

27. VETERANS BENEFITS AND SERVICES

Table 27-1. FEDERAL RESOURCES IN SUPPORT OF VETERANS BENEFITS AND SERVICES

(In millions of dollars)

Function 700	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	18,943	19,282	19,282	19,279	19,274	19,292	19,293
Mandatory Outlays:							
Existing law	23,280	24,322	24,680	25,313	25,851	26,981	27,628
Proposed legislation	269	644	964	569	947
Credit Activity:							
Direct loan disbursements	1,344	1,959	672	N/A	N/A	N/A	N/A
Guaranteed loans	39,862	32,635	31,244	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	2,990	3,120	3,265	3,415	3,560	3,715	3,875

N/A = Not available

The Federal Government provides benefits and services to veterans and their survivors of conflicts as distant as the Spanish-American War and as recent as the Persian Gulf War, recognizing the sacrifices of war- and peacetime veterans during military service. The Federal Government spends over \$42 billion a year on veterans benefits and services, and provides over \$3 billion in tax benefits to compensate veterans and their survivors for service-related disabilities; provide medical care to low-income and disabled veterans; and help returning veterans prepare to reenter civilian life through education and training. In addition, veterans benefits provide financial assistance to needy veterans of wartime service and their survivors.

About seven percent of veterans are military retirees who can receive both military retirement from the Department of Defense (DOD) and 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 workforce—approximately

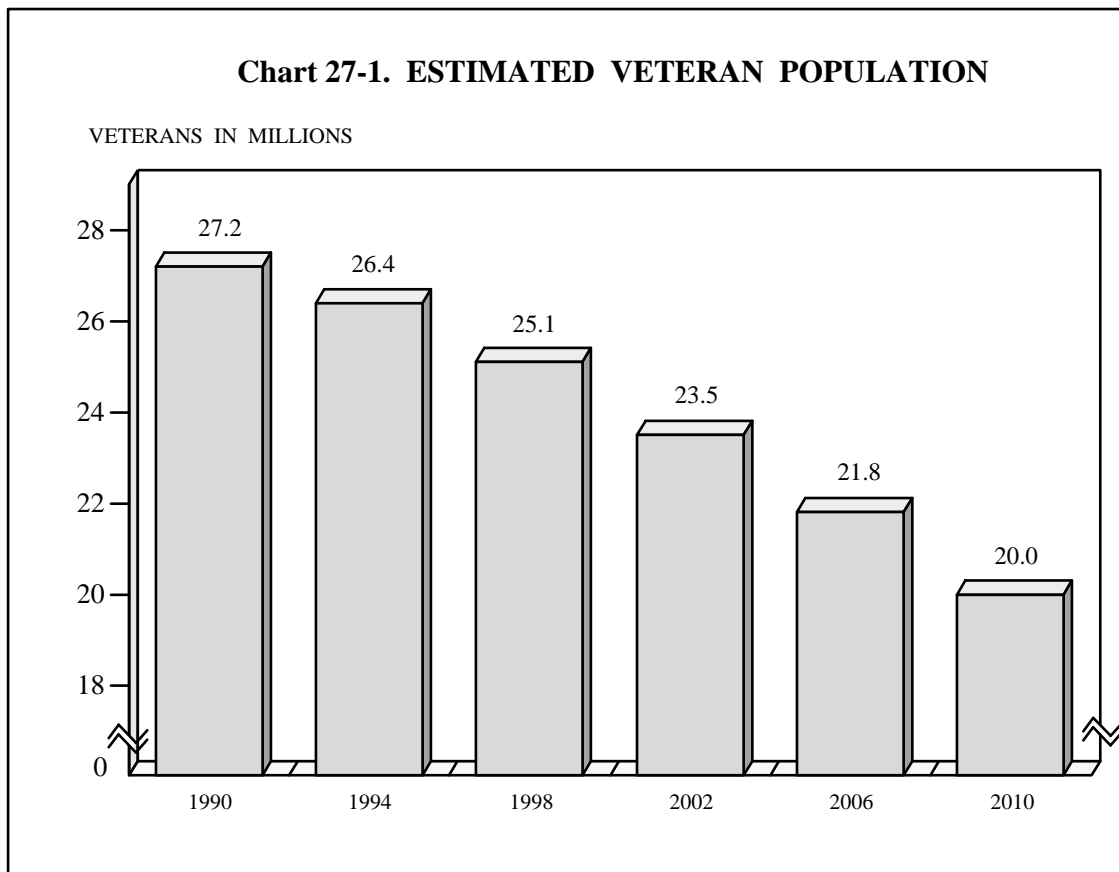
240,000 people, about 192,000 of whom deliver or support medical services to veterans.

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 27-1). 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 3.2 million veterans through its national system of 22 integrated health networks, consisting of 166 hospitals, 544 ambulatory clinics, 132



nursing homes, 40 domiciliaries¹, and 206 vet centers. VA is an important part of the Nation's social safety net because over 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.

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. However, VA may provide care to lower-priority veterans if resources allow after it meets the needs of higher-priority veterans.

In recent years, VA has reorganized its field facilities from 172 largely independent medical centers into 22 Veterans Integrated

Service Networks, 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.

To improve veterans health care further, VA will continue to enhance the efficiency of, access to, and quality of care. Between 1997 and 2002, VA is pursuing its "30/20/10" goal to:

- reduce the cost per patient by 30 percent from the 1997 level of \$5,458 (by 18 percent in 2000);
- increase the number of patients treated by 20 percent from the 1997 level of 3,142,065 (by 16 percent in 2000); and
- increase resources from outside sources (primarily private insurers) to 10 percent of the total operating budget from less than one percent in 1997 (to five percent in 2000).

¹ Domiciliaries serve homeless veterans and veterans rehabilitation with special needs.

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 (to 93 percent in 2000); and
- increase the scores on the Prevention Index to 95 percent by 2003 from the 1997 level of 67 percent (to 89 percent in 2000).

The budget includes a legislative proposal to authorize VA to cover the cost of out-of-network emergency care for enrolled veterans with compensable disabilities related to military service. Under law, these veterans have top priority for VA medical services. This legislation would ensure that these veterans have access to emergency care when treatment in VA facilities is not an option.

The budget also proposes a new smoking cessation program for any honorably discharged veteran who began smoking in the military. In addition, increased funding is proposed for evaluating, testing, and treating Hepatitis C in the veteran population and for programs that directly assist homeless veterans.

Medical Research: VA's research program provides \$316 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. In 2000, 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 2000, at least 99 percent of funded research projects will be reviewed by appro-

priate peers and selected through a merit-based competitive process (1997 base of 99 percent).

Health Care Education and Training:

The Veterans Health Administration (VHA) is the Nation's largest trainer of health care professionals. About 91,000 students 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 2000, 46 percent of VA's residents will be trained in primary care and, in 2004, that figure will increase to 48 percent (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, the number of new claims and appeals is expected to decline. VBA is implementing a "balanced scorecard," a tool that will help 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 2000, VA will process rating-related disability claims in 95 days, improving to 74 days by 2004 (from 128 days in 1998).

- In 2000, VA will improve its rating accuracy (for core rating work) to 81 percent, improving to 96 percent by 2004 (from 64 percent in 1998).

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 2000, 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 strategic 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 2.4 percent for 2000.

The number of veterans and survivors receiving compensation benefits will total an estimated 2.6 million in 2000. 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 2000 to 2004.

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 2000. The number of pension recipients will continue to fall from an estimated 650,000 in 2000 to less than 585,000 in 2004 as the number of veterans drops.

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 \$460 billion in insurance coverage to over 4.5 million veterans and service members in 2000. The program is designed to provide insurance protection and best-in-class service to veterans who cannot purchase commercial policies at standard rates because of their service-connected disabilities. To reach this goal, 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 (MGIB)—which is the largest—the post-Vietnam-era education program, the Vocational Rehabilitation and Counseling (VR&C) program, and the Work-Study program. Spending for all these VA programs will total an estimated \$1.5 billion in 2000. One of the program's strategic goals is:

- In 2000, VA will increase to 50 percent the number of VR&C participants who acquire and maintain suitable employment and are considered to be rehabilitated, and

further increase it to 55 percent in 2004 (from the 1998 level of 41 percent).

The Montgomery GI Bill: 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 leaves the military. Basic benefits 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 284,000 veterans and service members will use these benefits in 2000. The MGIB also provides education benefits to reservists while they are in service. DOD pays these benefits, and VA administers the program. In 2000, over 72,000 reservists will use the program. Over 90 percent of MGIB beneficiaries use their benefits to attend a college or university. In 1999, MGIB beneficiaries, dependents, and survivors got a one-time 20 percent increase in their benefit rate. VA has set the following goal:

- In 2000, VA will increase the usage rate of eligible veterans in the MGIB from to 57 percent, and increase the figure to 70 percent in 2004 (from 53 percent in 1997).

Veterans' Housing

Along with the mortgage assistance that veterans can get through the Federal Housing Administration insurance program, in 2000 the VA-guaranteed loan program will help an estimated 280,000 veterans get mortgages totaling almost \$31.2 billion. The Federal Government will spend an estimated \$264 million on this program in 1999, reflecting the Federal subsidies implicit in loans issued

during the year. Slightly over 40 percent of veterans who have owned homes have used the VA loan guaranty program. To increase veteran home ownership and the program's efficiency, VA will cut its administrative costs. Improving loan servicing to avoid veteran foreclosures also is a key goal.

- In 2000, 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).

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 \$97 million in 2000 for VA cemetery operations, excluding reimbursements from other accounts. Over 76,700 veterans and their family members were buried in national cemeteries in 1998. In addition, VA has jointly funded 38 state veterans cemeteries through its State Cemetery Grants Program (SCGP). The program will open four new national cemeteries in 1999 and 2000, expand existing cemeteries, make more effective use of available burial space, and encourage States' participation in the SCGP. VA has established this measure:

- In 2000, 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 1998 level of 69 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 \$3.2 billion in 2000. The Federal Government also helps veterans obtain housing through veterans bonds that State and local governments issue, the interest on which is not subject to Federal tax. In 2000, this provision will cost the Government an estimated \$40 million.