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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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The Honorable Elliot L. Richardson
The Secretary of Defense

Dear Mr. Secretary:

In our survey of military disability retirements (Code 85025), we noted inconsistent policies and practices of the military departments which may cause inequitable treatment of disabled service members and may result in undue costs to the government.

The Department of Defense (DOD) estimated that about 164,000, or 17.7 percent, of the 926,000 members on the retired rolls had been retired for physical disability. DOD will pay these retirees approximately \$705 million during fiscal year 1973. This amount does not include Veterans Administration (VA) payments or other benefits, such as income tax advantages.

We analyzed policies and practices of the military departments to determine their effectiveness and uniformity. We examined selected retirement records of members who were retired for disability during August and September 1971 and interviewed departmental officials. We conducted our survey at the four military finance centers, the Air Force Military Personnel Center, the Office of Naval Disability Evaluation, the Office of the Naval Judge Advocate General, the Army Physical Disability Agency, and the Army Adjutant General's Office. We did not review the retirement practices of the other uniformed services, such as the Public Health Service, the U.S. Coast Guard, or the National Oceanic and Atmospheric Administration.

NEED FOR UNIFORMITY IN SELECTING
MILITARY DISABILITY RETIREMENTS

In our opinion, excessive time elapsed before the late Army and Air Force members were declared medically unfit for

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active service and the effective date of their retirements. For the 2 months sampled, we estimate that the Army and Air Force could have saved between \$825,000 and \$1,845,000 by processing disability retirements as expeditiously as the Navy and Marine Corps.

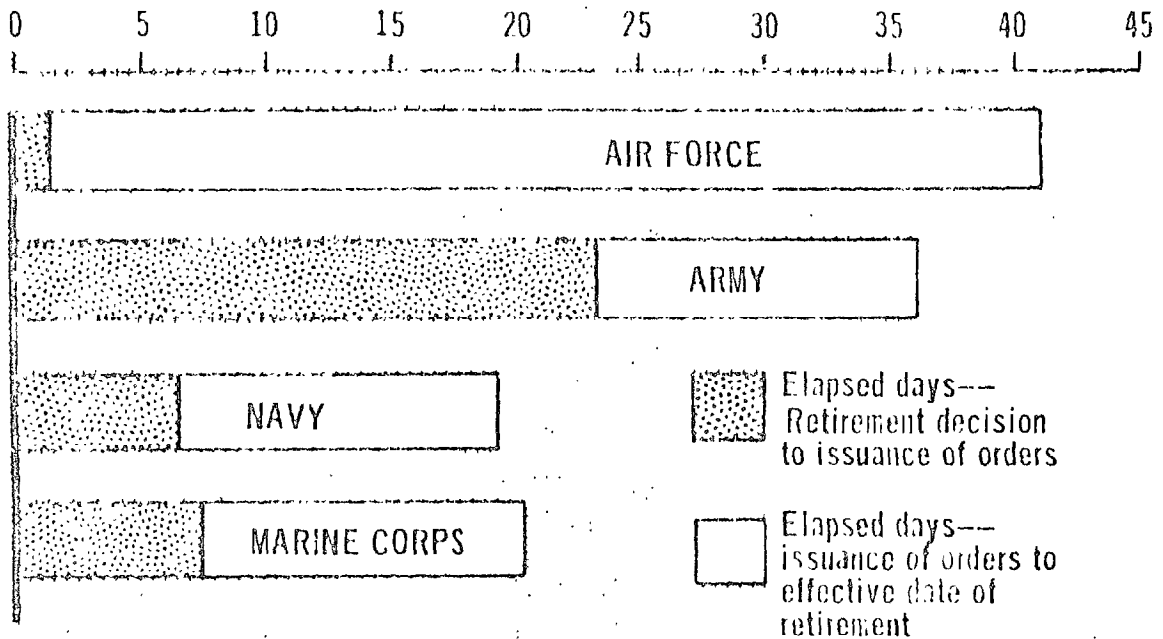
DOD Directive 1332.18 assigns the Secretaries of the military departments responsibility for reviewing procedural practices (in particular, those contributing to delays in disposition of cases) to insure expeditious processing of all cases under chapter 61, title 10, United States Code, "Retirement or Separation for Physical Disability." Generally, the departments' regulations stress expeditious processing, recognizing that physical evaluation processing imposes heavy levies on finance, manpower, and hospital facilities and that delays may cause hardship and morale problems for the member being evaluated.

The Uniform Retirement Date Act (5 U.S.C. 8301) provides that retirements shall be effective on the first day of the month following the month in which retirement would otherwise be effective. Further, 10 U.S.C. 1221 provides that the Secretary concerned may specify an effective date that is earlier than the date required by 5 U.S.C. 8301 for the disability retirement of any member.

The following chart shows, for a random selection of disability retirees during August and September 1971, the average processing time for each of the departments between the dates that retirement processing was completed by the Physical Review Council (PRC) (retirement decision), retirement orders were issued, and retirements became effective.

CHART 1

ELAPSED DAYS



As shown in chart 1, the Army and the Air Force exceed by about 75 percent and 100 percent, respectively, the Navy and the Marine Corps processing times.

We believe that disabled members should be retired, on the average, within 20 days after PRC has formally approved the retirement. This period conforms to DOD's policy of expediting disability retirements and substantially meet the criteria established by the Uniform Retirement Date Act. The 20 day average provides approximately 5 days for processing issuing orders and approximately 15 days from issuance of retirement orders to effective date of retirement. The Air Force, Navy, and Marine Corps generally meet the 5 day criterion for order processing. The 15 day criterion met by the Army, Navy, and Marine Corps generally conforms with the provisions of the Uniform Retirement Date Act.

Delays in issuing Army retirement orders

As shown in chart 1, about 25 days elapsed between the dates that retirement decisions were made by the Army PRC and the dates that orders were issued by the Adjutant General's Office (TAGO). In 4 of the 25 Army cases in our sample, orders were issued within 3 days of the PRC decisions. In the remaining 21 cases, orders were issued from 9 to 71 days after the PRC decisions. Had the Army averaged 5 days to process and issue orders, these 21 members could have been retired from 4 to 60 days earlier at a savings of \$10,665. This savings is based on the difference in the active duty costs (standard rates for military personnel services) and the retired pay costs. Projecting this estimate to the 1,589 Army members who retired during August and September 1971, we estimate that, at the 95-percent confidence level, between \$369,000 and \$987,000 could have been saved.

A May 6, 1970, Army Audit Agency report showed that there was an undesirable processing period between the receipt of cases in TAGO and the issuance of orders. The Agency recommended that TAGO adopt a 72-hour standard for processing and issuing orders. In responding to that recommendation, TAGO stated that a 72-hour standard had been established. It is apparent that it has not been met.

Excessive time allowed by the Air Force between dates of issuance of orders and retirement

Chart 1 shows that the elapsed time between the issuance of orders and the effective dates of retirement in the Air Force averaged about 40 days. The other services averaged less than 15 days.

The Air Force policy guidelines generally allow the setting of the date of relief from active duty up to 90 days after the case is finally approved, administratively complete, and ready to go on orders. Air Force officials said this policy was adopted to permit the retiree enough time to handle his personal affairs and to clear administrative processing.

When a disability retirement results from a physical examination initiated for a voluntary or mandatory retirement, Air Force regulations also allow the person to remain on active duty until his previously scheduled voluntary or mandatory retirement date.

The Army, Navy, and Marine Corps averaged 15 days between issuance of retirement orders and the effective date of

retirement. Army, Navy, and Marine Corps officials believed that their policies and practices provided the retirees with ample advance notice of retirement.

In the 128 cases in our Air Force sample, 75 members remained on active duty more than 20 days after PRC had approved the retirements. Had the Air Force averaged 10 days, it could have retired the 75 members from 1 to 165 days earlier at a savings of \$87,620. Projecting this savings to the 962 Air Force members who retired during August and September 1971, we estimate that, at the 95-percent confidence level, between \$459,000 and \$858,000 could have been saved.

Recommendations

To provide equal treatment to all members of the Armed Forces and to decrease costs, we recommend that DOD prescribe standards which require the military departments to:

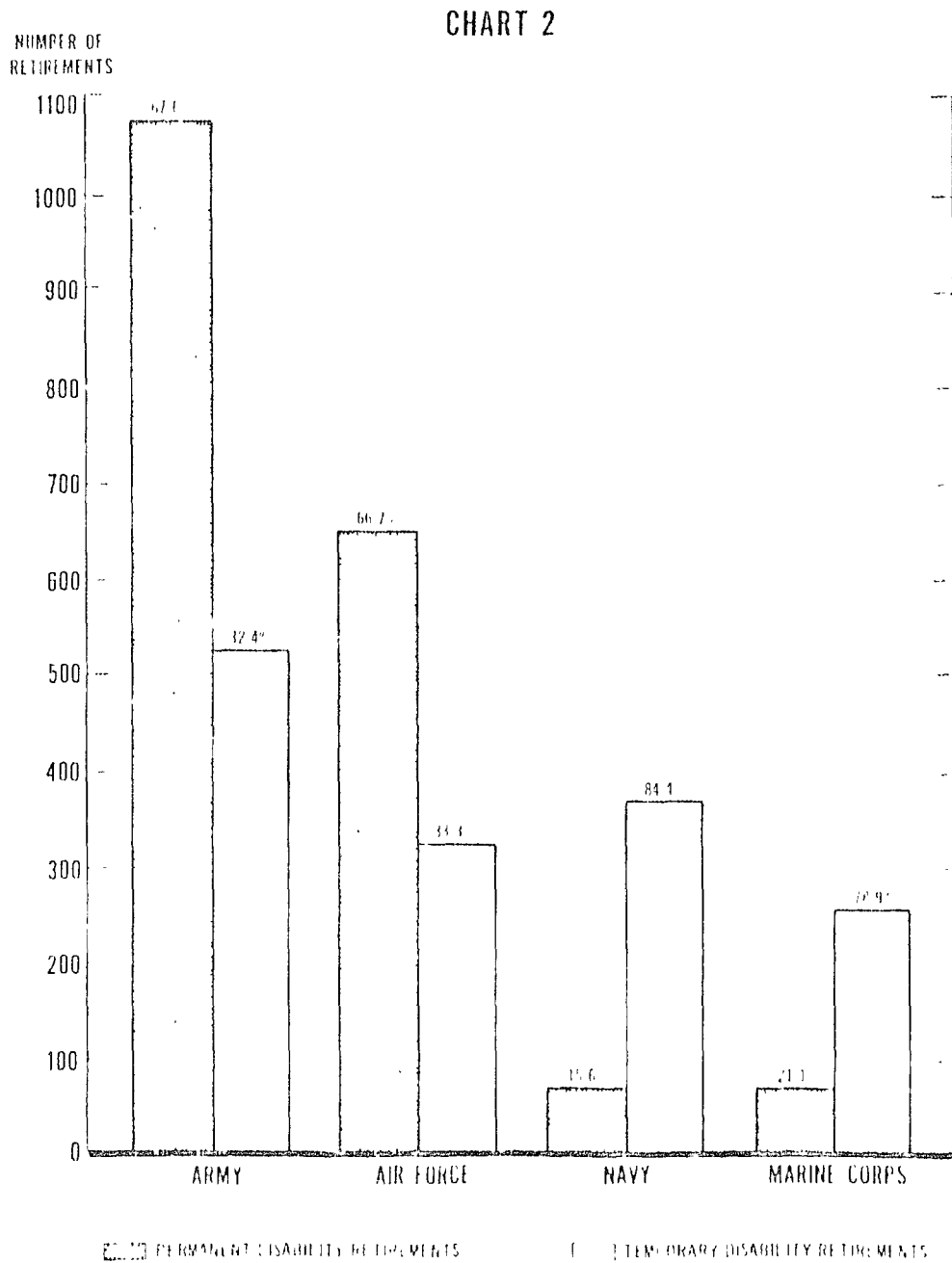
- Issue orders within 5 days of the PRC's retirement decisions.
- Include effective dates of retirement in disability retirement orders which are within 15 days of the date of issuance of the order.

DISABILITY RETIREMENT PROCESSING IN NEED OF FURTHER STUDY BY DOD

We noted two matters which DOD should consider during its recently initiated study of all phases of military disability retirement.

Significant variance among the services in the ratios of permanent to temporary disability retirements

The following chart shows the significant variance in the types of disability retirements initially granted by the four services during August and September 1971.



The Army and Air Force ratios of permanent disability retirements to temporary disability retirements were about 2 to 1; the Navy and Marine Corps ratios were about 1 to 3 and 1 to 4, respectively.

A disability is designated as permanent when the permanence and severity of a disability is not expected to change in the ensuing 5-year period. A disability is designated as temporary when the disabling condition has not stabilized and further retention of the member on active duty is not warranted. Temporary disability retirees are periodically reexamined and reevaluated over a 5-year period to determine whether retirees' medical conditions warrant permanent disability retirement and to fix the severity of their disability.

The disability retirement rating, based on the severity of the disability, will not change after a member is placed on the permanently disabled rolls. Placing a member on the permanent rolls would be detrimental to a member whose disability becomes more severe shortly after retirement. Placing a member on the permanent rolls when his disability is temporary and he completely or partially recovers creates undue liability to the Government.

Officials of the military departments said that departmental regulations and DOD guidelines adequately covered the designations. They stated that each case must be considered individually on the basis of the degree and stability of the disability. However, none of the officials could explain the services' variances in the designations.

Although the departmental regulations appear to be consistent with the law and the DOD directive, the wide variances could indicate that decisions are not uniform. Therefore members of one service might not be receiving the same benefits as members of another service.

Consolidation of the disability retirement processing functions

The four military departments independently maintain their own disability retirement processing and payment systems. A disabled retired member may also qualify for VA compensation. We believe that consolidating the disability retirement processing functions under a single manager, except within DOD or under VA would eliminate some of the inconsistencies discussed previously.

To a large extent, the responsibilities and functions of the military departments parallel those of VA in awarding and paying disability compensation, although the determinations may differ greatly.

Apparently VA's determinations and decisions on disability claims are independent of the findings of the military departments. In our test of 150 cases, the percentages of disability initially established by the military departments and the percentages initially awarded by VA were identical in only 78 cases. In 17 cases the military department ratings were higher than the VA ratings, and in the remaining 55 cases the VA awards were higher. The awards by the VA and the military departments varied from 10 to 70 percent.

The military retired payroll functions are directly affected by the VA benefit payments. VA benefits require the retirees to waive a part of their retired pay equal to the VA payments. About 100,000 retirees are presently doing this. The VA disability compensation rates change frequently due to legislative increases and changes in members' medical conditions or dependency status. This necessitates a constant and voluminous exchange of payment data between VA and the military departments, since an increase or decrease in the VA compensation requires a corresponding decrease or increase in the retired pay.

In 1963 VA proposed that the military retired payroll functions be transferred to it because of the problems created by the dual payments. Our recent inquiry indicates that VA's position remains unchanged.

A representative of the Deputy Assistant Secretary of Defense, Health and Environment (Health Resources and Programs), said that DOD would like to limit the military responsibility in disability cases to determining only whether a member is medically fit to continue on active duty. When a finding of unfitness is rendered, the department could certify the case to VA, which could determine the degree of disability and could authorize disability compensation.

We recognize that problems concerning disability severance pay and disability retirement entitlements would require additional consideration and resolution. However, the advantages which might accrue from consolidating disability retirement functions are significant enough to merit further study by DOD and VA.

PHYSICAL EXAMINATION REQUIREMENTS
FOR ENLISTED MEMBERS

During our survey, we noted a situation which, although unrelated to disability retirements, we believe warrants your consideration.

Upon completion of 20 years active service enlisted members may, at their request, be transferred to reserve status. Although these members are technically reservists, they essentially are retired. Enlisted members of the Regular Army or Regular Air Force are transferred to the Army or Air Force Reserve. Enlisted members of the Regular Navy and Regular Marine Corps are transferred to the Fleet Reserve or Fleet Marine Corps Reserve. When they complete 30 years service, all former members of the Regular service who were transferred to reserve status with 20 or more years of active service are transferred to retired status.

Title 10 U.S.C. 6485(b) requires that members of the Fleet Reserve or Fleet Marine Corps Reserve be physically examined at least once every 4 years. Similar statutory requirements have not been imposed on the Army and Air Force, although these departments have equally large numbers of retiree-reservists.

There are about 100,000 Navy and Marine Corps Fleet reservists; therefore the Navy must conduct approximately 25,000 physical examinations annually to determine whether the Fleet reservists should be continued in the Fleet Reserve or permanently retired.

A Navy official advised us that the Navy had previously sought repeal of the legislative requirements. He stated that the program did not insure that reservists would be physically fit if an emergency arose that called for their services. The official furnished us a copy of a May 4, 1971, letter to the Speaker of the House of Representatives which transmitted a draft of proposed legislation eliminating the statutory physical examinations. The letter stated that the most difficult examinations caused considerable inconvenience to the reservists, increased the outpatient load at medical facilities, and provided little current information on the health of personnel available for recall to active duty. The total cost of these examinations for fiscal years 1971 and 1972 was estimated at \$2.1 million. Because of higher priorities and other legislative matters, this legislation was not considered during the 92d Congress.

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Since the Navy considers the mandatory quadrimestral physical examinations of doubtful value, DOD should consider resubmitting this legislation for consideration by the 95th Congress.

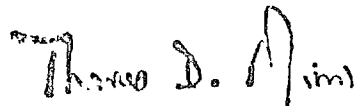
We would appreciate your comments and advice of actions taken on the above matters.

We are sending copies of this report to the Director, Office of Management and Budget; the Administrator of Veterans Affairs; the Secretaries of the Army, Navy, and Air Force; and the Commandant of the Marine Corps. Copies are also being sent to the House and Senate Committees on Appropriations, Government Operations, and Armed Services.

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Sincerely yours,



T. D. Morris
Assistant Comptroller General