive disability compensation for their service-connected conditions for life.

¹⁰A veteran can also receive a 0-percent noncompensable rating that may be increased to a compensable rating of 10 percent or more if the veteran's condition worsens. A 0-percent rating generally means that VA has determined that a veteran has a condition that can be classified as service-connected, but it is not severe enough to qualify for monetary compensation on the basis of the medical criteria in the schedule. Some veterans with a 0-percent rating receive special monthly compensation under the VA disability program. On the basis of 1994 data, VA estimated there were about 1.2 million veterans who were rated at 0 percent and were not receiving disability compensation.

¹¹This does not include the special monthly compensation a veteran would be entitled to for loss or loss of use of a body part.

Table 3: 1996 VA Compensation Rates

Disability (percent)	Monthly rate
10	\$91
20	174
30	266
40	380
50	542
60	683
70	862
80	999
90	1,124
100	1,870 ^a

^aAdditional amounts may be paid when eligible veterans who are rated at 100-percent disability have conditions that are so severe they require special assistance or aid, such as in-home care.

Source: VA, Federal Benefits for Veterans and Dependents, 1996 ed., VA pamphlet 80-96-1 (Washington, D.C.: VA, 1996).

Cash Benefit Comparisons

Monthly benefits for workers with higher earnings under FECA for selected scheduled permanent impairments will likely be higher than VA's monthly disability compensation because schedule award amounts for permanent impairments under the workers' compensation programs are based on workers' wages. FECA monthly cash benefits for workers with lower salaries may not be higher, however, than VA cash benefits. For example, for the total loss or loss of use of an arm, a federal employee without dependents at a GS-12, step 1, salary level would receive about \$2,341 a month for a maximum of 72 months (312 weeks) under FECA. Under VA's disability compensation program, this same person would receive \$1,124 a month. However, a federal employee at the GS-5, step 1, salary level would receive about \$1,065 a month (see table 4).

Table 4: Monthly Compensation Payable for Selected Permanent Impairments Under VA and FECA at Specific Salary Levels

Permanent impairment (loss or loss of use of)	VA Monthly amount ^a	FECA compensation			
		GS-5, step 1 (\$19,081 annually)	GS-7, step 1 (\$23,634 annually)	GS-12, step 1 (\$41,926 annually)	GS-15, step 10 (\$90,090 annually)
Foot	\$380	\$1,065	\$1,320	\$2,341	\$5,030
Both ears	1,870	1,065	1,320	2,341	5,030
Hand	862	1,065	1,320	2,341	5,030
Arm at shoulder	1,124	1,065	1,320	2,341	5,030
Leg at hip	1,124	1,065	1,320	2,341	5,030
One eye	380	1,065	1,320	2,341	5,030

^aBased on the rating VA's schedule assigns to the highest level of severity for each condition.

Comparisons of initial monthly benefit payments alone under FECA and VA do not provide a complete picture of the differences in compensation amounts, for several reasons. FECA payments for schedule awards are limited to 6 years or less, whereas VA disability payments are made to disabled veterans for the duration of the impairment, so the payment of several decades' worth of benefits is not uncommon. FECA payments and VA disability payments can be—and usually are—increased over time. A dollar paid to a recipient today is worth more than a dollar paid at some future date, in terms of both value to the recipient and cost to the government, because a dollar received today can be invested to provide more than a dollar's benefit in the future. For these reasons, a comparison of the present value, also known as the lump-sum equivalent, of potential total payment under each program provides a better indication of the relative value of benefits under these two programs (see app. II for a detailed description of benefit calculations).

In the long run, at the GS-12, step 1, salary level and below, compensation under VA's disability program is generally higher than FECA compensation for selected permanent impairments. For example, the schedule award benefit for the total loss or loss of use of an arm for an employee at the GS-12, step 1, salary level is limited to a maximum of \$186,203¹² (\$540 x 312

¹²The maximum compensation any federal worker without dependents can receive under FECA for this impairment is \$400,335 (66-2/3 percent of a GS-15, step 10, weekly salary (\$1,161) for 312 weeks, adjusted for cost-of-living allowance).

weeks, adjusted for cost-of-living allowance) under FECA.¹³ The present value, or lump-sum equivalent, of this amount would be \$158,561. Assuming that a veteran is compensated for the loss or loss of use of an arm for 30 years, using the 1996 compensation levels and adjusting for future increases in benefits, the veteran would receive \$756,474, and the present value would be \$289,365.

In general, for selected permanent impairments, the maximum amount of benefits a federal worker at the GS-15, step 10, salary level would receive also would be lower than the benefits received under VA. However, the present value of benefits at this salary level would be higher under FECA for some of the impairments we looked at (see tables 5 and 6).

¹³If a worker is unable to work or earn his or her usual salary after receiving the maximum amount payable for his or her permanent impairment, the worker, under FECA and in most states, also may be eligible for wage-loss benefits for the duration of the wage loss.

Table 5: Maximum Amount of Benefits for Permanent Impairments Under FECA for Selected Salary Levels

Permanent impairment (loss or loss of use of)	Maximum number of weeks of compensation	GS-5, step 1 (\$19,081 annually)	
		Maximum amount	Present value
Foot	205	\$53,482	\$48,646
Both ears	200	52,098	47,504
Hand	244	64,666	57,358
Arm at shoulder	312	84,826	72,233
Leg at hip	288	77,642	67,015
One eye	160	41,029	38,366

GS-7, step 1 (\$23,634 annually)		GS-12, step 1 (\$41,926 annually)		GS-15, step 10 (\$90,090 annually)	
Maximum amount	Present value	Maximum amount	Present value	Maximum amount	Present value
\$66,309	\$60,313	\$117,399	\$106,784	\$252,408	\$229,585
64,593	58,897	114,362	104,277	245,878	224,195
80,175	71,114	141,949	125,907	305,191	270,699
105,170	89,558	186,203	158,561	400,335	340,907
96,264	83,088	170,435	147,107	366,435	316,279
50,870	47,568	90,065	84,219	193,639	181,070

Note: All benefit amounts are for beneficiaries without dependents.

Table 6: Long-term VA Compensation Payable for Selected Service-Connected Conditions

Permanent impairment (loss or loss of use of)	Disability rating ^a (percent)	Compensation		Present value	
		30 years	40 years	30 years	40 years
		Foot	40	\$255,747	\$433,316
Both ears	100	1,258,546	2,132,373	481,418	577,389
Hand	70	580,143	982,944	221,916	266,155
Arm at shoulder	90	756,474	1,281,704	289,365	347,051
Leg at hip	90	756,474	1,281,704	289,365	347,051
One eye	40	255,747	433,316	97,828	117,330

Note: Amounts do not include special monthly compensation, allowances for dependents, or any other monetary benefits to which veterans may be entitled.

^aThese ratings represent the disability rating VA's rating schedule assigns to the highest level of severity for each condition.

Agency Comments and Our Evaluation

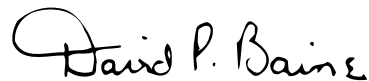
In commenting on a draft of this report, VA stated that comparisons of VA's disability compensation program with other workers' compensation programs are not meaningful because the programs are so dissimilar. VA also stated that its compensation program is the best method for providing monetary benefits to people disabled during military service. Throughout this report we have recognized the differences and, in some cases, the similarities among the VA disability and workers' compensation programs' objectives, components, and characteristics. VA's comments are included as appendix III. VA also provided technical comments on the draft report, which we incorporated as appropriate.

The Department of Labor also reviewed a draft of this report and provided technical comments, which we have also included as appropriate.

We are sending copies of this report to the Subcommittee's Ranking Minority Member, other interested congressional committees and subcommittees, and the Secretaries of Veterans Affairs and Labor. Copies will also be made available to others upon request.

This report was prepared under the direction of Clarita A. Mrena, Assistant Director. Other GAO contacts and staff acknowledgments are listed in appendix IV. If you have any questions about this report, please contact me on (202) 512-7101 or Ms. Mrena on (202) 512-6812.

Sincerely yours,



David P. Baine
Director, Veterans' Affairs and
Military Health Care Issues

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Abbreviations

FECA	Federal Employees' Compensation Act
GS	general schedule
VA	Department of Veterans Affairs

Total Claims Filed and Cash Benefits Paid Under Workers' Compensation, by State, for Time Period Specified

State	Time period	Total claims filed for cash benefits	Total amount of cash benefits paid
Alabama	10/1/94 to 9/30/95	33,854	\$203,684,515
Alaska	1/1/93 to 12/31/93	9,398	57,195,670
Arizona	7/1/94 to 6/30/95	a	a
Arkansas	1/1/95 to 12/31/95	18,556	75,194,516
California	7/1/94 to 6/30/95	350,000	4,560,000,000
Colorado	7/1/94 to 6/30/95	44,392	a
Connecticut	7/1/94 to 6/30/95	58,494	a
Delaware	1/1/93 to 12/31/93	4,800	a
Florida	7/1/94 to 6/30/95	a	547,073,870
Georgia	1/1/94 to 12/31/94	52,313	197,072,414
Hawaii	1/1/94 to 12/31/94	a	197,579,662
Idaho	7/1/93 to 6/30/94	a	81,606,749
Illinois	7/1/93 to 6/30/94	a	a
Indiana	7/1/92 to 6/30/93	a	a
Iowa	7/1/94 to 6/30/95	a	a
Kansas	7/1/94 to 6/30/95	a	a
Kentucky	7/1/94 to 6/30/95	a	a
Louisiana	1/1/94 to 12/31/94	24,293	295,800,000
Maine	1/1/94 to 12/31/94	7,237	a
Massachusetts	7/1/93 to 6/30/94	a	a
Michigan	1/1/94 to 12/31/94	88,804	956,022,370
Minnesota	1/1/94 to 12/31/94	37,100	514,400,000
Mississippi	1/1/93 to 12/31/93	19,417	96,345,077
Missouri	7/1/92 to 6/30/93	a	a
Montana	7/1/94 to 6/30/95	a	92,243,679
Nebraska	7/1/94 to 6/30/95	16,538	77,202,313
Nevada	7/1/93 to 6/30/94	a	a
New Hampshire	7/1/94 to 6/30/95	12,087	a
New Jersey	1/1/94 to 12/31/94	a	452,500,000
New Mexico	1/1/94 to 12/31/94	7,172	70,737,374
New York	4/1/93 to 3/31/94	a	1,500,746,000
North Carolina	7/1/94 to 6/30/95	94,053	234,379,982
North Dakota	7/1/93 to 6/30/94	3,745	40,314,979
Ohio	1/1/95 to 12/31/95	69,564	1,099,770,677
Oklahoma	1/1/94 to 12/31/94	a	a
Oregon	1/1/94 to 12/31/94	31,530	232,230,000

(continued)

Appendix I
Total Claims Filed and Cash Benefits Paid
Under Workers' Compensation, by State, for
Time Period Specified

State	Time period	Total claims filed for cash benefits	Total amount of cash benefits paid
Pennsylvania	1/1/94 to 12/31/94	a	1,707,243,691
Rhode Island	1/1/93 to 12/31/93	9,752	14,230,000
South Carolina	7/1/94 to 6/30/95	18,612	223,988,480
South Dakota	7/1/93 to 6/30/94	a	a
Tennessee	1/1/93 to 12/31/93	41,248	a
Texas	1/1/94 to 12/31/94	64,586	a
Utah	7/1/94 to 6/30/95	13,585	a
Vermont	7/1/93 to 6/30/94	a	65,000,000
Virginia	1/1/94 to 12/31/94	a	a
Washington	7/1/94 to 6/30/95	74,219	840,330,000
West Virginia	7/1/94 to 6/30/95	19,613	386,665,344 ^b
Wisconsin	1/1/94 to 12/31/94	73,941	196,880,772
Wyoming	7/1/94 to 6/30/95	a	33,219,687

^aNot available.

^bIncludes self-insured amounts, that is, pay orders issued.

Source: U.S. Department of Labor, Employment Standards Administration, Office of Workers' Compensation Programs, State Workers' Compensation Administration Profiles (Washington, D.C.: U.S. Government Printing Office, Oct. 1995).

Assumptions Underlying the Comparison of Benefits Under FECA and the VA Disability Compensation Program

This appendix presents the specific assumptions that we adopted to estimate the present value, or lump-sum equivalent, benefits of FECA and VA disability compensation for this report.

Benefit Escalation Rate

The monthly amount of benefits paid under FECA and VA are adjusted periodically in order to compensate partially or fully for the effects of inflation. We were told by a VA official that recent increases in VA benefits have been consistent with Social Security Administration cost-of-living increases. Accordingly, we assumed that VA disability benefits will increase at an annual rate of 4 percent. This is consistent with the Social Security Administration's long-range projections of the annual increases in the Consumer Price Index. We also assumed that FECA benefits would increase at the same annual rate.

Discount Rate

Consistent with standard practice, we used a discount rate of 6.6 percent. This represents the cost of borrowing to the federal government (that is, the 30-year Treasury rate) as of December 1996.

Comments From the Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS
Veterans Benefits Administration
Washington DC 20420

JAN 10 1997

In Reply Refer To: 213

Mr. David P. Baine
Director, Veterans' Affairs
and Military Health Care Issues
United States General Accounting Office
Washington, DC 20548

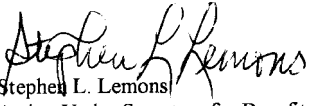
Dear Mr. Baine:

Thank you for the opportunity to comment on your draft report entitled, "VA Disability Compensation: Comparison of VA Disability Benefits with those of Workers' Compensation Programs.

The attempted comparison of the two programs is essentially a recitation of the eligibility criteria for each and does not make any findings, conclusions or recommendations concerning either. This is a reasonable result given that the programs are so dissimilar. I have enclosed a fact sheet addressing some of the technical inaccuracies identified by my staff.

We believe that the VA compensation program is still the best method for providing monetary benefits to persons disabled by military service and do not find any meaningful comparisons between it and workers' compensation programs.

Sincerely yours,


Stephen L. Lemons
Acting Under Secretary for Benefits

GAO Contacts and Staff Acknowledgments

GAO Contacts

Clarita Mrena, Assistant Director, (202) 512-6812
Shelia Drake, Evaluator-in-Charge, (202) 512-7172

Staff Acknowledgments

Connie D. Wilson, Senior Evaluator, collected a major portion of the evidence presented, and Timothy J. Carr, Senior Economist, provided the present value calculations of FECA and VA benefit payments. Ed Tasca, Senior Evaluator, provided technical assistance on workers' compensation programs.

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