

**GAO**

United States General Accounting Office  
Report to the Committee on  
Veterans' Affairs  
House of Representatives

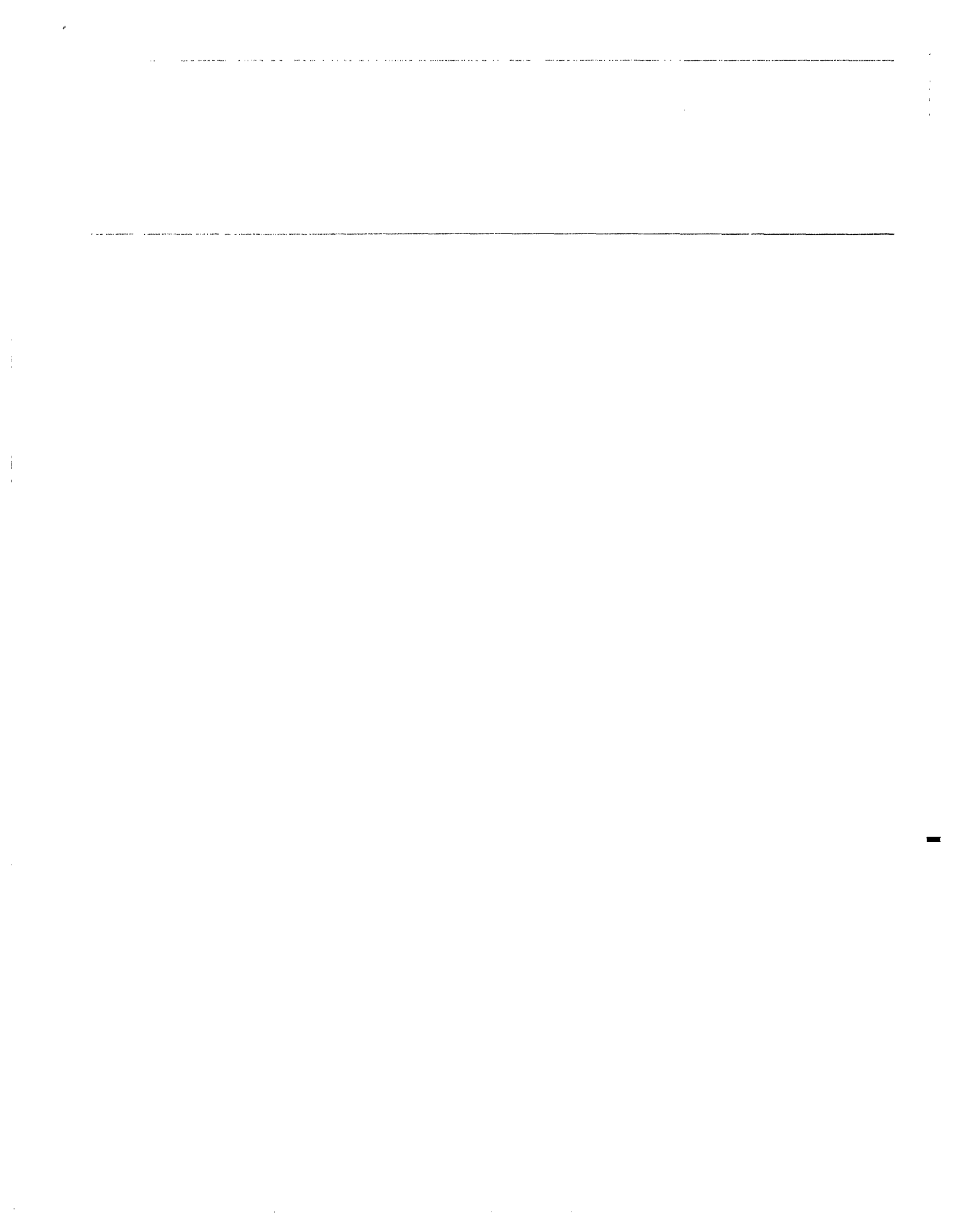
August 1992

**DISABILITY  
BENEFITS**

**Selected Data on  
Military and VA  
Recipients**



147312



**Human Resources Division****B-249456**

August 13, 1992

**The Honorable G.V. (Sonny) Montgomery  
Chairman, Committee on Veterans' Affairs  
House of Representatives****The Honorable Bob Stump  
Ranking Minority Member  
Committee on Veterans' Affairs  
House of Representatives**

This report responds to your request that we develop data on the Department of Defense's (DOD) military disability retirement and the Department of Veterans Affairs (VA) disability compensation programs. Specifically, we developed data on

- military disability retirements over time,
- the ratio of officers to enlistees receiving military retirement benefits,
- the years of service military retirees have when they enter disability retirement, and
- the number of military disability retirees also receiving VA disability compensation.

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**Background**

Service members who cannot physically perform their military duties may be separated from the military in one of three ways:

- retired on disability;
- separated with a one-time lump sum severance payment; or
- separated without severance pay if the disability is the result of intentional misconduct, willful neglect, incurred during a period of unauthorized absence, or a medical condition that existed before the person entered the military that was not aggravated by military duty.

Disability retirement benefits are based on a member's pay while on active duty combined with a factor of either the degree of disability or years of service. Members who retire on disability may also be eligible for VA disability compensation benefits. Military disability retirement benefits, however, are reduced by any VA disability compensation the retiree receives. Disability retirement benefits generally are taxable if the member began military service after September 24, 1975. Severance pay is calculated by multiplying 2 months of a member's base pay by the years of service, not to exceed 12 years.

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VA provides disability compensation benefits to veterans who are partially or totally disabled by an injury or disease incurred or aggravated during military service. The purpose of VA's program is to compensate veterans for the average loss of earning capacity as a result of their service-connected injury or disease, thus taking into consideration the degree to which a veteran's disability affects employability. VA disability compensation benefits are not taxable.

(See app.I for a detailed description of both programs.)

Although both programs provide benefits for disabilities associated with military service, DOD's is based on predisability income. By contrast, VA's program considers the degree to which the disability affects employability outside the military without regard to predisability income. Another key difference between the two programs is that a military disability is granted because a service member cannot continue his or her service job; recipients of VA disability compensation are under no restriction of continued employment as a condition for receiving benefits.

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## Results in Brief

For fiscal years 1981 through 1990, (1) the annual number of military personnel who retired on disability increased until 1986, after which the number declined; (2) most of the disability retirees were enlisted service members; and (3) most enlisted service members retiring on disability did so early in their careers; however, the number of officers retiring on disability were spread fairly evenly across 25 or more years of service. Thirty percent of the officers who retired on disability retirement also were eligible for normal retirement in contrast to only 8.5 percent of the enlisted service members. Considering all claims for disability during fiscal year 1990, most of the disability cases processed by the Army and Air Force resulted in retirement for officers and severance pay separation for enlisted members. Most military disability retirees also received VA disability compensation.

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## Scope and Methodology

We developed data on recipients of military disability retirement and VA disability compensation benefits. Unless otherwise noted, we did not develop data on military members who were separated from the service with or without severance pay. For military disability retirement, we used computer-based data from DOD's Retired Pay Master File provided to us by the Defense Manpower Data Center. The data covered all service members who retired for disability reasons during fiscal years 1981 through 1990.

Using information from the Disability Agencies of the Army and Air Force, we also developed data on the disposition of all disability cases processed during fiscal year 1990. For the VA analysis, we used data generated by VA's Compensation and Pension Payment File provided to us by VA's Compensation and Pension Service. VA's data represent veterans receiving payments as of April 25, 1991.

We reviewed DOD's, the military services', and VA's policies and procedures for awarding disability retirement and compensation. We also reviewed the programs' legislative histories and interviewed officials at DOD; the military services' organizations that administer the disability separation program; and VA's Compensation and Pension Service, the organization that administers the VA disability compensation program.

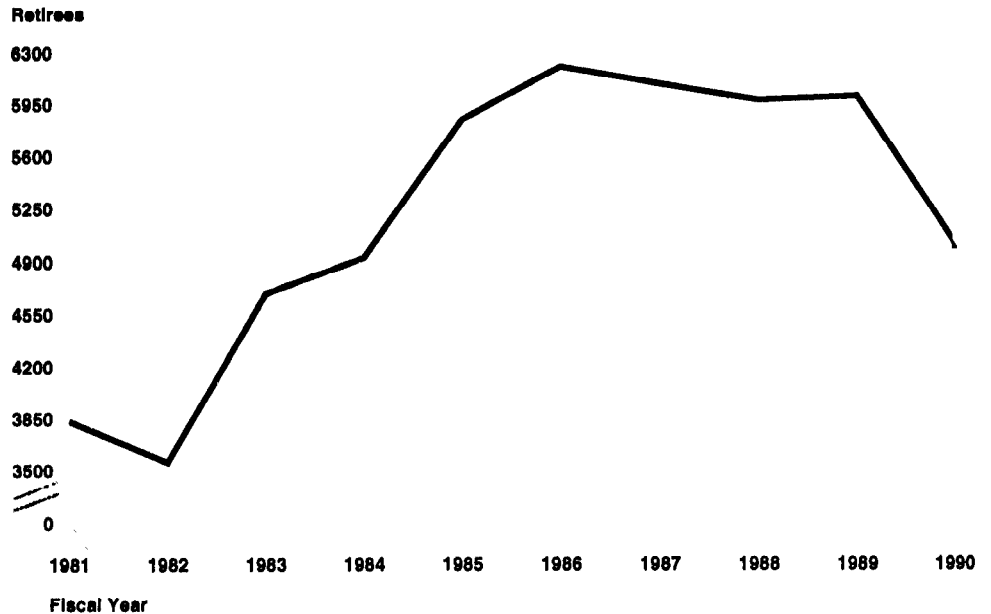
We did not verify the data provided by DOD and VA. Otherwise our work was conducted in accordance with generally accepted government auditing standards. We performed our work between October 1990 and May 1992.

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## Number of Disability Retirees Increased in Earlier Years but Has Declined Recently

The number of military persons retiring for disability reasons generally increased between 1981 and 1986 but generally decreased from 1986 through 1990, as shown in figure 1.

**Figure 1: Military Disability Retirements, 1981-90**



## Majority of Military Disability Cases Were Enlisted

Enlisted personnel represent the majority of the total active duty force. In fiscal year 1990, for example about 85 percent of the active-duty force was enlisted. As might be expected, therefore, more enlisted service members retired on physical disability than officers. During the 10-year period that we studied, 90 percent of the disability retirees were enlisted service members and 10 percent were officers; 65 percent of the normal retirements were enlisted service members and 35 percent were officers.

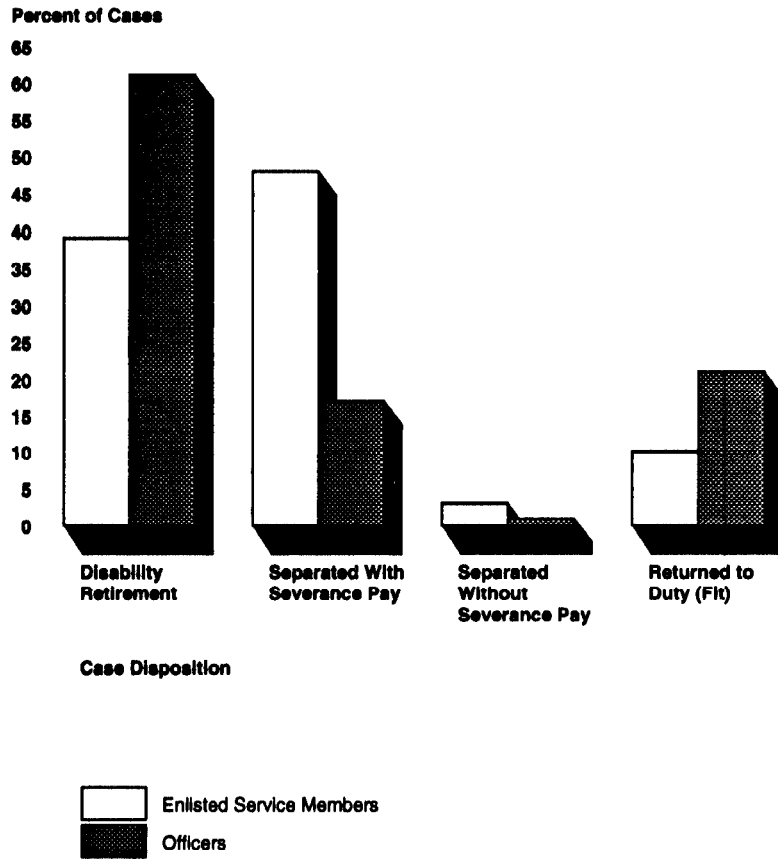
Not all disability cases result in disability retirement. Therefore, we examined disability cases processed by the Army and Air Force Disability Agencies to see if the relationship was different among the types of disability separation between officers and enlisted service members. The Navy was unable to provide comparable data. These data showed that these agencies completed 10,110 and 2,449 cases, respectively, for disability separation during fiscal 1990. (See tables II.1 and II.2.) The data were categorized by the agencies into:

- Disability retirement.
- Separated with severance pay—for those whose disability is permanent but who have less than 20 years of service and have a disability of less than 30 percent.

- Separated without severance pay—for those whose disability makes them unfit for duty, but for whom the service determined that the disability was caused by intentional misconduct, willful neglect, by a condition that existed before the person entered the military, or if the disability was incurred during a period of unauthorized absence.
- Returned to duty—for those who are found to be fit.

Separate analyses of these data for officer and enlisted service member cases showed a higher percentage of officers (of all cases processed for officers) received disability retirement than enlisted members. A higher percentage of enlisted members (of all cases processed for enlisted) were separated with severance pay than the percentage of officers separated with severance pay. (See figures 2 and 3.)

**Figure 2: Army Disability Cases Processed in Fiscal Year 1990**

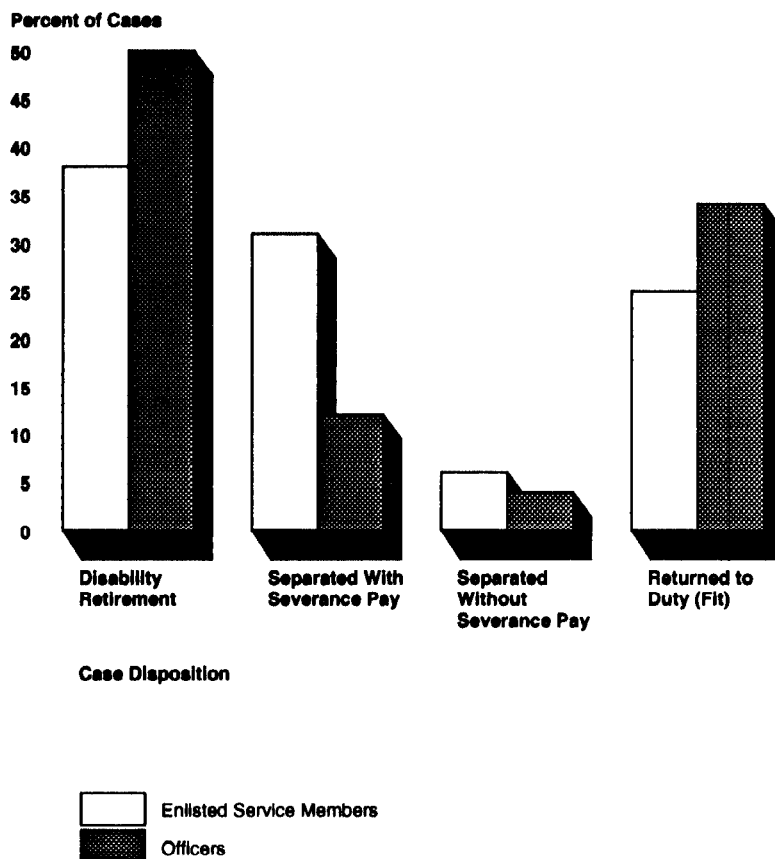


Disability retirements include both permanent and temporary disability retirements.

Source: U.S. Army Physical Disability Agency.



**Figure 3: Air Force Disability Cases Processed in Fiscal Year 1990**



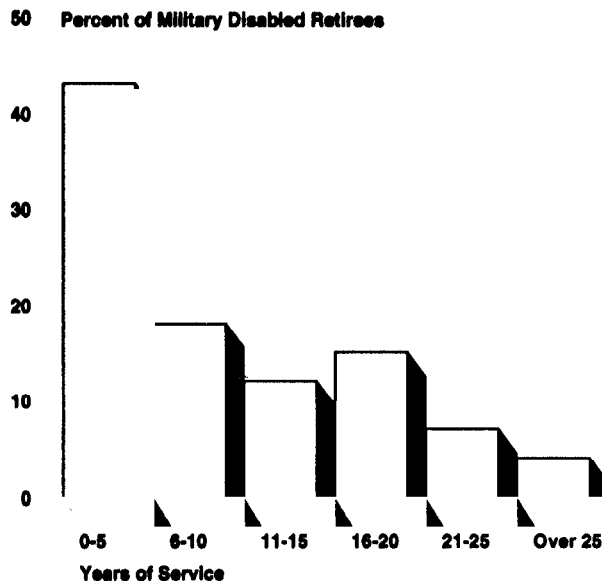
Disability retirements include permanent and temporary disability retirements.

Source: U.S. Air Force Physical Disability Division.

## Enlisted Service Members Retired Earlier

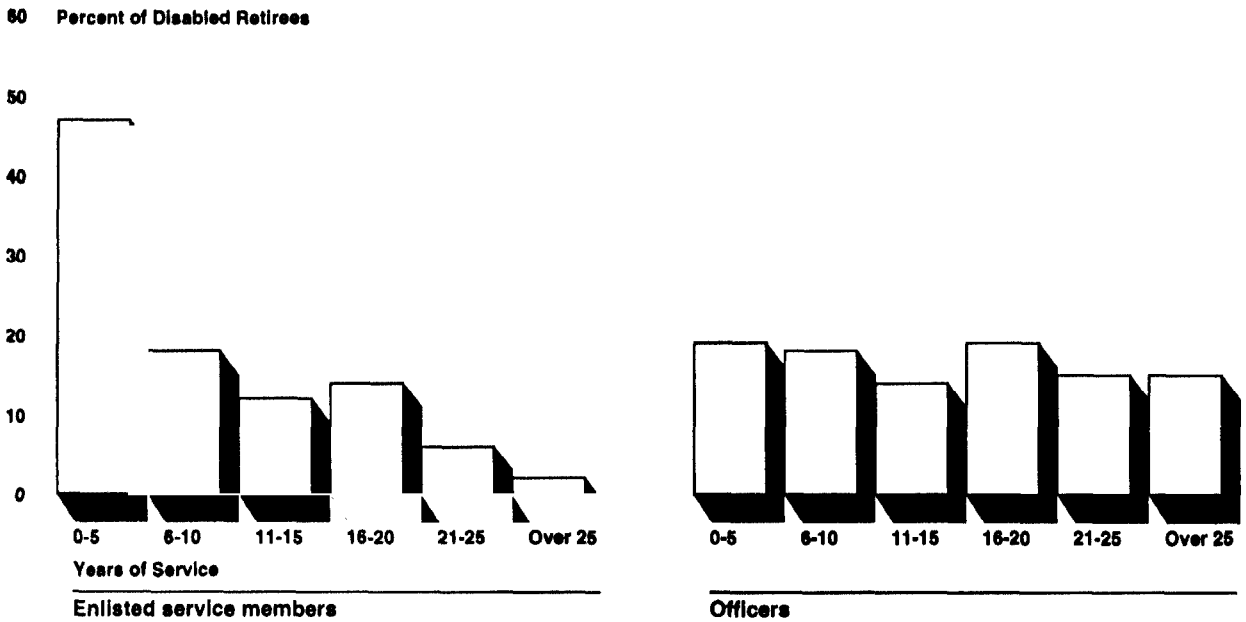
Almost one-half of the service members retiring because of a disability had 5 years or less of service. (See figure 4 and table II.3.) Enlisted service members retiring because of a disability did so earlier than officers. As shown in figure 5, nearly one-half of all enlisted service members who retired on disability had 5 years or less of service; nearly one-third of officers retiring on disability were also eligible for normal retirement because they had 20 years or more of service. (See figure 5 and table II.3.)

**Figure 4: Most Military Personnel Who Retired for Disability Reasons Did So Early In Their Career (Fiscal Years 1981-90)**



Source: DOD Retired Pay Master File.

**Figure 5: Enlisted Service Members Retired Earlier Than Officers (Fiscal Years 1981-90)**

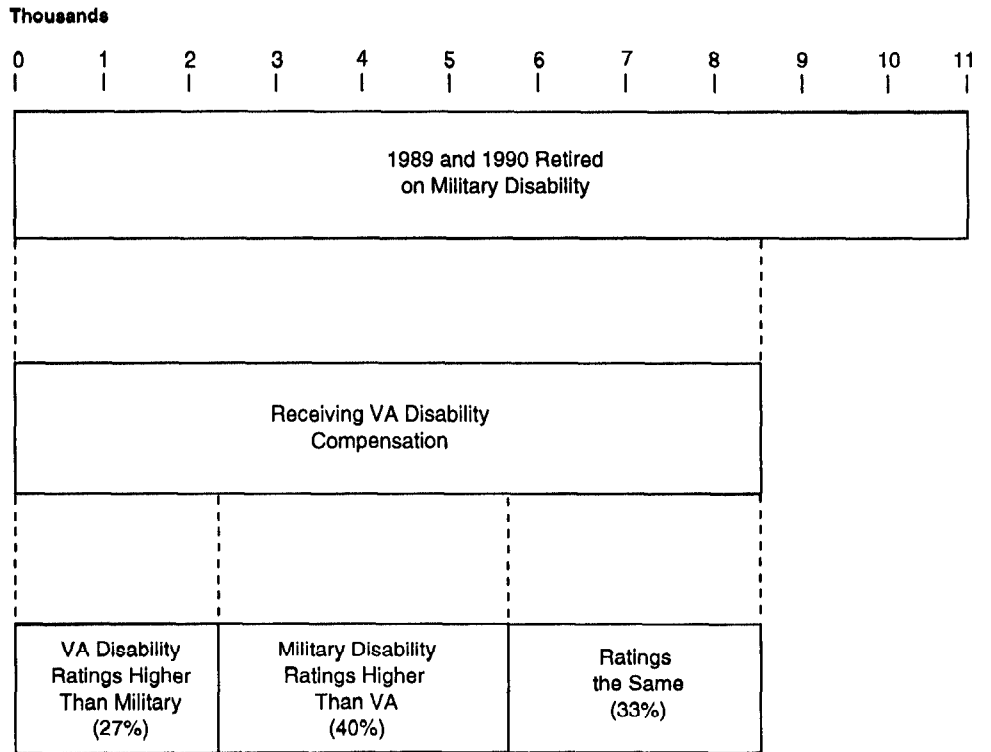


Source: DOD Retired Pay Master File.

**Most Military Disabled Retirees Also Receive VA Disability Compensation Benefits**

Of the 10,998 service members who retired on disability in fiscal years 1989 and 1990, 8,209 also received VA compensation benefits. As shown in figure 6, about 2,200 received higher disability ratings from VA than they received from the military; about 3,300 received higher ratings from the military than from VA; and about 2,700 received the same ratings from both the military and VA. We did not determine the reasons for the differences in ratings. Because of the short time between disability retirement and receipt of VA disability compensation, these ratings were probably for many of the same disabilities.

**Figure 6: Most Military Disabled Retirees Also Received VA Disability Compensation**



Source: VA Compensation and Pension Payment File and DOD Retired Pay Master File.

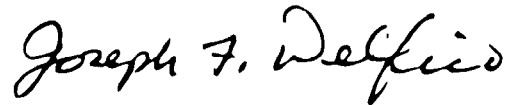
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## Agency Comments

The Assistant Secretary of Defense (Force Management and Personnel) and the Secretary of Veterans Affairs reviewed a draft of this report. Both concurred with the report. The Secretary of Veterans Affairs provided technical comments on U.S. Code citations, which we incorporated into the report where appropriate.

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We are sending copies of this report to interested congressional committees, the Secretaries of Defense and Veterans Affairs, and other interested parties. If you have any questions about this report please contact me on (202) 512-7215. Other major contributors are listed in appendix IV.



Joseph F. Delfico  
Director, Income Security Issues

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**Abbreviations**

DOD      Department of Defense  
VA        Department of Veterans Affairs

# The Military Disability Retirement and the Veterans Disability Compensation Programs

## Military Disability Retirement Program

As provided by the Career Compensation Act of 1949 (Public Law 81-351), service members who become physically unfit to perform military duties can be retired on military disability under certain conditions. The military disability retirement program is administered by each of the military services and provides benefits to members who are physically unfit to perform duties required of their grade, office, rank, or rating.

The services' physical evaluation boards determine unfitness due to disability. Each service has its own evaluation board and procedures for determining whether a member is physically unfit to perform his or her military duties. The evaluation boards use the VA method (discussed below) to determine degrees (percent) of disability where unfitness has been determined.

Persons suffering disabilities that prevent them from performing their military duties but who do not qualify for disability retirement generally are separated with severance pay. To qualify for military disability retirement the disability must be permanent and not be the result of misconduct or willful neglect or be incurred during an unauthorized absence.

To retire on disability, members must have (1) at least 20 years of creditable service, or (2) in the determination of the evaluation board, a physical disability of at least 30 percent and have (a) at least 8 years of creditable service, (b) a disability resulting from active duty, or (c) a disability occurring in line of duty during a time of war or national emergency or after September 14, 1978.

If the disability cannot be definitely determined to be permanent at the time, the member may be placed in a temporary retirement status for up to 5 years, after which time the member must be permanently retired, separated, or returned to duty. Benefits for persons in a temporary retirement status must be at least 50 percent of their active-duty base pay.

Disability retirement benefits are based on a member's pay while on active duty combined with a factor of either the degree of disability or years of creditable service attained. The maximum disability retirement benefit is 75 percent of a member's active-duty base pay. Disability retirees are also eligible for VA disability compensation benefits. The military benefit, however, is reduced by any VA disability compensation a retiree receives. Disability severance pay is equivalent to 2 months of a member's base pay



multiplied by the years of service, not to exceed 12 years (24 months of base pay).

On September 30, 1990, 134,137 people were receiving military disability retirement benefits. About \$1.5 billion was paid to these retirees during fiscal year 1990. Of the 134,137 retirees, 50,411 of them were also receiving VA disability compensation benefits. An additional 92,589 service members had retired on disability as of September 30, 1990, but were receiving no military payments because their VA disability compensation benefits completely reduced what they were entitled from the military. Generally, military disability retirement pay is taxable. Exceptions are (1) if service began before September 25, 1975, or (2) disability pay is for combat-related injury.

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## **Veterans Disability Compensation Program**

VA's disability compensation program is authorized by 38 U.S.C. 1110, 1131, and 1137. The purpose of VA's program is to compensate veterans for the average loss in earning capacity as a result of a service-connected injury or disease, thus taking into consideration the degree to which a veteran's disability affects employability. The law also provides compensation for medical conditions, such as multiple sclerosis, which are presumed to be service-connected but are not manifested until after the veteran leaves military service.

VA's disability compensation program is administered by VA's Compensation and Pension Service. A rating board evaluates disability claims and uses the VA Schedule for Rating Disabilities to select disability ratings for compensation purposes. The schedule lists types of disabilities and assigns each disability a percentage rating. Ratings range from 0 to 100 percent in increments of 10 percent.

Veterans who are eligible for disability compensation are entitled to monthly benefits. Effective December 1, 1991, the basic benefits ranged from \$83 per month for a 10-percent degree of disability to \$1,680 for a 100-percent rating. VA compensation benefits are not taxable. In fiscal year 1991, about 2.2 million veterans were receiving disability compensation benefits at a cost of about \$9.6 billion.

# Data on Military Disability Retirements

**Table II.1: Army Disability Cases Processed in Fiscal Year 1990, Officers and Enlisted Personnel**

<b>Disposition</b>	<b>Officers</b>	<b>Enlisted personnel</b>
Disability retirement	408	3,656
Separated with severance pay	115	4,577
Separated without severance pay	9	261
Returned to duty (Fit)	139	945
<b>Total</b>	<b>671</b>	<b>9,439</b>

Source: U.S. Army Physical Disability Agency.

**Table II.2: Air Force Disability Cases Processed in Fiscal Year 1990, Officers and Enlisted Personnel**

<b>Disposition</b>	<b>Officers</b>	<b>Enlisted personnel</b>
Disability retirement	128	828
Separated with severance pay	31	676
Separated without severance pay	10	133
Returned to duty (Fit)	86	557
<b>Total</b>	<b>255</b>	<b>2,194</b>

Source: U.S. Air Force Physical Disability Division.

**Table II.3: Years in Military for Disability Retirees for Fiscal Years 1981-90, Officers and Enlisted Personnel**

<b>Years in military</b>	<b>Officers</b>	<b>Enlisted personnel</b>	<b>Total</b>
0-5	1,026	21,637	22,663
6-10	947	8,371	9,318
11-15	726	5,362	6,088
16-20	1,012	6,376	7,388
21-25	790	2,805	3,595
over 25	821	1,114	1,935

Source: DOD Retired Pay Master File.

# Comments From the Department of Defense and the Department of Veterans Affairs



ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-4000

JUL 1 1992

FORCE MANAGEMENT  
AND PERSONNEL

Mr. Joseph F. Delfico  
Director, Income Security Issues  
Human Resources Division  
U.S. General Accounting Office  
Washington, Dc 20548

Dear Mr. Delfico:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "DISABILITY BENEFITS: Selected Data on Military and VA Recipients," dated June 11, 1992 (GAO Code 105718/OSD Case 9099).

The DoD has reviewed the report and concurs without further comment. The Department appreciates the opportunity to review the report in draft form.

Sincerely,

A handwritten signature in black ink, appearing to read "R. S. Jehn".

Christopher Jehn

**Appendix III  
Comments From the Department of Defense  
and the Department of Veterans Affairs**



THE SECRETARY OF VETERANS AFFAIRS  
WASHINGTON

JUL 10 1992

Mr. Joseph F. Delfico  
Director, Income Security Issues  
Human Resources Division  
U. S. General Accounting Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Delfico:

I have reviewed GAO's draft report, DISABILITY BENEFITS:  
Selected Data on Military and VA Recipients (GAO/HRD-92-106) and  
concur with your conclusions.

We note several corrections on page 13 are needed. In the  
first paragraph under the heading, VETERANS DISABILITY COMPENSATION  
PROGRAM, the Title 38 U.S.C. references should be 1110 (vice 310),  
1131 (vice 331), and 1137 (vice 337). We agree with the other  
facts presented regarding the Department of Veterans Affairs.

Thank you for the opportunity to comment on this report.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Edward G. Derwinski".

Edward G. Derwinski

EJD/vz

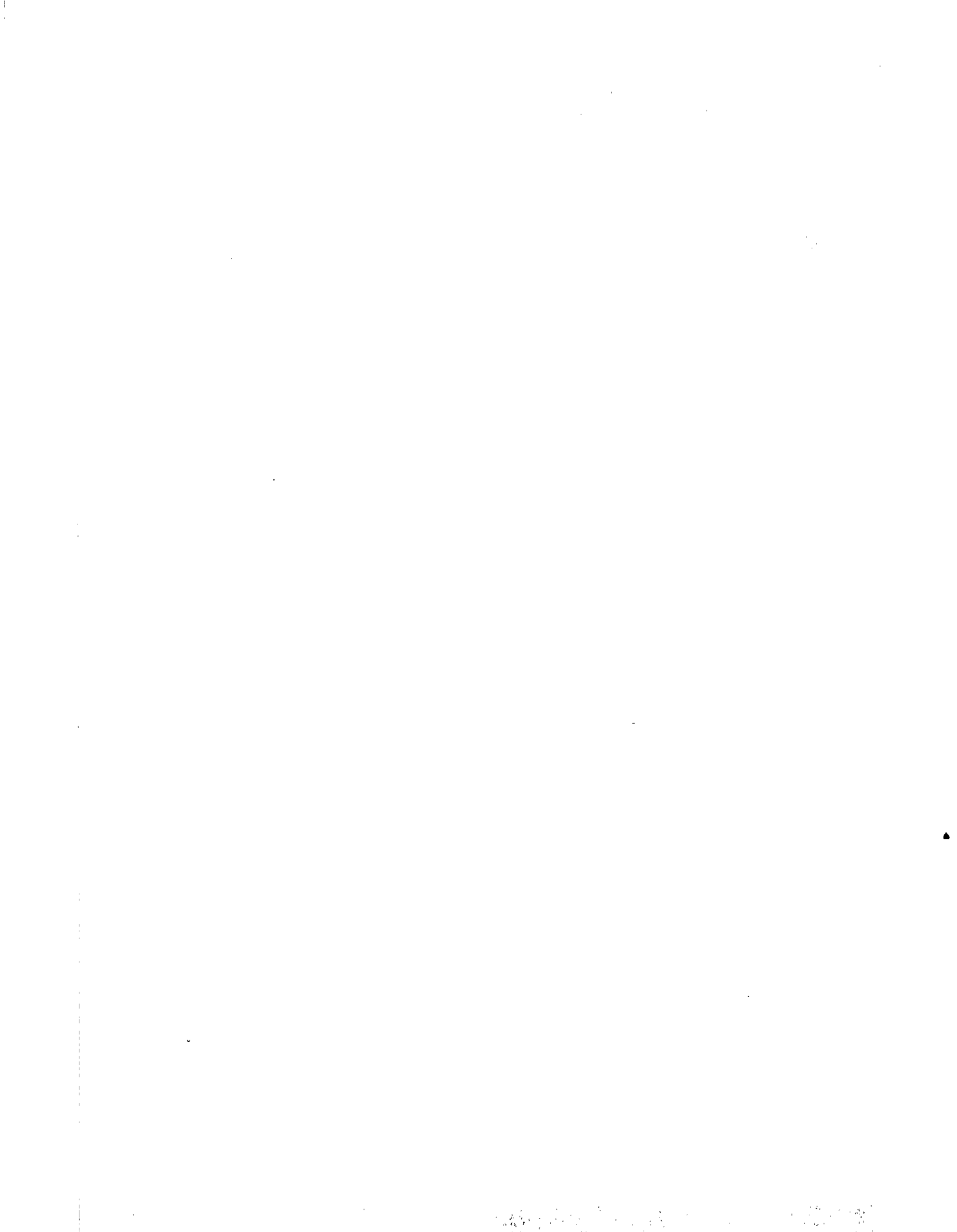
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# Major Contributors to This Report

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**Charmaine E. Marshall, Secretary**



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