

# **HCFE Data Brief**

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## **UNINTENDED EFFECTS OF MILLENNIUM ACT ON VETERANS' SERVICE-CONNECTED STATUS**

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The Millennium Act, among its provision The Veterans Millennium Healthcare and Benefits Act - Public Law 106-117 required the Department of Veterans Affairs (VA) to compare the costs incurred under the provisions of Section 101 and the cost that would have been incurred if Section 101 had not been enacted.<sup>1</sup> The analysis reported here is an examination of an effect that was not intended but nevertheless could have resulted from the Act. In particular, the Millennium Act may have given veterans an incentive to try to increase their service-connected (SC) disability rating to 70% or more in order to qualify for the nursing home benefit in the Act. If veterans succeed in increasing their disability ratings, that increase has two unintended effects. First, it increases potential future VA resource utilization for nursing home care. Second, even before any possible increase in nursing home care, the higher disability ratings would raise the level of the Veteran Benefit Administration's (VBAs') compensation payments.

## **Methods**

To address this second unintended effect of the Act, the analytic team asked VBA for data on veterans' disability ratings over time. By comparing the numbers and proportions in each category from one year to the next, the team hoped to describe any changes in veterans' ratings.

The primary focus is on changes that would move veterans across the threshold established by the Millennium Act - a 70% SC disability. Veterans who increase their

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<sup>1</sup> The Act requires VA to provide necessary nursing home care to any veteran who is in need of such care and who has a SC disability rated at 70% or more. This status has been interpreted as applying to veterans with a service-connected disability rated at 60% or more who are also rated as unemployable.

disability ratings but not enough to meet this threshold will also raise compensation payments.

VBA has current records on all veterans who receive pensions or compensation for a SC disability. Prior to June 2000, VBA kept these records only on a current basis. VBA began keeping a snapshot of all disability ratings as of June of each year, beginning with June 2000. Consequently, there is no dataset of changes in disability ratings prior to the enactment of the Millennium Act. Since the passage of the Act, datasets with veterans' percent disability are available for only three time points: June 2000, 2001 and 2002.

## **Findings**

Table 1 summarizes the disability status of all veterans rated at the three points in time. The top half of the table compares the status of veterans with a disability rating in June 2000 to their disability rating status as of June 2001. It also shows the disability ratings in June 2001 for those veterans who were not rated for disability in June 2001 (in the column headed 'New in 2001').

By looking at a column of the table, one can see how ratings change for those veterans with a certain range of disability in June 2000. For example, in June 2000, there were 1,942,729 veterans with a SC disability rating of 50% or less (the total in the first column). By June 2001, for 21,964 of those veterans, their disability rating had been increased to 70% or more. For another 10,973 (9,748 + 1,225) the disability ratings had

been increased to 60% or more. The disability ratings for 1,850,231 veterans remained at 50% or less. Finally, disability status was terminated for 59,561 veterans.

Similarly, one can focus on a row of the table to see what the disability rating had been in June 2000 for those veterans who had a disability rating in a certain range in June 2001.

That is, given their disability rating in June 2001, what was their rating in 2000? For example, there were 562,048 veterans with a rating of 70% or more in June 2001. Of those, 31,813 had not had a disability rating in June 2000. An additional 499,941 had had a rating of 70%+ in FY 2000. Another 8,330 (7,701 + 629) had seen their ratings increased from 60% (with IU or without IU) from June 2000. Finally, as noted in the preceding paragraph, 21,964 of them came from the group of veterans who had SC disability ratings of 50% or less in June 2000.

The bottom half of the table gives a similar comparison of disability status for June 2001 and June 2002. The row totals in the first half of the table now become the column totals for the second half of the table (except for those whose ratings had been terminated as of June 2001). For example, the 1,922,585 veterans shown in the row for disability ratings of 50% or less in June 2001, now account for the first column of the second part of the table.

**Table 1. Changes in Veteran Service-Connected Disability Status,  
June 2000 to June 2001**

<b>Veteran's Status in June 2000</b>						
<b>Veteran's Status In June 2001</b>	<b>50% or less</b>	<b>60% NO IU<sup>a</sup></b>	<b>60% AND IU<sup>a</sup></b>	<b>70% or more</b>	<b>New in 2001</b>	<b>Total</b>
<b>Terminated</b>	59,561	7,834	2,848	46,987	129,867	247,097
<b>50% or Less</b>	1,850,231	536	28	2,747	69,043	1,922,585
<b>60% NO IU</b>	9,748	121,772	51	689	6,888	139,143
<b>60% AND IU</b>	1,225	1,704	34,584	182	364	38,059
<b>70% or More</b>	21,964	7,701	629	499,941	31,813	562,048
<b>Total</b>	1,942,729	139,547	38,140	550,546	237,975	2,908,937
<b>Veteran's Status in June 2001</b>						
<b>Veteran's Status In June 2002</b>	<b>50% or less</b>	<b>60% NO IU<sup>a</sup></b>	<b>60% AND IU<sup>a</sup></b>	<b>70% or more</b>	<b>New in 2002</b>	<b>Total</b>
<b>Terminated</b>	60,218	7,552	2,749	46,482	250,951	367,952
<b>50% or Less</b>	1,816,196	564	43	2,773	113,241	1,932,817
<b>60% NO IU</b>	14,883	118,857	40	740	10,085	144,605
<b>60% AND IU</b>	1,434	1,850	34,291	188	565	38,328
<b>70% or More</b>	29,854	10,324	936	511,865	48,289	601,268
<b>Total</b>	1,922,585	139,147	38,059	562,048	423,131	3,084,970

<sup>a</sup> IU = Individual Unemployability; refers to an individual being "unemployable"

**Upgrading Disability Status.** Arrayed in this way, it is easy to trace the patterns of upgrading of disability status. Of the veterans with a disability rating in June 2000, 588,686 (38,140+550,546) were rated as either 60% disabled and unemployable or 70% or more disabled. By June 2001, the number had grown 9.0% to 600,107 veterans (38,059 + 562,048). More than 32,000 (364+31,813) newly rated veterans were in these categories and an additional 32,594 (1,225+21,964+1,704+7,701) had ratings upgraded to those disability percentages. Further, 3,515 (28+51+2,737+689) who had been rated as 60% and unemployable or 70% or more disabled had their ratings lowered. The ratings of another 49,835 (2,848+46,987) veterans in the highest categories had terminated.

In June 2002, the number of veterans rated as 60% and unemployable or 70% or more disabled had grown 6.6% to 639,596 (38,328+601,268). Newly rated veterans offset the number in these categories who terminated in that year (new=565+48,289; terminated=2,749+46,482). The net number (increases minus decreases) of veterans who had ratings upgraded to the levels covered by the provisions of the Millennium Act was 39,866. The extent to which these upgrades are greater than in the years prior to FY1999 can still not be known. While some upgrades may be due to the greater long-term care (LTC) benefit conveyed by the Millennium Act, increased monthly compensation payments are also a major incentive. Increased compensation is also a more sure benefit of the upgrades; not all veterans with SC disabilities are VA patients and only a small percentage of the more than 600,000 in the highest rating categories receive LTC through VA. A reasonable expectation is that the rate of ratings upgrades would continue, even if the Millennium Act were not extended.

**Financial Impact of Upgrades in Disability Status.** Estimating the financial impact of any changes in veterans' disability rating on the Department's pension obligations is difficult. Not only is the number of upgrades due to the Millennium Act unknown, but the extent of any upgrade in percentage terms is also unknown. The best estimate is that the financial impact is between \$0 (no upgrades are due to the Act) and roughly \$99 million to \$150 million a year (in 2002 dollars). The \$99 million estimate is based on all 39,866 upgrades receiving only a \$207 a month increase in compensation (the lowest amount). The \$150 million estimate assumes that the veterans upgrading to 70%+ achieve a 100% SC disability rating in the same proportion as current VA patients have.<sup>2</sup>

Additional years of changes in veterans' status, will allow more confidence in the assessment here that the observed increase is stable, but a more definitive answer on the compensation costs of the Millennium Act requires additional information, such as a survey of veterans.

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<sup>2</sup> Uses Compensation Rate Table effective 12/1/02 as found at [www.vba.va.gov/bln/21/Rates](http://www.vba.va.gov/bln/21/Rates) from the tables of veterans without children.