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Federal Financial Benefits and Health Care Coverage for Veterans with Disabilities

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ABSTRACT

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Key Findings and Policy Implications

This paper examines Department of Defense (DoD), Department of Veterans Affairs (VA), and Social Security Administration financial benefit programs and health care programs available to veterans with disabilities. The benefit programs include Military Disability Retirement, Disability Compensation, Disability Pension, Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI). For each benefit program, we examine the purposes, program size and expenditures, eligibility determination procedures, interaction among the multiple programs, and the effect of earnings on benefit eligibility and amount. We also describe the TRICARE, Veterans Health System, Medicare and Medicaid health care and health insurance programs. We found that Veterans Compensation is by far the largest of the DoD/VA programs, serving over 3 million veterans. Military Retirement and Disability Compensation are not affected by earnings, with the exception of veterans with the rating of "individually unemployable." Financial disincentives to employment are found in the Veterans Pension, SSDI, and SSI programs. We also found that the multiple health care programs often complement one another and that in instances where veterans are eligible for Medicare or Medicaid, these programs can supplement the TRICARE and Veterans Health System programs. The policy implications of the findings are that the relatively high cash benefits in the Disability Compensation program and the employment disincentives in the SSDI and SSI programs in the predominantly older veteran population with significant health conditions and obstacles to employment.

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I. INTRODUCTION

A complex array of medical services, cash benefits, and other specialized programs are available to serve and support veterans of the U.S. Armed Forces who experience disabilities. The U.S. Departments of Defense (DoD) and Veterans Affairs (VA) award and administer different types of benefits provided to veterans with service connected and non-service connected disabilities. For veterans with no significant pre-military work experience, their military pay is taxed for Social Security purposes, thereby enabling them to meet the SSDI non-medical eligibility criteria. In addition, many reservists have significant past involvement in the civilian workforce and are often eligible for a whole separate system of disability benefits provided by the Social Security Administration (Social Security) and the Centers for Medicare and Medicaid Services (CMS).

Any successful return-to-work or community reintegration initiative focused on veterans with disabilities must include an intensive analysis of the impact of paid employment or self-employment on DoD and VA disability benefits, as well as any other public benefits veterans may receive based upon disability. To the extent that earnings from employment may jeopardize a veteran's program eligibility or reduce the cash benefit amount, it will make it less likely that an individual will choose to pursue employment. If veterans with disabilities perceive employment as risky, in terms of its adverse impact on essential cash benefits, rental assistance, health insurance, or other special programs, they may elect to retain and protect their benefits instead of pursuing employment. Similarly, relatively high compensation rates in VA programs may reduce the financial need for employment in the aging veteran population.

The purpose of this paper is to provide a detailed discussion of the financial benefit programs available to military veterans through the DoD and VA, compare and contrast these programs with Social Security disability benefit programs, and identify program interactions that may affect beneficiaries' program eligibility and benefit amounts. The analysis will provide a framework for future discussions of possible programmatic and policy modification and the identification of potential research activities.

We will begin with a review of DoD, VA, and Social Security eligibility determination criteria and processes, components and regulations of the various benefit programs, the effect of benefit receipt on eligibility for other benefit programs, the effect of increased earnings on program eligibility and benefit amounts, and interaction among various health insurance programs operated by CMS and the Veterans Healthcare Administration (VHA).

Based on this information, we identify work incentives and disincentives in the various programs and discuss the need for targeted outreach activities that will provide beneficiaries who receive benefits from multiple agencies the information necessary to enable them to make sound employment decisions.

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II. DETERMINING DISABILITY IN DOD, VA, AND SOCIAL SECURITY VETERANS BENEFITS PROGRAMS

Each branch of the U.S. Armed Forces is required to conduct a review process to insure the fitness for duty of its service members and to separate or retire individuals who are unable to perform the duties required by military service due to medical condition or disability. The DoD must be able to define and quantify disability for these essential purposes and to determine eligibility for benefits afforded to service members who become wounded, ill or injured. In addition, the VA administers a wide range of specialized financial, medical and vocational/educational benefit programs for veterans with disabilities which require a standardized disability evaluation process to determine eligibility.

Prior to October 2011, the steps of the disability evaluation system utilized by the various military branches within the DoD differed to some extent and the VA disability evaluation system varied significantly from that used by the DoD. Beginning with the implementation of the Integrated Disability Evaluation System (IDES) in October 2011, all branches of the U.S. military are required to conduct a single set of medical examinations to determine both fitness and disability. In addition, by transitioning to the IDES, evaluation of a service members' fitness for military duty is designed to run concurrently with a VA determination of a disability rating. Under the new IDES process, only one set of standardized medical exams provides all the information needed by both departments. Now, when a service member is finished with the military disability review process, a disability claim should already be filed with the VA so benefits can begin after one month in veteran status - the earliest allowable award under current law. The IDES has the potential of providing a more seamless transition to veteran disability benefits with fewer hurdles, faster results and more consistent ratings between DoD and VA than the previous system.¹

A. Disability evaluations for service members

The disability evaluation system for an active duty military service member begins when that member suffers a serious wound, illness, or injury. The service member receives medical treatment from the staff of an appropriate medical facility and if the member recovers and returns to duty, this is the end of the process. For a small number of members, a wound, illness, or injury can result in a permanent condition that may make them unfit for continued duty in their current job. When this happens, the DoD medical personnel refer the member for disability evaluation the IDES assessment process.

The IDES assessment process involves two distinct stages: the Medical Evaluation Board (MEB) and the Physical Evaluation Board (PEB). Referral for review by the MEB is the first stage in the process and the purpose of the MEB is to determine whether the service member's injury or illness is severe enough to compromise the member's ability to return to full duty based on the job specialty designation of the individual's branch of service. While each service has individual rules, generally, the MEB is made up of medical care professionals, and in the case of mental health conditions, includes a mental health care provider as well. The MEB reviews the

¹ Accessed online at [<http://www.realwarriors.net/healthprofessionals/guidelines/ides.php>].

clinical case file and decides whether the individual should be returned to duty, or should be separated from service.

If the MEB determines that the member has a medical condition which is incompatible with continued military service, they refer the case to the next stage in the IDES - a Physical Evaluation Board (PEB). Again, each branch of the service has its own rules about staffing the PEBs, but in general the services have opted for a three person PEB with a mix of military and civilian members. The board will review the service member's medical record, the doctor's narrative summary, personnel evaluations, and letters from the commanding officer. The PEB issues a formal fitness-for-duty determination, assigns a disability rating, and recommends one of the following dispositions:

- Return the member to duty (with or without assignment limitations, and or medical re-training);
- Place the member on the temporary disabled/retired list (TDRL);
- Separate the member from active duty; or
- Medically retire the member.

Four factors determine whether the disposition is fit for duty, separation, permanent retirement, or temporary retirement: the stability of the disabling condition; and years of active service in the case of pre-existing conditions.

1. **Fit for Duty** - The member is judged to be fit when he/she can reasonably perform the duties of his/her grade and military job. If the member is medically unfit to perform the duties of his/her current job, the PEB can recommend medical re-training into a job he/she will be medically qualified to perform.
2. **Disability Rating Percentage** - Once a determination of physical unfitness is made, the PEB is required by law to rate the disability using the Department of Veterans Affairs Schedule for Rating Disabilities (VASRD). Individuals may be determined to be disabled anywhere along a continuum ranging from 0 percent to 100 percent disabled in 10 percent increments.
3. **Stability of the medical condition** – If the PEB determines that the medical condition is not stable for rating purposes, it will affect whether or not the individual can be medically retired based on permanent disability. "Stable for rating purposes" refers to whether the condition has the potential to change within the next five years which could result in a different disability rating.
4. **Years of active service** – Service members with more than 20 years of service and a combined disability rating of 20 percent are allowed to retire with full military retirement benefits.

When the PEB finds a service member unfit for duty based on one or more medical conditions, they provide the member with a combined disability ratings percentage. This is an important number because it determines what type of separation the individual receives and, subsequently, the types of DoD benefits to which the individual will be entitled. The combined

disability rating is not calculated by adding the percentage of disability for each condition rated “unfitting.” Rather, the highest disability rating is considered first, then the second highest, and so on in order of severity. If a veteran had a 60 percent disability, the VA Schedule for Rating Disabilities (VASRD) considers that person to be 40 percent “efficient.” Efficiency is a measure of total health minus the disability, so someone with a 60 percent disability has only 40 percent of his or her total health that is not impacted by the disability. The next highest disability percentage will be applied to the 40 percent efficiency left after the initial 60 percent rating is applied to the total healthy score of 100 percent efficient.

For example, if a member was determined to have three unfitting conditions rated 60, 30, and 20 percent, the PEB would calculate the combined disability rating using the following steps:

- The first rating is 60 percent of the whole person, leaving the member with 40 percent efficiency.
- The second rating is 30 percent of the 40 percent efficiency, which is a loss of 12 percent efficiency ($.30 \times .40 = .12$). This is added to the first disability rating percentage of 60, for a cumulative score of 72 percent combined disability from the first two conditions. This leaves the member with 28 percent efficiency.
- The third rating is 20 percent of the 28 percent efficiency, which is a loss of six percent efficiency ($.20 \times .28 = .056$, which is rounded up to $.06$). Added to the combined disability in the second rating of 72 and the rating becomes 78 percent.
- The combined rating of 78 percent must be rounded to the nearest 10 percent, giving the member a combined rating of 80 percent.

All determinations made within the IDES system are subject to appeal rights but each branch of the military has its own administrative policies for how it applies the law. Service members have the right to hire an attorney at their own expense, or may request to be represented by a military lawyer at no cost.

B. Disability evaluations for veterans under the VA

Service members who are unable to return to active military duty due to retirement or separation may be eligible for a veterans benefit from the VA in addition to DoD benefits. These individuals will also receive a separate disability rating from the VA as part of the IDES process and this rating may be different than the rating received from DoD. While both the DoD and the VA use the Department of Veterans Affairs Schedule for Rating Disabilities (VASRD), not all the general policy provisions set forth in the Rating Schedule apply to the military.

The military only rates conditions determined to be “unfitting,” thus compensating for loss of a military career. The VA may rate any service-connected impairment, thus compensating for loss of civilian employability. The provisions contained in the VA rating schedule are designed to represent the average impairment in earning capacity in civil occupations resulting from disability (as far as can practicably be determined). In other words, a veteran who is assessed at the 30% rating level would be expected to have a 30% reduction in earnings capacity due to disability.

Some veterans are confused when they receive a higher combined disability rating from the VA than from the DoD. This happens because the PEB calculates the combined rating based only on conditions that make an individual unfit for continued military service. If the VA finds that an individual's disabilities are connected to military service but those conditions do not make that individual unfit for military service, the individual may receive a higher disability rating from the VA than from the DoD. Some examples of conditions that might result in this rating disparity would include treatable high blood pressure or a small loss of hearing. While these conditions might not preclude continued military service, they still might affect an individual's future earnings capacity in the civilian job market.

In addition to the percentage rating system, the VA also designates certain veterans as having "total disability" and "permanent total disability." Total disability is considered to exist when any impairment of mind or body is present which is sufficient to render it impossible for the average person to pursue a substantially gainful occupation. Total disability may or may not be permanent. Total ratings are authorized for any disability or combination of disabilities for which the Schedule for Rating Disabilities prescribes a 100 percent evaluation.

1. Individual Unemployability

Total disability ratings for VA disability purposes may also be assigned in certain cases in which the schedule rating is actually less than 100 percent - the usual standard for total disability. If the individual with the disability is, in the judgment of the rating agency, unable to secure or follow a "substantially gainful occupation" as a result of service-connected disabilities, that individual may be deemed to have total disability for the purposes of VA compensation. VA refers to this designation as "**individual unemployability**" and it may occur under the following circumstances:

1. If there is only one disability, this disability is rated at 60 percent or more; or
2. If there are two or more disabilities, there must be at least one disability ratable at 40 percent or more and sufficient additional disability to bring the combined rating to 70 percent or more.

The determination of whether or not a veteran is able to follow a substantially gainful occupation is made by the Ratings Adjudicator within prescribed guidelines. The term "unemployability" is not synonymous with the terms unemployed and unemployable for the purpose of determining entitlement to increased compensation. A veteran may be unemployed for a variety of reasons yet still not be "unemployable" for the purposes of establishing a total disability rating.

A veteran may be classified as having permanent total disability when the impairment is reasonably certain to continue throughout the individual's life. The federal regulations governing permanent total disability describe examples of conditions leading to the designation, such as the permanent loss of use of hands or feet, loss of vision, permanently bedridden, or longstanding diseases or injuries. Temporary diseases, injuries, or accidents would not lead to the permanent total disability rating unless there is ample evidence that the resulting disability is considered permanent.

The designation of total disability or permanent total disability is important because certain VA benefits are only afforded to individuals with these classifications. In addition, designations of total or permanent total disability may increase the amount of monetary benefits a veteran is entitled to receive.

A number of factors cause the majority of disability retirement beneficiaries to apply for VA Disability Compensation as soon as they are eligible. DoD benefits are viewed as taxable income, while Disability compensation is not taxed. In addition, disability ratings in the VA program may be higher than DoD ratings for the same veteran, since the VA Disability Compensation program rating may be based on multiple conditions as opposed to the single condition that may render an individual unable to perform active duty.

C. Disability re-examinations in the DoD and VA systems

Another important difference between the DoD and the VA disability ratings is the *term* of the rating. The military's ratings are permanent upon final disposition – once they are determined, they are never changed. The only time the military re-evaluates disability is when a service member has been designated as being on the Temporary Disability Ratings List. This designation may continue for up to five years and during that time the service member would be subject to disability evaluations every 12-18 months until a final determination is made.

In contrast, VA ratings may fluctuate with time, depending upon the progress of the condition. After the initial VA disability rating has been made, veterans may be subject to periodic re-examinations. Reexaminations will be requested whenever the VA determines there is a need to verify either the continued existence or the current severity of a disability. Generally, reexaminations will be required if it is likely that a disability has improved, or if evidence indicates there has been a material change in a disability, or that the current rating may be incorrect. Individuals for whom reexaminations have been authorized and scheduled are required to report for such reexaminations. Veterans may request that their disability rating be reevaluated if they believe that their condition has worsened over time. If sustained significant employment becomes too difficult, a veteran may seek IU status, would increase their benefit amount to the 100 percent rating level.

The schedule of reexaminations will vary depending on which type of VA disability benefit is received. For veterans receiving VA Disability Compensation, assignment of a pre-stabilization rating requires reexamination within the second six month period following separation from military service. Following initial VA examination or any scheduled future or other examination, reexamination, if in order, will be scheduled within not less than two years or more than five years within the judgment of the rating board, unless another time period is elsewhere specified. In Disability Compensation cases, reexaminations are not deemed to be necessary under the following circumstances:

1. When the disability is established as static;
2. When the findings and symptoms are shown by examinations and hospital reports to have persisted without material improvement for a period of five years or more;
3. Where the disability from disease is permanent in character and of such nature that there is no likelihood of improvement;

4. In cases of veterans over 55 years of age, except under unusual circumstances;
5. When the rating is a prescribed scheduled minimum rating; or
6. Where a combined disability evaluation would not be affected if the future examination should result in reduced evaluation for one or more conditions.

For veterans receiving VA Disability Pension benefits in which the permanent total disability has been confirmed by reexamination or by the history of the case, or with obviously static disabilities, further reexaminations will generally not be requested by the VA. In other cases, further examination will not be requested routinely and will be accomplished only if considered necessary based upon the particular facts of the individual case. In the cases of veterans over 55 years of age, reexamination will be requested only under unusual circumstances.²

D. Social security disability evaluations

Social Security defines disabilities as an inability to engage in any substantial gainful activity (SGA) by reason of any medically determinable physical or mental impairment "which can be expected to result in death, or has lasted or can be expected to last for a continuous period of not less than 12 months. SGA means "the performance of significant physical and/or mental activities in work for pay or profit, or in work of a type generally performed for pay or profit, regardless of the legality of the work" (See POMS DI 10105.065). The definition has three key components:

- First, the person must have an **impairment**;
- Second, the person must be **unable to perform Substantial Gainful Activity (SGA) because of that impairment**; and
- Third, the condition must meet the **duration requirement**.

In order to receive benefits, the person must meet all three of these criteria. If an individual is working and the work is determined to be at the SGA level, Social Security will find that the individual is not disabled regardless of his/her medical condition, age, education, work experience, or any other criterion, including the duration of the disabling condition. In 2014, SGA is defined as \$1,070 in earned income per month.

Social Security funds State Disability Determination Services (DDS) agencies in each state, that are responsible for developing medical evidence and rendering the initial determination on whether the claimant is or is not disabled or blind under the law. Usually, the DDS tries to obtain evidence from the claimant's own medical sources first. If that evidence is unavailable or insufficient to make a determination, the DDS will arrange for a consultative examination (CE) in order to obtain the additional information needed. After completing its initial development, the DDS makes the disability determination. The determination is made by a two-person adjudicative team consisting of a medical or psychological consultant and a disability examiner.

² This section was based on information found at: 38 CFR Book B, Adjudication Veterans Benefits Administration References Web Automated Reference Material System (WARMS)
<http://www.benefits.va.gov/warms/bookb.asp#h>.

If the adjudicative team finds that additional evidence is still needed, the consultant or examiner may re-contact a medical source(s) and ask for supplemental information.

After the DDS makes the disability determination, it returns the case to the Social Security Field Office for appropriate action depending on whether the claim is allowed or denied. If the DDS finds the claimant disabled, Social Security will complete any outstanding non-disability development, compute the benefit amount, and begin paying benefits. If the claimant is found not disabled, the file is retained in the field office in case the claimant decides to appeal the determination.

1. The sequential evaluation process

The following five-step process is used to make disability determinations in the Social Security system. The first step is conducted by Social Security personnel. If the applicant is found not to be engaging in SGA level work, the medical information is sent on to DDS for use in the remaining steps of the sequential evaluation process.

1. **Is the applicant performing SGA?** - If the applicant is working and performing SGA, Social Security will decide that the individual does not meet the disability standard. If the applicant is not working, or the average monthly earnings are less than the current SGA guideline, Social Security sends the file on to DDS. This agency looks at Step 2, the medical condition.
2. **Is the medical condition “severe?”** - For the DDS to decide that an applicant is disabled, the medical condition must significantly limit the ability to do basic work activities (such as walking, sitting and/or remembering) for at least one year. If the medical condition is not that severe, the DDS will determine that the individual does not meet the disability standard. If the condition is sufficiently severe, DDS continues to Step 3.
3. **Is the medical condition on the Listing of Impairments?** - To make medical disability determinations, DDS uses the “Listing of Impairments” that describes medical conditions that are considered so severe that they automatically mean that the applicant is disabled as defined by law. If the condition (or combination of medical conditions) is not on this list, DDS looks to see if the condition is as severe as a condition that is on the list. If the severity of the applicant’s medical condition meets or equals that of a listed impairment, DDS will decide that the applicant is disabled. If it does not, DDS goes on to Step 4.
4. **Can the applicant do the work that he or she did before?** - At this step, DDS decides if the medical condition prevents the applicant from being able to do the work that he or she did before. If it does not, DDS will decide that the applicant is not disabled. If it does, DDS goes on to Step 5.
5. **Can the applicant make an adjustment to any other type of work?** - If the applicant cannot do the work he or she did in the past, DDS looks to see if the applicant would be able to make an adjustment to other work. DDS evaluates the individual’s medical condition, age, education, past work experience and any skills the applicant may have that could be used to do other work. If the applicant cannot do other work, DDS will decide that he or she is disabled. If the applicant can make an adjustment to other work anywhere in the economy, DDS will decide that the beneficiary is not disabled.

2. Continuing disability reviews

Once individuals are entitled to benefits, they must periodically prove that their disabilities continue to be severe in order to retain eligibility. In some situations, Social Security will simply review the folder and determine that the impairment could not have improved. In other circumstances, the individual will receive a questionnaire in the mail and the information provided will be sufficient to determine continued eligibility. Sometimes, however, Social Security will need to gather medical evidence and interview the beneficiary to determine if the disability continues to meet Social Security's definition. These periodic reviews of a beneficiary's medical condition are known as "Continuing Disability Reviews" (CDRs).

As with initial disability determinations, the local Social Security Field Office gathers the medical information and sends it to the DDS. For CDRs, DDS uses a different standard from the one used for initial applications. Once people are entitled to benefits, DDS does not look for medical evidence that proves disabilities exist - that has already been established. Instead, the person making the decision looks for evidence that the disability has improved. If there is sufficient medical improvement, or if the beneficiary is working above the SGA level, the person's benefits are terminated (POMS DI 28005.001).

III. DISABILITY EVALUATION – INTERACTIONS BETWEEN DOD/VA AND SOCIAL SECURITY SYSTEMS AND THEIR IMPLICATIONS

The DoD, VA, and Social Security vary widely in the scope and purpose of their disability evaluation process. A veteran could qualify for benefits based on disability from all three federal agencies, establish eligibility for one or more but not all, or even fail to qualify for any. It all depends on the nature and severity of the disabling conditions and other factors relevant to the examining agency. The purpose of the disability evaluation within each of the three federal agencies is what leads to this variance:

1. The DoD evaluates disability to determine if the service member is fit to perform the duties required of active military service. If the member is determined to be “unfit” and is separated from service, the disability benefits are intended to compensate the individual for the loss of the military career. These determinations are not related to how the disability occurred and do not consider how the disability might affect future employment outside of military service.
2. The VA evaluates disability on the basis of how the presenting medical conditions are expected to diminish the individuals’ future earnings capacity in the civilian economy. Disability is rated by percentages on a continuum of 0% - 100%. The higher the disability rating, the greater the benefit paid. In the Disability Compensation program, the VA is only concerned with medical conditions they determine to be service-connected, meaning that they were incurred or aggravated during a period of active military service.
3. Social Security evaluates disability in relation to how the physical or mental conditions affect an individual’s ability to support him/herself by working. Social Security disability benefits represent a partial wage replacement program for individuals who have disabilities so severe that they are determined unable to engage in any SGA. Disability evaluations under Social Security law do not consider varying levels of disability. If an individual is judged to be unable to perform SGA level work then disability is determined and eligibility for benefits is established. If the individual retains the ability to engage in SGA, disability status is denied and no benefits are provided.

One area in which the VA system and the Social Security system are similar is their connection of disability to earnings capacity. As previously described, total disability ratings for VA Disability Compensation may be assigned in certain prescribed instances where the schedule rating is actually less than 100% - the usual standard for the designation of “total disability.” If the VA determines that the veteran with the disability is unable to secure or maintain “substantially gainful employment” as a result of service-connected disabilities, that individual may be deemed to have total disability for the purposes of VA compensation. In this case, the veteran is determined to be “individually unemployable” which bears some similarity to Social Security’s concept of being unable to engage in substantial gainful activity.

A. Correlation between benefit receipt and employment

The relationship between benefit receipt and employment varies across the multiple benefit programs and the specific situation of each individual beneficiary. The manner in which each of the benefit programs treat earned income is described in Table III.1 below.

Table III.1. Treatment of earned income across multiple veterans benefit programs

DoD Military Retirement Program	Employment has no effect on the benefit. There is neither reduction in benefits nor risk of becoming ineligible for benefits due to employment. The benefit is generally taxable.
VA Disability Compensation	Disability Compensation benefits are not means-tested so they are not affected by income or resources. Neither wages nor net income from self-employment affects Disability Compensation payments in the sense that in and of themselves they would cause a reduction or “offset” in the VA payment amount.
VA Disability Pension	Disability Pension is a means-tested program. Earnings will result in a reduction in benefit amount and potential ineligibility for the program. Disability Pension is reduced dollar for dollar by any income that is deemed countable under the VA rules.
Social Security SSDI	SSDI beneficiaries who become employed will not see an immediate impact on their cash benefit. However, earned income above certain levels for over 12 months may lead to an elimination of their cash benefits if they continue to work and have over \$1,070 per month in earned income, although program rules (work incentives) have been developed to reduce the effect of earnings on continuing program eligibility.
Social Security SSA	Earned income will lead to a reduction and potential elimination of benefits. After a basic exclusion of \$85 per month, the SSI payment will be reduced \$1 for every \$2 dollars in earned income. As with the SSDI program, a number of work incentive rules have been developed to lessen the reduction in benefits for SSI beneficiaries at certain earnings levels.

Beyond the specific treatment of earnings within the various programs, researchers have examined the effect of perceived wealth on labor force participation by disability beneficiaries. The VA Disability Compensation benefit rates, relatively high in comparison to Social Security disability payments, have been viewed as a potential disincentive to employment among the veteran population. Prior research has found that when Disability Compensation rates reach a certain level, employment rates among recipients tend to decline (Greenberg & Rosenheck, 2007). Research in this area is difficult to conduct, since higher benefit rates correlate directly with greater levels of disability ratings, increased age, and chronic health conditions (Autor, Duggan, & Lyle, 2011).

Recently, Tsai and Rosenheck (2013) examined the employment status of a population-based sample of veterans that controlled for background characteristics and overall health status. The authors found that 36 percent of veterans with a service connected Disability Compensation rating of 50 percent or higher were employed, significantly lower than the veteran population as a whole or Disability Compensation recipients with lower disability ratings. After controlling for age and health status, high Disability Compensation levels correlated with lower employment rates.

In addition to the effect of relatively high benefit payments, age and health factors reduce employment participation of veterans with disabilities. Olsen and O'Leary (2011), using data from the March 2010 Current Population Survey, estimated that 771,000 disabled veterans under age 66 were receiving Social Security benefits. Fifty one percent of these individuals were between the ages of 60-66 and less than 3 percent were under the age of 40, and 15 percent under the age of 50. Over a third (38 percent) of veterans had incomes of less than 150 percent of the poverty threshold at the time.

Experience within the Social Security disability benefits system has indicated that when individuals invest significant time and energy into documenting and proving their inability to work at a substantial level, the subsequent determination tends to act as a self-fulfilling prophesy (Autor, et al., 2011). Individuals who have fought long and hard to achieve disability benefits based upon their inability to work at a substantial level become convinced that they are unable to work at any level, whether or not this is actually the case. The psychological impact of focusing on deficits, incapacities, and inabilities can be devastating to an individual's sense of self-worth. The harder an individual works to acquire disability benefits, the less likely they may be to jeopardize continuation of those benefits – including going to work.

B. Concurrent receipt of military retirement and VA disability benefits: concurrent retirement and disability payments (CRDP) and combat related special compensation (CRSC)

Concurrent Receipt means to receive both military retirement benefits from the DoD and VA disability compensation, and up until 2004 this was forbidden by law. Prior to 2004, disabled military retirees had to waive all or part of their military pay in order to receive VA disability compensation. To compensate for this reduction, the CRDP and CRSC programs were enacted by legislation through the passage of the National Defense Authorization Act for Fiscal Year 2004.

To qualify for concurrent receipt a veteran must:

- Be a Military Retiree with 20 or more years of service, including: Chapter 61 Medical Retirees with **20 years** or more; National Guard members and Reservists with **20 or more** good years. (Once they turn 60 and begin drawing a retirement check); and Temporary Early Retirement Authority (TERA) Retirees may also be eligible.
- Have a Service Related VA disability rating of 50% or higher.

Payment is not made separately from military retired pay or VA compensation; it simply replaces the amount of military pay that is reduced by VA compensation. The end result is full receipt of military retired pay and VA disability compensation.

C. VA and SSA coordination and outreach

The VA and SSA routinely share information related to medical evidence, hospital records, and benefit receipt. Muller, Early, and Ronca (2014) report that SSA requested medical records from VA offices or facilities for over 100 individuals in 2010. Similarly, SSA provides information to the VA, including Social Security Number, disability status, and payment histories through an existing data exchange agreement. Recent efforts have allowed a larger percentage of data to be exchanged through secure electronic transfers. The agencies consider each other disability decisions in their determination process, but are not in any way obligated by decisions made by the other.

1. SSA Outreach to Veterans

Military service members can receive expedited processing of disability claims from Social Security. Social Security Administration has implemented several programs to help expedite the SSDI and SSI claims for certain applicants.

Social Security's 100 Percent Permanent and Total Disability Outreach Initiative - In March 2014, Social Security launched a new initiative designed to assist veterans who have a VA Disability Compensation rating of 100 percent permanent and total disability. For these individuals, Social Security will expedite claims processing when veterans contact the agency and identify themselves as having a 100 percent rating and complete the necessary application materials. Social Security will then expedite the determination process through the local Field Office, state Disability Determination Unit, and potential appeals processes. This process will not guarantee that the veteran will be found eligible for Social Security benefits, but provides an important new pathway for veterans with significant disabilities to establish Social Security eligibility.

Social Security Outreach to Wounded Warriors - Social Security conducts specialized outreach to Wounded Warriors in collaboration with the VA. Wounded Warriors are defined as veterans who became disabled while on active military service on or after October 1, 2001, regardless of where the disability occurs. Disability is defined as a 30 percent rating or greater for one Veterans Affairs Scheduled Rating Decision (VASRD) as rated by a Physical Evaluation Board (PEB), or a combined 50 percent rating on the Integrated Disability Evaluation System for other combat-related conditions. Similar to the Total and Permanently disabled initiative, applicants identifying themselves as Wounded Warriors will have their applications expedited during the evaluation, determination, and appeals phases.

Social Security Outreach to Homeless Veterans - Social Security has a long history of conducting specialized outreach activities to homeless veterans. Prior research (Rosenheck, et al., 2000) has found that outreach to homeless veterans has led to increased total income and a higher quality of life for these individuals. Social Security is currently supporting the efforts of the Substance Abuse and Mental Health Services Administration's (SAMHSA) SSI/SSDI Outreach, Access, and Recovery (SOAR) initiative. The SOAR program targets all homeless individuals with mental illness, but state level Veterans Affairs agencies and local/regional Social Security personnel are involved in each of the participating states.

IV. HEALTHCARE OPTIONS FOR VETERANS WITH DISABILITIES

The U.S. Department of Defense (DOD) and the US Department of Veterans Affairs (VA) offer comprehensive health coverage to active members of the military and to veterans. The Department of Defense provides coverage through the TRICARE program. The Veterans Health Administration (VHA) administers VA health care benefits for veterans. Veterans with disabilities who also receive benefits from the SSA may also be enrolled in Medicare and/or be eligible for Medicaid. These forms of health insurance vary significantly in terms of how medical services are delivered, which services are covered, and how much of the costs are required to be paid by the individual. In addition, when a veteran is enrolled in more than one of these healthcare options, there are complex interactions between systems that may affect coverage and medical costs.

A. TRICARE

TRICARE is a health care program of the United States Department of Defense Military Health System. TRICARE provides civilian health benefits for military personnel, military retirees, and their dependents, including some members of the Reserve Component. The TRICARE program is managed by TRICARE Management Activity under the authority of the Assistant Secretary of Defense (Health Affairs). TRICARE is the civilian care component of the Military Health System.

TRICARE gets its name from the three levels of coverage -- TRICARE Prime, Standard, and Extra. TRICARE offers beneficiaries retail and home delivery pharmacy benefits, TRICARE Dental, and a program for Medicare eligible military retirees known as TRICARE for Life. The major plans are described below:

- **TRICARE Standard:** This option is available to active duty personnel, retirees from the Active Component, retirees from the Reserve Component age 60 or older, and their eligible family members. Under TRICARE Standard, beneficiaries can use any civilian health care provider that is payable under TRICARE regulations. The beneficiary is responsible for payment of an annual deductible and coinsurance, and may be responsible for certain other out-of-pocket expenses. There is no enrollment fee for TRICARE Standard.
- **TRICARE Extra:** TRICARE Standard beneficiaries can elect to use the TRICARE Extra option by using a civilian health care provider from within the regional contractor's provider network. In this way, TRICARE Extra represents a preferred provider organization. When using TRICARE Extra, the beneficiary's coinsurance amount is reduced by at least five percentage points. There is no fee for use of the TRICARE Extra benefit other than the coinsurance.
- **TRICARE Prime:** TRICARE Prime is a health maintenance organization style plan available to active duty personnel, retirees from the Active Component, retirees from the Reserve Component age 60 or older, and their eligible family members. Under TRICARE Prime, beneficiaries must choose a primary care physician and obtain referrals and authorizations for specialty care. In return for these restrictions, beneficiaries are responsible only for small copayments for each visit (retirees and their families only). There is an annual

enrollment fee for TRICARE Prime for military retirees and their family members. There is no enrollment fee for active duty military and their family members.

- **TRICARE for Life:** Prior to 2001, TRICARE coverage expired at age 65 forcing military retirees, their families, and survivors to rely solely on Medicare and any available non-military supplemental coverage options they could purchase on their own. TRICARE for Life was established by Congress in response to growing complaints from beneficiaries that as Medicare out of pocket costs increased, a benefit was needed to pay these costs in lieu of TRICARE retirees being required to purchase Medicare Supplemental Coverage to pay for prescriptions, physician and hospital dispensed drugs, cost shares and deductibles. Before TRICARE for Life, TRICARE beneficiaries immediately lost TRICARE coverage upon attaining Medicare eligibility – usually at age 65 but also if they became eligible for Medicare before 65 due to disability. TRICARE for Life is designed to extend TRICARE coverage after enrollment in Medicare and to cover patient liability after Medicare payments. There is no enrollment necessary for this plan and to be eligible, members must be TRICARE and Medicare Eligible and have purchased Medicare Part B coverage. An exception to the requirement for Part B coverage exists when the beneficiary who is Medicare eligible is the spouse of an Active Duty Service Member.

Essentially, TRICARE operates like any health insurance program in that a variety of different plans are offered and eligible individuals may choose to enroll in the plan which best meets their needs. The plans vary in terms of what services are covered and how much out-of-pocket cost is required of the beneficiary. Services are delivered by local civilian providers who then bill TRICARE for payment. TRICARE coordinates coverage with Medicare, Medicaid and other forms of health insurance the beneficiary may have.³

B. The VA health care system

After a service member is discharged or separated from the military, the VHA (a branch of the US Department of Veterans Affairs) becomes responsible for providing medical care for injuries or conditions that are service-related. Once an individual is separated from service, DoD is no longer responsible for providing care for service-related conditions.

VHA offers a number of different programs as part of the Veterans healthcare system. The most important one is the Medical Benefits Package, which is a standard set of health services that are provided to veterans who qualify for VA healthcare benefits. The Medical Benefits Package provides comprehensive healthcare services through inpatient care, outpatient services, and prescription drug coverage. Medical services are provided in most cases at VA facilities such as VA hospitals and VA Medical Centers. While TRICARE is a form of insurance which can be used to pay for medical services at civilian facilities, care under the VA is generally not provided to veterans at civilian medical facilities.

Veterans complete an enrollment process to determine their eligibility for the VA Medical Benefits Package. Not all veterans qualify for the Medical Benefits Package. The enrollment process determines basic eligibility and also whether the veteran will have to pay copayments for

³ Information for this section was gathered from the TRICARE website at: [<http://www.tricare.mil/>]; and Military.com website at: [<http://www.military.com/benefits/Tricare>].

medical treatment. As a general rule, the VA provides healthcare free of charge for any injury or illness that resulted from the veteran's military service.

There are a number of criteria that a veteran must meet in order to be eligible for the VA Medical Benefits Package. The veteran must not have been given a dishonorable discharge. They must also meet minimum duty requirements (generally 24 continuous months of service), unless they were discharged because of a disability related to their service. There are additional factors that determine if a veteran is eligible for VA health benefits and if they are required to pay copayments for healthcare services. Recent combat veterans are eligible for full VA health benefits for a period of five years after the date of their discharge, regardless of their income and assets. "Recent combat veterans" are defined as veterans who were discharged from active duty after January 28, 2003. Also, veterans who were disabled in the line of duty during active service are eligible for full VA health benefits, including care for illnesses or injuries unrelated to the military service.

C. Interactions between the veterans healthcare system and Medicare

Almost all forms of health insurance require some form of coordination of benefits when multiple plans are available to a beneficiary. This insures that gaps in coverage are avoided, providers are paid properly, and the order of coverage responsibility is followed correctly. These same procedures apply to the healthcare options provided to veterans by the DoD, the VA and the Centers for Medicare and Medicaid Services (CMS). This section covers how the various healthcare options interact when a beneficiary is eligible for and enrolled in more than one option.

1. Medicare and TRICARE

SSDI beneficiaries with TRICARE need to understand the importance of enrolling in and maintaining their Medicare Part B coverage. Under Federal law, if an individual is a TRICARE beneficiary eligible for premium free Medicare Part A, he/she must enroll in Medicare Part B and pay the monthly premiums in order to remain eligible for TRICARE benefits. There are a few exceptions to this rule which are discussed below. If a beneficiary does not enroll in Part B when it becomes available to them, he/she can enroll in Part B later but they may have a break in their TRICARE coverage and they may be required to pay the Part B late enrollment penalty.

There are two main exceptions to the requirement of having Medicare Part B in order to be eligible for TRICARE. The first exception is for active duty service members (ADSMs) and their family members. ADSMs are not required to purchase Medicare Part B in order to remain TRICARE eligible. ADSMs can enroll in Part B anytime they are on active duty or within the first eight months following the month they separate or retire from the service. This eight month period is called is a Special Enrollment Period for Medicare Part B. The DoD strongly encourages ADSMs to keep Part B while active so that there is no break in TRICARE coverage after they leave the military. If the SSDI beneficiary is a family member of an ADSM (called the sponsor), the beneficiary does not need to purchase Part B until the sponsor retires or separates. The family member will have a Special Enrollment Period: he or she can enroll any time the sponsor is on active duty and in the eight months after the sponsor separates or retires from service.

When beneficiaries are enrolled in both TRICARE and Medicare, Medicare coverage will generally be the primary payer (will pay bills first). TRICARE is secondary payer for medical services that are covered by both Medicare and TRICARE. Medicare will pay its portion of the claim and then TRICARE will pay the remaining amount of the bill. TRICARE will pay any Medicare co-insurance and deductible amounts for the Medicare beneficiary. The only exception to this rule is when the beneficiary has used up a Medicare benefit for a medical service. In this case, TRICARE will also make payment as the primary payer. The beneficiary will be responsible for applicable TRICARE deductibles and cost shares.

The beneficiary will usually have no out-of-pocket costs for services covered under both TRICARE and Medicare. TRICARE will cover all Part B out-of-pocket costs as well, as long as the veteran uses providers that accept Medicare. If the beneficiary uses a provider who does not accept Medicare, then Medicare will not pay anything. In this case, TRICARE will pay only 20% of its allowed rate for the services, and the beneficiary will be responsible for the remainder of the bill. TRICARE will not pay Medicare premiums nor will it reimburse the beneficiary for Medicare premiums.

If a medical service is covered by Medicare and not TRICARE, then TRICARE will not pay anything and Medicare will act as the primary payer. The veteran will have to pay any remaining portion of the bill after Medicare has paid. In this case, the veteran will pay Medicare co-insurance and deductible amounts. When a medical service is covered by TRICARE and not Medicare, TRICARE will be the primary payer. The veteran will have to pay any TRICARE cost shares and the TRICARE Standard annual deductible (unless the veteran has other health insurance that will pay).

Enrolling in a Medicare Part D prescription drug plan is voluntary for TRICARE beneficiaries. TRICARE drug coverage is creditable coverage for Medicare Part D purposes. Beneficiaries will not be subject to a Part D late enrollment penalty as long as they have had no break in TRICARE coverage. The primary advantage for veterans with TRICARE to enroll in a Medicare Part D plan occurs if the veteran is of low income. Low income veterans may be able to obtain some medications at a lower out-of-pocket cost by using their Medicare Part D instead of TRICARE. For many veterans, however, TRICARE prescription drug coverage will be affordable and meet their health care needs. These veterans may choose not to enroll in a Part D plan and will suffer no penalty.

Coordination of benefits between Medicare Part D and TRICARE for prescription drug coverage is similar to coordination between the two programs for other types of medical services. Medicare is the primary payer when the prescription drug is covered by both TRICARE and the Part D plan. There is no cost to the beneficiary for drugs covered by both plans, up to an annual coverage limit of \$2,250. After this limit has been reached, the beneficiary is responsible for standard TRICARE copayments for medication. This means that initially veterans with both types of health coverage will have no out-of-pocket prescription drug costs for the first \$2,250 in expenditures. After they have reached \$2,250 in total drug costs, veterans will have to pay the TRICARE Standard copayments. If a veteran uses Military Treatment Facilities (MTF) pharmacies for drugs on the Uniform Formulary, he/she will have little or no out-of-pocket costs for medications, even after the annual coverage limit has been reached.

2. Medicare and the VA Healthcare System

When a veteran uses Medicare, he or she is responsible for all Medicare premiums, deductibles and coinsurance. When the veteran receives care through the VA, Medicare will not pay anything toward these out-of-pocket costs. The only instance in which both Medicare and the VA can pay for services is when the VA authorizes services in a non-VA hospital. In this case, if the VA doesn't pay for all of the medical services received during the stay, then Medicare can pay for the Medicare-covered part of the services that the VA does not pay for. Also, if a veteran is billed for VA-authorized care by a doctor or hospital that is not part of the VA system, Medicare may pay all or part of the copayments for these services.

3. Medicaid and Health Insurance Options for Veterans

Medicaid is always the payer of last resort for any medical services a veteran receives when other forms of health insurance are available. Neither TRICARE nor the VA healthcare system requires veterans to apply for Medicaid. Medicaid does not require beneficiaries to enroll in other available healthcare programs. It is possible for a veteran to receive both Medicare and Medicaid coverage as well as TRICARE and the VA Medical Benefits Package if the eligibility requirements for all programs are met.

D. Implications for SSA disability beneficiaries who also receive medical benefits from DoD and/or VA

The fact that four different healthcare options potentially exist to cover the healthcare needs of veterans with disabilities adds complexity and increases the likelihood that veterans fail to optimize their health insurance options. Each of the healthcare packages varies from the others in terms of what services are covered, how much out-of-pocket costs are involved, and which providers may be used. In addition, some of the healthcare programs are affected by enrollment in other systems, while others are not. There is no single point of contact to provide veterans with disabilities comprehensive information on all of the systems or explain how the various systems interfere with each other. As a result, veterans face a rather bewildering set of choices that would be quite difficult to navigate independently. It is certain that some veterans are not receiving all of the medical coverage they qualify for and are needlessly paying for healthcare services which could be covered. It is also certain that some veterans are paying for coverage that is not necessary when free or less expensive coverage options are available. While it is positive that so many healthcare options are available to many veterans, without a centralized clearinghouse for information, advice, and support, there will continue to be gaps in treatment and coverage.

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V. SUMMARY

Military veterans with service connected disabilities are eligible to receive financial benefits, health care coverage, and a number of different specialized services and supports. Eligibility for a specific program is determined by when and where the disability occurred or began, the veteran's military status at the time of the onset of the disability, and the severity of the disabling condition. DoD benefits are intended to compensate veterans for their loss of a military career, while VA Disability Compensation benefits are designed to offset the loss of future earnings in the civilian workforce. To achieve these purposes, DoD and VA benefits are significantly higher than those paid by Social Security.

The DoD and VA benefit programs for veterans with service connected disabilities generally treat additional earnings very favorably. In contrast, the VA Disability Pension program for veterans who have sustained a non-service connected disability is a means-tested program intended to provide a base income roughly equivalent to the federal poverty level. The Disability Pension does not provide any incentive for an individual to work, since any earnings lead to an immediate reduction in the amount of the benefit and do not financially assist the beneficiary.

A sizeable number of veterans with disabilities are receiving Social Security disability benefits. Many other veterans may be eligible for Social Security benefits, but no specific studies of the veteran population have been conducted to determine the number of veterans potentially eligible for Social Security benefits who have not yet applied. For veterans with VA Disability Compensation and Social Security Title II benefits, employment generally will lead to increased overall income, although the work disincentives in the SSDI program may affect eligibility for cash benefits if earnings exceed threshold amounts.

Just as veterans may be currently eligible for VA and Social Security cash benefits, they may also be eligible for multiple health insurance programs. While the Veterans Health Benefit program, Medicaid, and Medicare all provide excellent health care coverage, veterans may benefit from two or more of these programs based on their current medical condition and their individualized long-term support and care needs.

Additional efforts to increase standardization across the disability determination procedures employed by DoD, VA, and Social Security, advances in the use of electronic records, and continuation of efforts to improve collaborative outreach to veterans with disabilities would improve program efficiency.

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