

**STATEMENT OF
BRIAN LAWRENCE
ASSISTANT NATIONAL LEGISLATIVE DIRECTOR
OF THE
DISABLED AMERICAN VETERANS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
FEBRUARY 16, 2006**

Mr. Chairman and Member of the Committee:

I am pleased to appear before you on behalf of the Disabled American Veterans (DAV), which is one of the four member organizations of *The Independent Budget* (IB). We are grateful for the opportunity comment on, and compare, the President's proposed fiscal year (FY) 2007 budget for the Department of Veterans Affairs (VA) Veterans' Benefits Administration (VBA) compensation and pension business lines to the recommendations of the 2007 IB. As you know, the IB is a budget and policy document that sets forth the collective views of the DAV, AMVETS, the Paralyzed Veterans of America (PVA), and the Veterans of Foreign Wars of the United States (VFW). Along with the IB recommendations on ways to improve benefit programs, this statement includes recommended staffing levels to administer the respective benefits. Benefit programs are effective for their intended purposes only to the extent VBA can deliver benefits to entitled veterans and dependents in a timely fashion. We believe sufficient staffing levels for VBA are closely reflected by the IB recommendations.

The level of funding sought in the President's 2007 budget would increase VBA operating expenses by nearly \$114 million, a 10.8 percent increase over last year's level. We are greatly encouraged that the Administration has proposed a substantial increase in resources for VBA. The need for such an increase has become critical, and we deeply appreciate the President's bearing on this issue.

With the Administration's proposed budget, VBA staffing would be increased in FY 2007 by 173 full-time employees (FTE). Compensation and Pension (C&P) Service would be authorized 9,445 FTE, which is a total increase of 14; however, the number of FTE under the subcategory, Direct Compensation, would be reduced by 149. The net gain of FTE would be as a result of increases in other VBA activities. This recommendation is somewhat perplexing because one of the Administration's stated goals is to decrease the number of backlogged compensation claims. Additionally, ongoing hostilities in Iraq and Afghanistan and an aging veteran population will almost certainly increase the number of claims for compensation. In the 5-year period from the end of FY 2000 to the end of FY 2005, the volume of disability claims increased 36 percent, or an average of 7.2 percent annually. However VA projects that the number of disability claims will increase by only 3 percent during 2006 and 2 percent in 2007. Even with such modest projections for increased work, the Administration's budget request for fewer direct program FTE will result in a greater amount of pending claims. What makes this

proposed reduction in staffing all the more questionable is VA's estimate that, above these projected increases in regular claims work, it will receive an additional 98,000 claims from its outreach to veterans in the six states with the lowest average compensation payments, as mandated by last year's legislation. VA admittedly anticipates increases in the already unacceptable claims backlogs in these two years, despite the fact that VA projects it will increase its 2005 production by 75,102 completed claims in 2006 and 85,740 completed claims in 2007. The backlog of pending rating cases would grow from 346,292 at the end of FY 2005 to 417,852 cases at the end of FY 2006, and 396,834 in FY 2007.

The IB recommends 10,820 FTE for C&P Services. In its budget submission for FY 2006, VA projected production based on an output of 109 claims per direct program FTE. The IB organizations have long argued that VA's production requirements do not allow for thorough development and careful consideration of disability claims, resulting in compromised quality, higher error and appeal rates, and even more overload on the system. In addition to recommending staffing levels more commensurate with the workload, we have maintained that VA should invest more in training adjudicators and that it should hold them accountable for higher standards of accuracy. In response to survey questions from VA's Office of Inspector General, nearly half of the adjudicators responding admitted that many claims are decided without adequate record development. They saw an incongruity between their objectives of making legally correct and factually substantiated decisions and management objectives of maximizing decision output to meet production standards and reduce backlogs. Nearly half reported that it is generally or very difficult to meet production standards without sacrificing quality. Fifty-seven percent reported difficulty meeting production standards if they make sure they have sufficient evidence for rating each case and thoroughly review the evidence. Most attributed VA's inability to make timely and high quality decisions to insufficient staff. They indicated that adjudicator training had not been a high priority in VA. To allow for more time to be invested in training, we believe it prudent to recommend staffing levels based on an output of 100 cases per year for each direct program FTE. Based on an estimated 930,000 claims in FY 2007, 9,300 direct program FTE would be required to handle the caseload efficiently. With the FY 2006 level of 1,520 support FTE added, this would require C&P to be authorized 10,820 total FTE for FY 2007.

Overall, VBA is a well designed system that is ultimately fulfilling its intended purpose. The rating schedule for disabilities has been developed and refined over the course of decades. The varying circumstances of each war in which our nation has been engaged during those decades have presented new challenges that the VA has adapted to meet. For instance, the rating schedule had to be altered to adequately serve certain World War II veterans exposed to radiation. Vietnam veterans' issues brought similar changes with regard to Agent Orange related diseases and Post Traumatic Stress Disorder, and most recently, Persian Gulf War Syndrome compelled the VA to create a rating formula beyond what already existed. These instances illustrate that Congress must make adjustments from time to time to address the need for improvements. The IB makes a number of recommendations to adjust rates and improve the benefit programs administered by VBA. Some of those recommendations are:

- Completely eliminate the requirement that career military retirement pay be offset by VA disability compensation. Steps have been taken to gradually phase-out the ban on concurrent receipt, but only for a portion of disabled military retirees. The law should be immediately repealed for everyone affected. Eligibility criteria should not depend on level of disability. What is unfair to a veteran who is 50 percent disabled, is equally unfair to a veteran with a 40 percent disability
- Eliminate the unfair offset between dependency and indemnity compensation (DIC) and the Survivor Benefit Plan (SBP).
- Revise the premium schedule for Service-Disabled Veterans' Insurance (SDVI) to reflect current mortality tables and increase the face value of the policy to \$50,000. SDVI Premium rates are still based on mortality tables from 1941, thereby costing disabled veterans more for government life insurance than is available commercially
- Establish cost-of-living-adjustments for compensation, specially adapted housing grants, and automobile grants, with provisions for automatic annual increases in the housing and automobile grants based on increases in the cost of living
- Establish presumption of service connection for hearing loss and tinnitus for combat veterans and veterans who had military duties involving high levels of noise exposure who suffer from tinnitus or hearing loss of a type typically related to noise exposure or acoustic trauma
- Restore protections for veterans' benefits against awards to third parties in divorce actions

We invite the Committee's attention to the section of the IB addressing the Benefit Programs for details on these and other IB recommendations for improvement.

Closing

In preparing the IB, the four partners draw upon their extensive experience with the workings of veterans' programs, their firsthand knowledge of the needs of America's veterans, and the information gained from their continual monitoring of workloads and demands upon, as well as the performance of, the veterans' benefits system. Historically, this Committee has acted favorably on many of our recommendations to improve services to veterans and their families, and we hope you will give our recommendations full and serious consideration again this year.