

Chapter 3

The VR&E Service Today

Overview

This chapter provides an overview of the Vocational Rehabilitation and Employment Program as it existed at the time of the Task Force assessment. This chapter also provides a profile of the veterans being served by the VR&E Program and summary statistics on administration of the program. In other chapters throughout the report, there are more detailed discussions and findings on specific topics that appear in this chapter, such as program administration, workforce, work process, core capacities, and eligibility and entitlement determinations.

How the VR&E Program Is Administered Today

The VR&E Program is administered through a Veterans Benefits Administration (VBA), VR&E Service Central Office headquarters staff, and a decentralized network of field offices. Each of VBA's 56 Regional Offices has a VR&E Division headed by a VR&E Officer that reports to the Regional Office Director. These Regional Office staffs have been further decentralized into 138 out-based offices to facilitate veteran access to VR&E counselors. Exhibit 1, on the next page, depicts the current Central Office structure.

The VR&E Service and Program is a unique line of business within VBA. Several key factors distinguish VR&E's mission and service delivery strategy from VBA's other lines of business. These factors include:

- Along with C&P, VR&E is the only other VBA business line with offices in every Regional Office.
- VR&E is the only VBA business line where the primary function is not the processing of claims or requests for benefits.
- VR&E is the only business line that requires face-to-face interaction with the veteran (initially and over a sustained period of time that may be as long as 4-5 years) in order to deliver benefit services. VBA's other business lines can deliver their services without ever having met face-to-face with the veteran.
- VR&E has the largest decentralized service delivery network of any VBA business line. With 138 out-based locations, it also has the largest span of program supervision and control of any VBA line of business. This structure creates staffing requirements for supervision and management to ensure achievement of quality and performance standards.

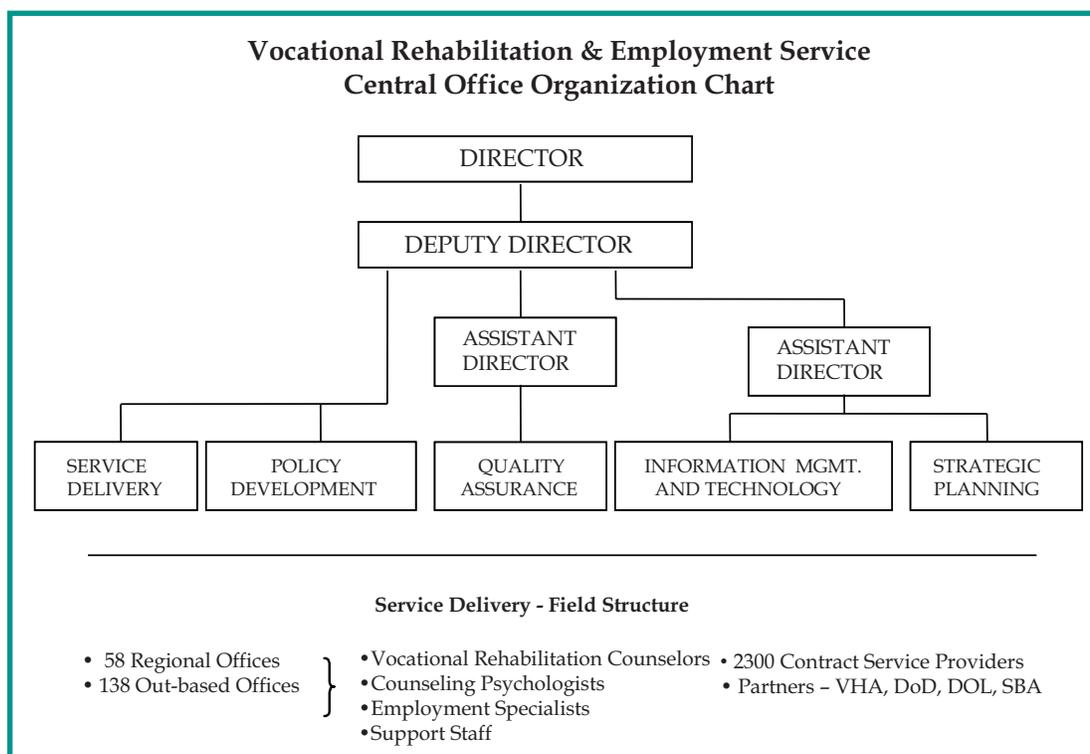


Exhibit 1 Current Organization Chart

- The VR&E program of services requires the deployment and management of professional staff to develop and implement employment, counseling, and rehabilitation programs that are individualized for each veteran.
- When deemed appropriate, VR&E uses contract professional counselors and other specialists to perform evaluation, case management, and employment services.
- VR&E must integrate a variety of benefits and services provided by social service and rehabilitation organizations at the federal, state and local levels of government as well as services provided by private sector and not-for-profit organizations to effectively provide case management services.

In October 2003, the VR&E workforce was composed of 903 staff members consisting of 601 professional staff, 220 technical support staff and 82 management support staff. Professional staff consists of Counseling Psychologists, Rehabilitation Specialists, and Vocational Rehabilitation Counselors. The VR&E Service is in the midst of consolidating two professional staff positions that account for 67 percent of the VR&E field staff. This change will essentially replace a workforce composed of a mix of Counseling Psychologists (CP) with master's degrees and above and Vocational Rehabilitation Specialists (VRS) with undergraduate degrees and above. The new staff position replacing these two positions is the Vocational Rehabilitation Counselor (VRC) position. This position requires a minimum of a master's degree and experience in specialized fields. The VR&E Service Central Office

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Counseling Psychologist	331	326		311	297	284	280	273	227	221	218	164
Rehabilitation Specialist Staff	204	207										
Rehabilitation Specialist Staff (different series)	29	31										
Clerical	143	149		165	156	143	120	120	108	130	138	103
Other Tech				41	55	57	55	63	69	73	100	102
Voc Rehab Spec				206	198	188	168	156	107	109	85	38
Voc Rehab Counselor							28	76	185	288	364	429
Employment Specialist									18	20	17	47
Total	707	713	701*	723	706	672	651	688	714	841	922	883

* FY 1994 FTE information extracted from VA COIN P-38 Report

Exhibit 2

estimates that 84 percent of its remaining CPs and 66 percent of VSRs will be retirement eligible within the next 5 years. Exhibit 2 displays end-of-fiscal-year staffing levels for FY 1992 through FY 2003.

The VR&E Work Process

The VR&E Service's rehabilitation work process has remained relatively unchanged for many years. Task Force interviews with long time current and former VR&E staff indicate that the core work tasks that must be accomplished by the VR&E staff have remained virtually unchanged over a long period of time. Some changes have been made in how this process is implemented such as the use of the case management concept and the implementation of information technology, but these changes have not altered the core work of the staff. A condensed overview of this process appears in Exhibit 3.

Key Process Characteristics

While this process may still be appropriate in selected cases in the 21st Century, there are certain characteristics of this process that make it outdated as the standard process for meeting 21st Century needs. The key process characteristics that make this core VR&E process out of step with the needs of the 21st Century include:

- The process is composed of sequential steps that each veteran must progress through to receive services. Because it is a standard process, it is a "one size fits all veterans" process.
- The process is long in terms of calendar time for the veteran to be ready for employment. In FY 2002, the average number of days that a veteran was in the program – from application through ready for employment – was 1,095 days.

- The length of calendar time a veteran is in this process creates more opportunities for fact-of-life problems to arise in the life of the veteran and thus interrupt the veteran's rehabilitation process.

- This process does not give priority to those veterans with serious disabilities. Those veterans with serious disabilities are treated the same as those veterans with a 10 percent service-connected disability who have a serious employment handicap.

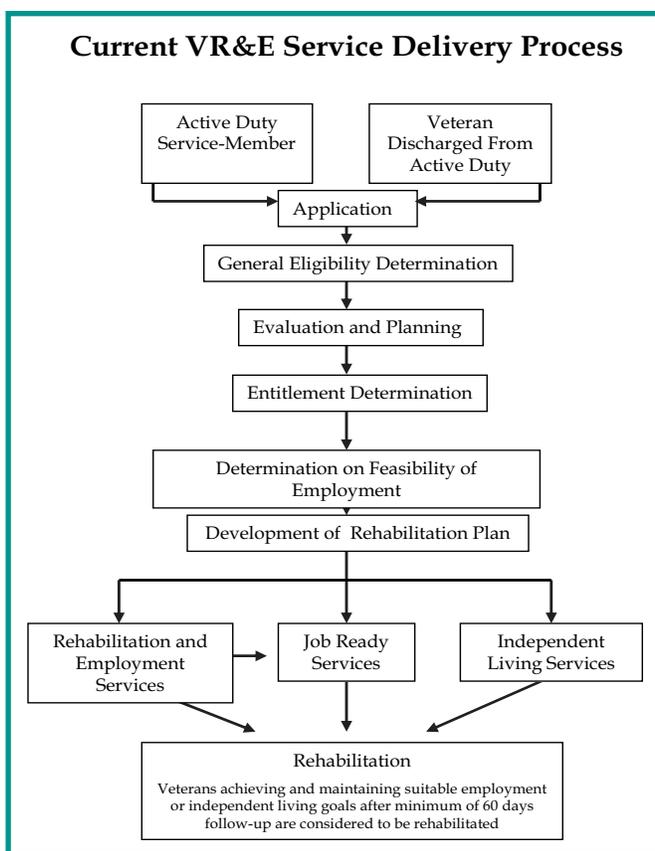


Exhibit 3

- Employment or the provision of Independent Living services are outputs of this long, multi-step process rather than upfront considerations.
- The primary focus of this process appears to be the disabled veteran as education and not employment. As of August 31, 2003, 85 percent of Chapter 31 recipients were in undergraduate school. More specifically, this process often does not offer “informed choice” options to the disabled veteran who has the need, desire and/or ability to:
 - o Return to a previous job after active duty with a need of VR&E services because job performance is affected by disability;
 - o Obtain immediate employment;
 - o Pursue self-employment; or
 - o Review other options to more appropriately meet their needs.

Key Steps in the VR&E Process

The requirements and guidelines for the Chapter 31 vocational rehabilitation program are contained in Title 38 U.S.C. A summary of these requirements and guidelines are contained in Appendix 10. While the following process elements – application, eligibility, entitlement, and rehabilitation – are applicable in all VA Regional Offices, the Task Force recognizes that variances in administration and

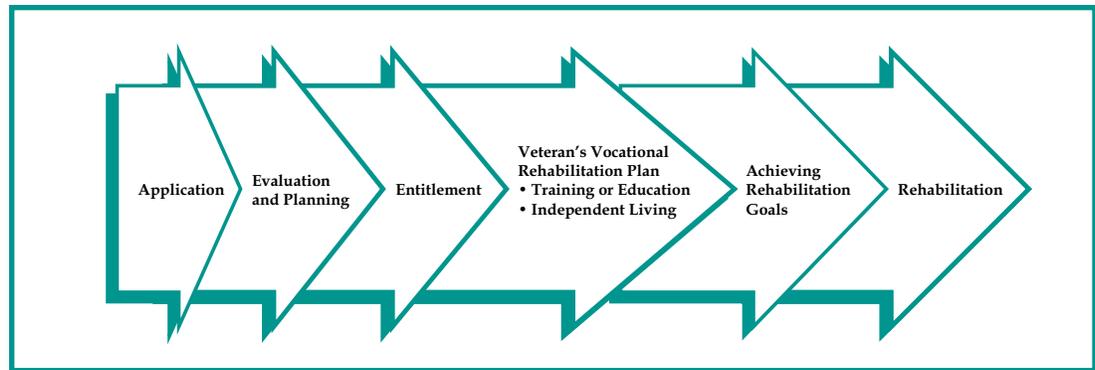


Exhibit 4

oversight of the Chapter 31 program do occur across the system. Exhibit 4 shows the key work elements in the current process.

Application. This work process begins with a veteran making an application (VA Form 28-1900) for VR&E benefits. Today the veteran also has the option of submitting the form on the Internet and mailing supporting documents. In all cases, VR&E cannot process the application for benefits and services without a Memo Rating or a final disability rating decision from the VBA Compensation and Pension Service.

Eligibility. To be eligible for benefits, the service member must be on active duty awaiting discharge due to a disability or be a veteran with a compensable disability incurred after September 15, 1940. The veteran is eligible for the Chapter 31 program up to 12 years from the date VA notifies the veteran that he or she has a qualifying compensable disability or that they have received an increased compensation rating. If certain conditions prevent the veteran from participating in a program of rehabilitation or if a veteran is determined to have a serious employment handicap, the 12-year limit may be waived. If a veteran meets the general criteria for eligibility, a VR&E employee creates a folder, including electronic files in both the Benefits Delivery Network (BDN) and the CWINRS systems.

Entitlement. At present, veterans are entitled to vocational rehabilitation if they have a service-connected disability rated at 20 percent or more and an employment handicap. Entitlement is also applicable if the veteran has a service-connected disability rated at 10 percent and a serious employment handicap. After a Vocational Rehabilitation Counselor finds a veteran eligible based on basic eligibility requirements, the counselor must determine whether or not a veteran is entitled to the benefits in the program. The subjective criteria used by a counselor in determining if a veteran has an employment handicap are defined below.

- Employment Handicap (E.H.) is an impairment of the individual veteran's ability to prepare for, obtain, or retain employment consistent with his or her abilities, aptitudes, and interests. The impairment results in substantial part from a service-connected disability. For veterans rated

at 20 percent or more, a finding of employment handicap results in a finding of entitled.

- Serious Employment Handicap (S.E.H.) represents a significant impairment of a veteran's ability to prepare for, obtain, or retain employment consistent with his or her abilities, aptitudes, and interests. The S.E.H. results in substantial part from a service-connected disability. For veterans rated at 10 percent and for veterans whose 12-year period of basic eligibility has passed, the finding of an S.E.H. is necessary to establish entitlement.

The Counselor must also determine if the veteran has experienced restrictions on employability caused by:

- The veteran's service-connected disabilities
- The veteran's non service-connected disabilities
- Deficiencies in education and training
- Negative attitudes about people with disabilities
- The impact of alcoholism and drug abuse
- Consistency with abilities, aptitudes, and interests
- Other pertinent factors

The Vocational Rehabilitation Counselor then makes the entitlement determination—the veteran has an employment handicap, a serious employment handicap, or no employment handicap. If the veteran is not entitled, he or she is usually informed in person followed by a letter with appellate rights included. If the veteran is found to be entitled, the counselor then must determine if employment is feasible (the language of the law). If employment is not feasible, the veteran is evaluated for Independent Living Services.

Rehabilitation. Once the veteran's eligibility and entitlement to benefits have been determined, the VR&E Counselor evaluates the needs of the veteran and works with the veteran to develop a plan of rehabilitation. Most often, the rehabilitation plan begins with an undergraduate education program or a shorter term training program. At the conclusion of training or school, the veteran is then determined ready for employment. Prior to 1980, successful rehabilitation was considered to be synonymous with completion of vocational rehabilitation (school or training). After 1980, successful rehabilitation was determined by attainment of suitable employment as defined in a rehabilitation plan. The rehabilitation phase of the process includes several key components:

- Evaluation and Planning
- Extended Evaluation
- Rehabilitation to Employability
- Independent Living
- Job Ready Status
- Interrupted Status

VR&E Workload Analysis

In the early 1980s, the VR&E Service instituted a case status method to measure and account for workload. This approach replaced a method based on the use of End Product codes that accounted for and gave labor-hour credit for accomplishment of discrete work activities and completion of specific work products. This system was based on the same End Product code concept that is still used by the VBA Compensation and Pension Service. The VR&E Service case status categories include:

- Applicant Status
- Evaluation and Planning Status
- Extended Evaluation Status
- Independent Living Status
- Rehabilitation to Employability Status (Training or Education)
- Job Ready Status
- Interrupted Status

Workload Summary

For the purposes of this report, the Task Force used FY 2003 reported data as the baseline for our observations and conclusions. These observations and conclusions were also based on our analysis of previous fiscal year data when it was available or where we could make reasonable estimates in consultation with VR&E and VBA staff. Exhibit 5 shows the number of veterans applying for Chapter 31 benefits for FY 1992 through FY 2003, while Exhibit 6 displays the year-end VR&E workload by case status for FY 1992 through FY 2003.

Analysis of the VR&E workload highlights several points.

- The number of veterans applying for Chapter 31 benefits increased by 73 percent from 37,829 in FY 1992 to 65,298 in FY 2003.
- The number of veterans in various active phases of the Chapter 31 program was 58,155 at the end of FY 1992 compared to 97,158 at the end of FY 2003; a 67 percent increase.
- Annually over 70 percent of the rehabilitation plans that are written call for training or education.
- The annual performance of the VR&E Program equates to about 10,000 veterans being successfully rehabilitated (about 7,500 veterans employed 60 days after being hired and about 2,000 to 2,500 veterans achieving Independent Living goals).
- Annually, about 20 to 25 percent of new applicants are veterans who previously had to drop out of the program (discontinued) and then reapplied.
- In FY 2003, about 12 percent of the veterans in the program had to interrupt their rehabilitation plans primarily due to health problems, family and financial issues, and problems arising from their disabilities.

The VR&E workload of 98,339 program applicants and participants on August 31, 2003, is shown in Exhibit 7; the data has been sorted by Regional Office total workload. This workload is distributed by the following statuses:

Veterans Applying for Chapter 31 Benefits FY 1992 - FY 2003

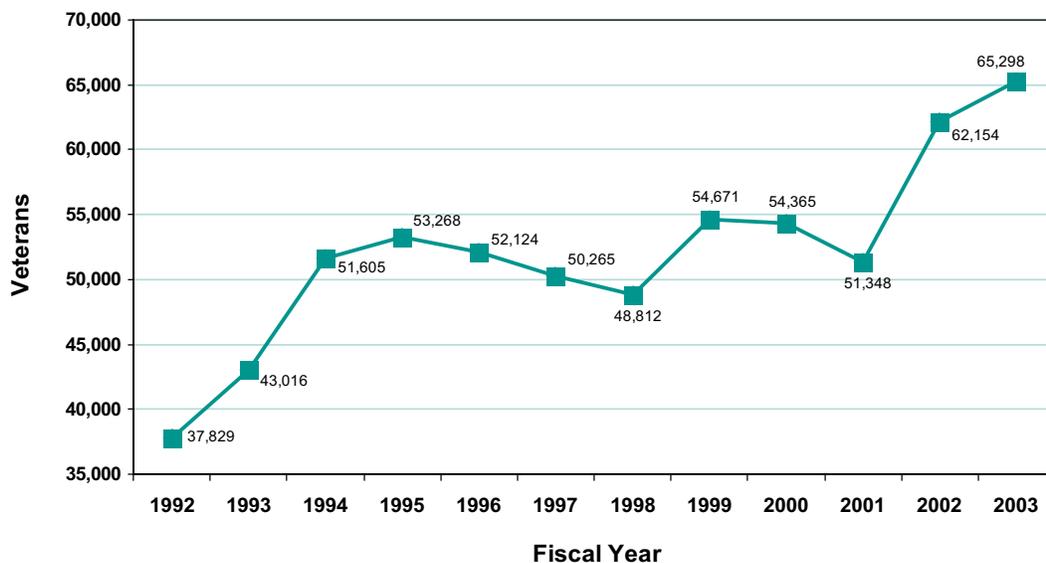


Exhibit 5

End of Year VR&E Workload by Case Status Number of Unique Veterans Being Served FY 1992 to FY 2003

Status	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Applicant	10,380	11,893	14,606	11,684	8,435	7,718	8,351	8,882	7,086	6,502	8,643	7,988
Evaluation and Planning	7,184	9,695	11,084	13,182	14,031	11,271	10,097	9,768	9,999	10,156	12,478	18,606
Extended Evaluation	373	461	524	682	800	910	976	950	975	1,280	1,707	2,712
Independent Living	50	124	165	230	277	371	506	703	1,231	2,270	3,209	3,221
Rehab to Employability	25,626	31,090	34,662	37,275	41,059	43,606	42,625	41,048	41,438	43,241	44,425	49,043
Employment Services	3,343	3,847	3,959	4,324	4,830	5,142	5,380	5,004	4,562	4,228	4,637	5,540
Interrupted	9,207	9,129	9,786	9,817	9,417	9,847	10,732	11,215	10,629	11,425	12,938	10,048
Total	58,155	68,232	76,780	79,189	80,845	80,862	80,665	79,569	77,920	81,103	90,039	97,158

Exhibit 6

• Applicant Status	8,163	8.3 percent
• Evaluation and Planning	17,411	17.7 percent
• Extended Evaluation	2,708	2.8 percent
• Independent Living	3,603	3.7 percent
• Rehabilitation to Employability	49,128	50.0 percent
• Job Ready	5,829	5.9 percent
• Interrupted	11,497	11.7 percent

The VR&E national workload is concentrated in a fewer number of Regional Offices than is the C&P workload. About 23 percent of the national workload is concentrated in five Regional Offices and these five offices plus another 9 Regional Offices account for 50 percent of the national workload. Eighteen of VBA's Regional Offices each have less than one percent of the national workload and account in total for about 10 percent of the national workload.

Workload Issues

There are major challenges to the analysis of the VR&E workload. First, there are significant deficiencies in the collection and analysis of VR&E workload information. The system and management problems that have led to these deficiencies are described in Chapter 1 and discussed in the recommendations contained in Chapter 6. Secondly, the data that is available only provides a snapshot of the veterans who are in a VR&E program of service at a point-in-time. A veteran may be in the VR&E program over a period of multiple fiscal and calendar years. Exhibit 8 provides program statistics at the end of FY 2003. VR&E Service provided this data.

Currently, there is no data or information that links the veteran's case status in a fiscal year to the fiscal year that the veteran entered the program so that the performance of a specific veteran cohort group entering the program in a fiscal year can be measured over a period of time. For example, the number of veterans who are reported as to have gained employment in a fiscal year is not related to the year in which they entered the program or completed a particular phase of rehabilitation.

The limitations of the current VR&E data make the issues identified below regarding the VR&E workload even more significant in terms of their potential impact on veteran demands for services and resource requirements.

- The VBA may be under reporting the actual number of veteran demands on the VR&E Service and program. Such a practice may result in fewer resources being allocated to the VR&E Program than are necessary to deliver timely and effective services given the workload. For example, the number of unique veterans being served by the VR&E Program in some capacity during a fiscal year is not reported. The number of veterans counted in the VR&E workload (97,158 at the end of FY 2003) does not include veterans in discontinued status, veterans receiving Chapter 36 education and career counseling, veterans referred by VHA or other organizations for counseling, veterans evaluated 60 days after achieving their vocational rehabilitation goal, or veterans in receipt of counseling

	Applicant	Evaluation & Planning	Extended Evaluation	Independent Living	Rehabilitation to Employability	Job Ready	Interrupted	Total
ST PETERSBURG	429	1,145	80	154	2,732	242	490	5,272
WACO	458	683	197	73	2,722	262	470	4,865
HOUSTON	422	698	239	102	2,273	292	426	4,452
ATLANTA	355	895	41	66	1,976	138	564	4,035
MONTGOMERY	257	538	96	107	2,166	306	449	3,919
SEATTLE	365	754	18	57	1,693	306	450	3,643
ROANOKE	287	569	9	12	1,604	216	587	3,284
CLEVELAND	229	497	289	162	1,475	173	222	3,047
WASHINGTON	205	703	63	47	1,459	78	381	2,936
DENVER	168	631	15	163	1,463	174	263	2,877
PHOENIX	320	365	61	159	1,451	257	233	2,846
CHICAGO	312	401	42	40	1,233	184	585	2,797
PORTLAND	137	656	197	80	1,162	103	223	2,558
OAKLAND	203	619	84	93	962	141	367	2,469
COLUMBIA	124	193	60	28	1,580	161	250	2,396
LOS ANGELES	342	391	51	166	935	90	392	2,367
WINSTON-SALEM	418	238	50	25	1,159	203	242	2,335
NASHVILLE	112	321	19	21	1,366	198	251	2,288
LOUISVILLE	109	336	14	76	939	197	250	1,921
DETROIT	130	253	19	57	948	65	367	1,839
HONOLULU	87	401	18	448	612	35	206	1,807
NEW ORLEANS	190	384	68	84	789	72	162	1,749
NEW YORK	78	301	115	163	811	57	165	1,690
INDIANAPOLIS	123	288	208	54	757	61	186	1,677
MUSKOGEE	177	85	12	24	1,101	73	179	1,651
PHILADELPHIA	154	233	49	51	754	159	245	1,645
BOSTON	92	245	17	229	679	91	249	1,602
SALT LAKE CITY	68	275	82	48	805	86	176	1,540
SAN DIEGO	304	345	32	23	655	67	113	1,539
MILWAUKEE	93	311	21	23	742	88	180	1,458
BALTIMORE	125	279	32	4	913	35	68	1,456
NEWARK	58	258	35	10	725	63	122	1,271
ST LOUIS	145	85	6	23	757	100	126	1,242
LITTLE ROCK	50	251	51	44	632	51	107	1,186
ALBUQUERQUE	282	236	20	92	428	37	58	1,153
ST PAUL	59	218	66	58	467	89	145	1,102
ANCHORAGE	44	295	12	35	473	62	152	1,073
SAN JUAN	61	201	5	0	483	50	204	1,004
BUFFALO	83	65	3	2	542	69	74	838
HUNTINGTON	25	156	35	53	372	63	127	831
LINCOLN	50	139	16	13	483	53	59	813
HARTFORD	33	142	8	86	413	39	86	807
RENO	60	147	15	23	375	60	82	762
WICHITA	56	153	0	8	414	47	52	730
SIOUX FALLS	19	114	36	72	334	52	99	726
JACKSON	75	145	13	12	307	39	98	689
PITTSBURGH	31	111	8	5	319	35	100	609
DES MOINES	24	85	29	37	260	64	63	562
PROVIDENCE	37	116	7	96	160	21	90	527
FORT HARRISON	37	83	20	46	193	58	76	513
TOGUS	7	104	0	1	278	39	48	477
FARGO	15	79	7	17	212	37	58	425
MANCHESTER	12	49	0	3	248	33	25	370
WILMINGTON	17	59	8	8	158	13	18	281
WHITE RIVER JCT	10	21	3	20	110	21	12	197
MANILA	0	66	7	0	69	24	25	191
TOTAL	8,163	17,411	2,708	3,603	49,128	5,829	11,497	98,339

Exhibit 7: Regional Office Workload by Volume

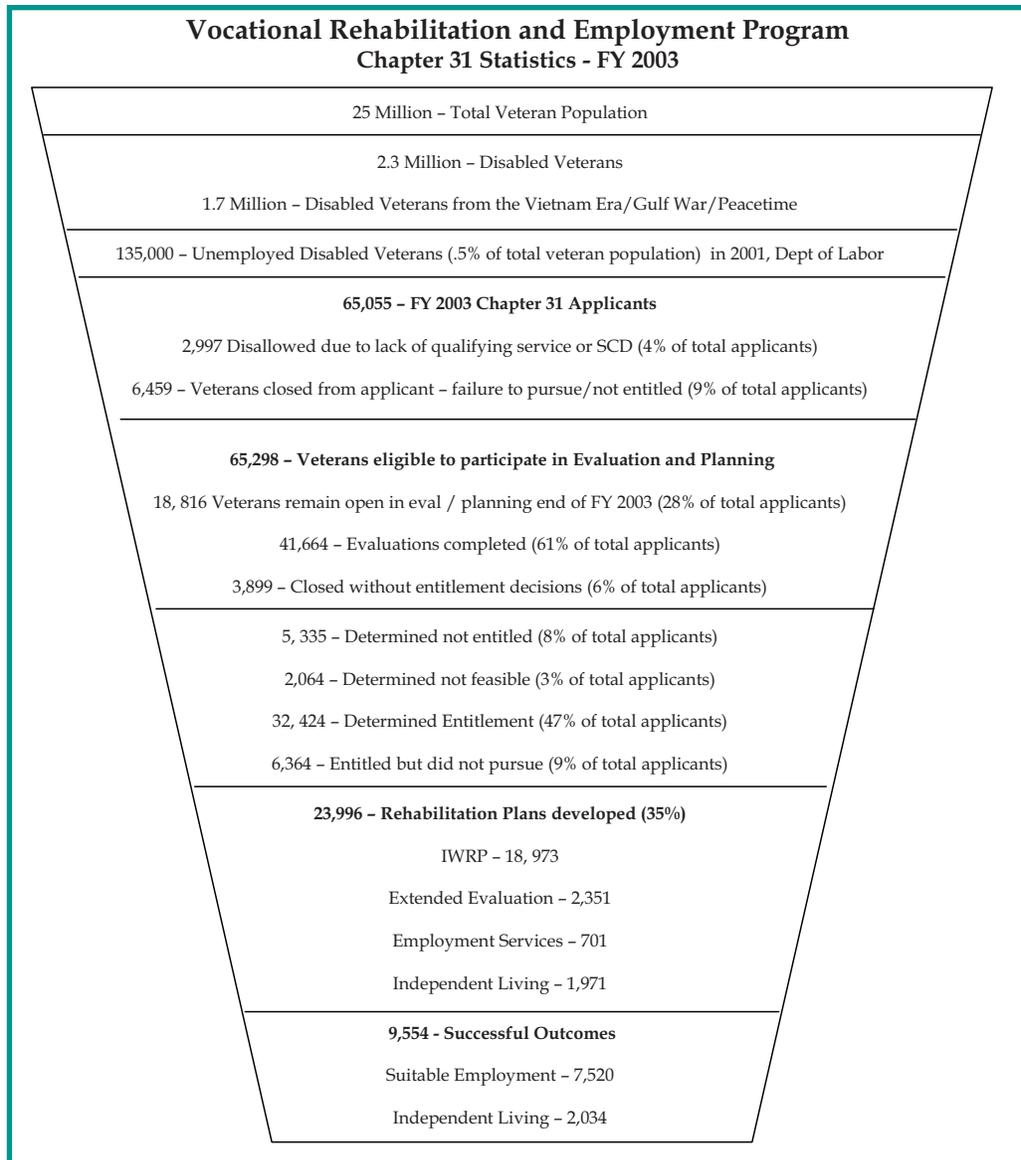


Exhibit 8

that does not result in Chapter 31 program participation. Further, the VR&E reported workload does not account for evaluations conducted on veterans who were found not entitled to Chapter 31 services or coordination with VHA on shared management of selected veterans.

- This data suggest that there may be an inherent ceiling on the success rate for veterans getting through the current serial vocational rehabilitation process unless the VR&E Service implements interventions to reduce the risk of veterans having to discontinue or interrupt their rehabilitation. Data also suggest that as many as one-third of the participants in the VR&E program at any one time do not progress directly through the program without interruption for one reason or another. This factor takes into account the 12 percent or so of veterans who have their rehabilitation plans interrupted and that annually about 22 to 25 percent

of those veterans entering the program were previously discontinued from the VR&E program. This means that a significant number of veterans in the program are always in flux. This population of veterans essentially “churn” in the process over an extended period of time which is frustrating for the veteran as well as resource consuming for the VR&E Service.

- Despite the tens of thousands of VR&E program participants in a given year, the number of veterans rehabilitated by obtaining a job or achieving independent living goals has averaged only about 10,000 a year for several years. (See Exhibit 9.) In FY 2002, the average number of days to rehabilitation (application to job ready status) for a veteran who went straight through the program without any interruption in his or her plan of rehabilitation was 1,095 days. For a veteran who was discontinued from the program, the average number of days a veteran was in rehabilitation before they were discontinued was 1,625 days.
- The potential for the workload trends cited above to continue or even increase into a crisis situation should not be discounted by VBA’s leadership and management. The VR&E Service and VBA Office of Field Operations do not currently analyze the underlying dynamics and complexities that drive the VR&E workload composition and trends using available data. A contributing factor to assessing the uncertainty of the VR&E workload is that VR&E Service’s productivity and performance measurement systems do not provide VBA with the system capabilities to:
 - o know and understand the labor hours required to provide services,
 - o manage the case workload and available VBA personnel and contract resources,
 - o design and implement interventions to reduce the number of veterans who drop out of the program or have to interrupt their rehabilitation plans,
 - o oversee a national contract services strategy and employment process, or
 - o facilitate long-term evaluation of program outcomes.

What Benefits Do Chapter 31 Veterans Receive?

The Task Force reviewed the range of services and benefits that Chapter 31 participants may receive in order to reach the stated employment objective in their vocational rehabilitation plans. These include counseling and evaluation, vocational training benefits (tuition, fees, books, supplies, etc.), non-taxable monthly subsistence allowance (See chart in Appendix 10-A.), medical benefits, case management services, Independent Living services, and employment services.

Demographics of Veterans Being Served

The Task Force was also interested to learn about the veterans being served by the VR&E Program. The number of applicants for Chapter 31 services by combined degree of disability and the number of veterans found entitled

for VR&E vocational rehabilitation services is contained in Exhibit 10. The information displayed in Exhibit 10 on the number of FY 2002 applicants and entitlements does not reflect a uniform cohort of veterans. In some instances, a veteran's entitlement is not determined in the same fiscal year that a VA Form 28-1900 was submitted.

The VA 2001 National Survey of Veterans provided some additional insights about those served by the Chapter 31 program. For example, 21 percent of service-connected disabled veterans reported using vocational rehabilitation services. The highest usage of these program benefits was reported by veterans who indicated they had a 50 percent or greater disability. The majority of veterans (85 percent) who had used these benefits reported that the services provided were important in helping them meet their goals.

While this information was helpful, the Task Force wanted to learn more detail about the population of veterans receiving benefits. This proved to be a challenging task. We did learn that in 1998, Congressman Jack Quinn (R-NY) requested that VA provide certain information on veterans receiving VR&E benefits. In response to this request, VBA produced what has been subsequently called the "Quinn Report." This report arrayed veteran data in many formats such as gender, disability rating, educational level, length of service, and others. Although this data was available, it was not widely distributed within the VR&E Service CO, and field offices were unaware of its existence.

The Task Force requested that VBA produce a "Quinn Report" for FY 2002, but the end product was not as informative as the FY 1999 Quinn Report. The Task

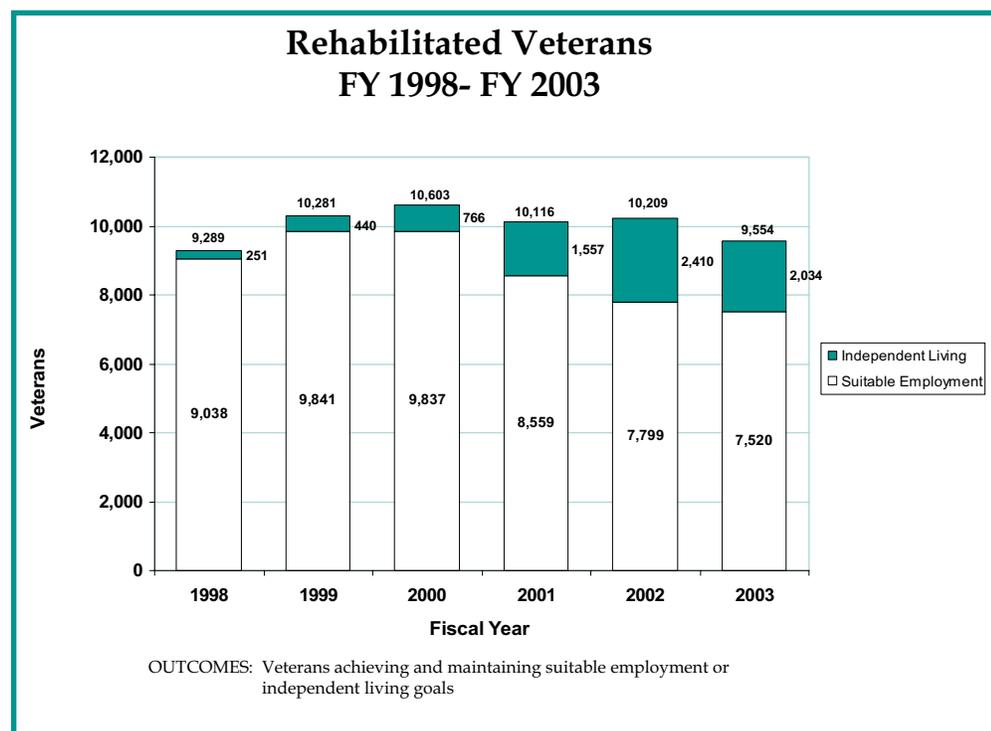


Exhibit 9

Force decided to create its own database that contained data extracted from the Benefit Delivery Network (BDN) file provided by the VBA Office of Performance Analysis and Integrity (PA&I). This cumulative data represented the total number of VR&E recipients and applicants in open case status on August 31, 2003. The number of records in the database was 98,721 unique veterans, very close to the number in the point-in-time analysis displayed in Exhibit 7. The summary profile of veterans receiving VR&E benefits below is based on this data.

Demographic Summary

- 81 percent (80,095) are male, while 19 percent (18,626) are females.
- 46 percent (45,859), the largest portion, are between the ages of 36-50.
- 31 percent (30,117) are between the ages of 21 and 35.
- 2 percent (1,784) of this population is over the age of 65.
- The number of those between the ages of 18 to 20 is negligible.

Branch of Service and Rank

- 51 percent of the program participants served in the Army; 20 percent were in the Navy. These figures are comparable with the percentages found in DoD's reported active duty military member file.
- A majority of Chapter 31 recipients and applicants had a military rank of "enlisted." In fact, 96 percent (86,785) were discharged with the rank of "enlisted" while only 4 percent (3,164) had rank of Officer or Warrant Officer.

Applicants for Vocational Rehabilitation and Veterans Entitled to Vocational Rehabilitation By Combined Degree of Disability In FY 2002

Combined Degree of Disability	Number of Applicants	Percent of Total Applicants	Number of Entitled	Percent of Total Found Entitled	Percent Entitled By Combined Disability Rating
0%	56	0.09%	4	0.01%	7.14%
10%	7,765	12.68%	1,492	4.34%	19.21%
20%	11,398	18.61%	5,899	17.17%	51.75%
30%	10,912	17.82%	6,423	18.70%	58.86%
40%	8,193	13.38%	5,710	16.62%	69.69%
50%	5,018	8.19%	3,594	10.46%	71.62%
60%	4,062	6.63%	3,472	10.11%	85.48%
70%	2,870	4.69%	2,521	7.34%	87.84%
80%	1,520	2.48%	1,550	4.51%	100.00%
90%	623	1.02%	623	1.81%	100.00%
100%	3,324	5.43%	2,623	7.64%	78.91%
Other	5,509	8.99%	442	1.29%	8.02%
Total	61,250	100%	34,353	100%	56.09%

Exhibit 10

Service-Connected Disability Overview

In examining the service-connected diagnostic codes, the most common condition is associated with the musculoskeletal system, most frequently arthritis, and lumbosacral strain. There were a total of 803 conditions identified. For 51 percent of the service-connected diagnostic codes, there were less than 25 veterans with each of those conditions. For 95 percent of the conditions identified, there were less than 1,000 veterans with each of those conditions. The combined rating for this group of veterans showed that

- 25 percent (24,836) had a combined rating between 0-20
- 38 percent (36,279) had a rating between 30-40
- 37 percent had a rating between 50-100
- 43 percent (38,296) had a serious employment handicap
- 57 percent (50,881) did not have a serious employment handicap

Veterans with Ten Percent Combined Degree Disability Rating

There were a total of 5,310 VR&E recipients and applicants with a 10 percent combined degree disability rating. In this group:

- 47 percent (2,477) are between the ages of 36-50
- 34 percent (1,793) are between the ages of 21-35
- 18 percent (963) are between the ages of 51 and 65
- 1 percent of this population is over the age of 65

The service-connected diagnosis that was most prominent in this population pertained to the musculoskeletal system, with 838 veterans having an indication for this condition. Thirty-nine percent (2,036) of veterans with a 10 percent combined degree disability rating applied for the program within 2 years of discharge from the military. The smallest percentage applied 26 or more years after discharge at 12 percent (65). The majority of veterans in this group, 80 percent (2,412), are in a program in an undergraduate school. Twelve percent (349) are in vocational or technical school for a non-college degree. A smaller percentage is in non-vocational Chapter 31 programs at 3 percent (90), while 2 percent (65) are in graduate school.

Twenty Percent Combined Degree Disability Rating

Twenty percent (19,490) of VR&E recipients and applicants have a 20 percent combined degree disability rating. In this cohort:

- 47 percent (8,485) of veterans are between the ages of 36-50
- 41 percent (7,970) of veterans are in 21-35 age group
- 14 percent (2,823) of the recipients/applicants are between 51 and 65.
- 1 percent of this population is over the age of 65.

The service-connected diagnosis that was most prominent in this population also pertained to the musculoskeletal system, with 4,008 participants having an indication for this condition. The next most prominent condition, with 3,208 veterans having an indication for it, was impairment of the knee. Of the 19,345 VR&E recipients/applicants with a 20 percent combined degree disability rating

(with an application date), 57 percent (10,938), applied for the VR&E program within two years of being discharged from the military. The next largest group, 23 percent (4,474) applied within three to ten years of leaving the military; and, the smallest percentage, 8 percent (1,519) applied after twenty-six years or later. The majority of veterans in this group, 85 percent (11,788), are in some program at an undergraduate school. Eight percent (1,150) of veterans in this group are in a non-college degree program such as a vocational/technical program. Three percent (375) are in a graduate school program.

Veteran Educational Background and Use of VA Educational Benefits

An analysis showed that:

- 52 percent (51,528) had 12 years of education.
- 1 percent (1,171) had 9-11 years.
- Even fewer had 0-8 years of education.

Of the 98,721 Chapter 31 recipients and applicants, 62,432 (63 percent) had not previously used a VA education benefit. The Task Force did not ask how many of the 98,721 veterans were eligible for the Vietnam Era GI Bill or had contributed to the Montgomery GI Bill. The Task Force heard comments on several occasions that some veterans consider Chapter 31 to be a transition program given that Chapter 31 benefits are more generous than the Montgomery GI Bill (Chapter 30 and Chapter 1606) and the Veterans Educational Assistance Program (Chapter 32). Here are some comparisons:

- Chapter 31 benefits include a monthly subsistence allowance based on number of dependents and whether the veteran is in full or part time training program; Chapter 30 does not provide a subsistence allowance.
- Chapter 31 pays full cost of tuition, books, fees, and necessary equipment such as a computer and assistive devices. Under Chapter 30, the veteran receives a monthly benefit and the veteran has to pay all education expenses.
- Eligibility for Chapter 31 is 12 years after most recent C&P rating; Chapter 30 is 10 years after discharge from duty status.
- Chapter 31 benefits last 48 months; Chapter 30 benefits last 36 months.

See more details in the chart in Appendix 10-B.

Time Interval from Discharge to Application for VR&E Benefits

The Task Force looked at the time interval between a service-member's discharge date from active duty and the time the veteran applied for Chapter 31 services. Fifty-six percent of VR&E applicants and recipients applied for the Chapter 31 program within 2 years of discharge from the military. Of the 54,791 veterans applying within 2 years:

- 40 percent (21,756) had a combined disability rating between 30 and 40;
- 36 percent (20,035) had a rating of 50 or higher; and
- 24 percent (13,000) had a rating between 0 and 20.

The smallest percentage of applicants and recipients applied 26 or more years after discharge. In fact, this group accounted for 11 percent (10,495) of the total, with 6 percent (5,413) of the veterans having a combined disability rating of 50 or more, 3 percent (2,892) having a rating between 30 and 40, and 2 percent (2,180) having a rating between 0 and 20.

Independent Living Services (ILS) Program

There were a total of 3,628 veterans in the Independent Living Services program.

- 7 percent are female
- 93 percent are male.
- 61 percent are between the ages of 51-65.
- 20 percent are between the ages of 36 and 50.
- 4 percent of this population are 35 and under.

A combined rating of disability was available for 3,395 (94 percent) veterans in this program. Most of the veterans in the ILS program have a combined rating between 60 and 100 percent. Only 16 percent of the veterans in this program have a combined rating between 0 and 50 percent. The service-connected diagnosis that was most prominent in the Independent Living population was Post-Traumatic Stress Disorder (PTSD), with 1,533 participants having an indication for this condition.

Earned Wages

VR&E reported in a May 9, 2003 briefing that the average annual earnings prior to rehabilitation training was \$5,800 for 6,241 veterans who were striving for a professional, technical, or managerial occupational goal while the average annual earnings at rehabilitation was \$31,111. The system average for 8,559 veterans was \$4,961 annual earnings prior to training and \$28,517 earnings at rehabilitation.

The Task Force is concerned about the integrity of these reported earning values. These values appear to be based on self reported data. Based on discussions with VR&E staff, there has been no independent verification and validation of this reported data. Eligibility and determination criteria for Chapter 31 services do not include assessment of current earned wages.

To gain further insight into this issue, the Task Force conducted a match of Chapter 31 participants against Social Security Master Earning Files. This match was conducted to determine the level of earned wages without any identification of the veteran. The term “wages” refers to monies received for employment and self-employment, including tips. Wages do not include any benefits paid from federal, state, or private pension plans, benefits programs such as Social Security or VA, nor interest, capital gains, or dividend income. The monthly subsistence allowance paid to Chapter 31 participants is tax-free and not considered as earned wages.

The distribution of the 98,721 applicants and recipients in the database included veterans in each of these case status categories below. The guidance for conducting this match *only* included VR&E recipients in rehabilitation to

employability status, job ready status, and interrupted status. The Task Force culled out veterans in case statuses 1-3 based on the assumption that a vocational rehabilitation plan may not be in place and veterans in independent living case status were probably earning low wages given they were classified by VR&E as having a serious employment handicap. These assumptions may need to be tested at a later date.

- Case Status 1 - Applicant - 8,221
- Case Status 2 - Evaluation and Planning - 17,601
- Case Status 3 - Extended Evaluation - 2,726
- Case Status 4 - Independent Living - 3,628
- Case Status 5 - Rehabilitation to Employment - 49,151
- Case Status 6 - Job Ready (Employment Services) - 5,837
- Case Status 8 - Interrupted - 11,557

The information presented on “earned wages” for veterans participating in the Chapter 31 Program was not analyzed in detail. However, the data tabulation yielded a wide range of wages earned in 2002, and the data output was stratified by \$5,000 increments (see Exhibit 11). Of the 66,545 VR&E participants selected in the data base, a 99.98 percent match was achieved. Because it appears that many Chapter 31 participants are working in some capacity – be it intermittent, part-time, or full time – it can be assumed that many veterans are in the program to improve their earning capabilities.

Return on Investment

This chapter addresses the numbers of veterans VR&E served as well as program staffing levels. However, additional data capacities will be needed for VR&E to develop a Return on Investment (ROI) analysis such as that produced in the Department’s evaluation review of the VBA Education Program. An ROI would be useful to program managers as well as Congressional committees, and could be used to compare VR&E with state vocational rehabilitation programs.

Using analytical tools developed by the West Virginia University’s Research and Training Center, state vocational

Earnings	Earned Income Levels			
	Frequency	Percent of Total	Cumulative Frequency	Cumulative Percent
0-4,999	29,589	44.47	29,589	44.47
5000-9999	6,602	9.92	36,191	54.40
10,000-14,999	5,525	8.30	41,716	62.70
15,000-19,999	5,001	7.52	46,717	70.22
20,000-24,999	4,656	7.00	51,373	77.22
25,000-29,999	3,913	5.88	55,286	83.10
30,000-34,999	3,176	4.77	58,462	87.87
35,000-39,999	2,541	3.82	61,003	91.69
40,000-44,999	1,872	2.81	62,875	94.50
45,000-49,999	1,231	1.85	64,106	96.35
50,000-54,999	803	1.21	64,909	97.56
55,000-59,999	560	0.84	65,469	98.40
60,000-64,999	330	0.50	65,799	98.90
65,000-69,999	217	0.33	66,016	99.22
70,000-74,999	170	0.26	66,186	99.48
75,000-79,999	102	0.15	66,288	99.63
80,000-84,999	197	0.30	66,485	99.93
85,000-89,999	18	0.03	66,503	99.96
90,000-94,999	5	0.01	66,508	99.96
95,000-99,999	10	0.02	66,518	99.98
100,000-104,999	4	0.01	66,522	99.98
105,000-109,999	4	0.01	66,526	99.99
>110,000	6	0.01	66,532	100.00

Exhibit 11

rehabilitation agencies have been effective in collecting and analyzing data related to their success in assisting persons with disabilities achieve employment, and become taxpayers. The statistically valid methodology has been in use since 1992, and its use is standardized for all state vocational rehabilitation programs. According to the Rehabilitation Services Administration, graduates of state vocational rehabilitation programs in 2002 are paying more than \$1 billion annually in taxes of various kinds. Those individuals who received assistance from state vocational rehabilitation programs and went to work will:

- Earn \$3.5 billion in wages in their first year of work;
- Pay back the cost of their rehabilitation services, through taxes in 2-4 years;
- Benefit the combined federal and state tax treasuries by 2 to 4 dollars in revenues for every VR dollar spent over subsequent years of work; and
- Benefit themselves with \$10 in earnings for every VR dollar spent over their subsequent years of work.

The Alabama Department of Rehabilitation Services has used this approach to determine its cost benefit as: "For every \$1.00 invested in each consumer we serve in the state VR program, that consumer, when employed, returns to the economy over their work life \$18.79." Input data includes total annual program expenditures, total number of rehabilitations, average number of years remaining in the individual's work life, average income increase, and a discount rate based on the relationship of the economic growth rate and the length of economic activity.

The Task Force recognizes that an ROI analysis for the VR&E Program will require additional data collection including the components of taxpayer benefits, longitudinal earnings information, increased disposable income, and economic impacts. Moreover, efforts to project revenues and estimate taxes paid on return-to-work veterans would need to be based on reliable demographic and economic assumptions. As previously described, VR&E could use earned income information from the Social Security Administration as an indicator of taxable wages. When the enhancements recommended for CWINRS are implemented, VR&E should be able to know the amounts spent for evaluation, counseling, training, education, and employment placement for each individual veteran. In addition, accurate direct and indirect program costs would provide the base for extremely useful analysis for management, budgeting, and comparative purposes.

"The data that we have been able to organize paints a picture of increasing workload demands on an outdated work process and system that under reports its workload, does not account for the increasing complexity of that workload, and does not understand the underlying trends that will impact the future workload."

Summary

The VR&E Service and Program today is under stress. The data that we have been able to organize paints a picture of increasing workload demands on an

outdated work process and system that under reports its workload, does not account for the increasing complexity of that workload, and does not understand the underlying trends that will impact the future workload. As a result of this situation, there is great uncertainty associated with the VR&E workload and it is likely that the VR&E Service has been under resourced to meet existing demands. As an example, mobilized Guard and Reserve personnel will begin to better understand VR&E benefits and may create new demands on the system. While the Task Force was able to develop a snap-shot of the veteran population being served by the VR&E Service on a national level, there is no equivalent data at the Regional Office level to guide local decision making about the veterans they are serving. Clearly, significant efforts should be made to systematically and routinely analyze the VR&E population data.

In general, the current VR&E service delivery system is out-of-date, data poor, and understaffed to meet the needs of today's veterans with service-connected disabilities. The current situation raises many questions about how to best serve the needs of these veterans. The Task Force's answers to those questions will unfold in coming chapters: a new employment-driven service delivery system, integrated services across agencies, and recommendations with implementation timeframes.