

SERVICE-CONNECTED COMPENSATION INCREASE FOR VETERANS

July 26, 1968.—Ordered to be printed

Mr. LONG of Louisiana, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 16027]

The Committee on Finance, to which was referred the bill (H. R. 16027) to amend title 38 of the United States Code to provide increases in the rates of compensation for disabled veterans, having considered the same, reports favorably thereon with an amendment and recommends that the bill (as amended) do pass.

SUMMARY OF THE BILL AS PASSED BY THE HOUSE

The compensation increases passed by the House would be effective January 1, 1969; they would cost an estimated \$235 million annually. The bill as it passed the House would—

- (1) Provide a \$100 monthly increase in compensation payments to totally disabled veterans whose disability is service connected (the monthly payment is now \$300 with higher payments to veterans with certain very severe disabilities);
- (2) Provide an 8-percent cost-of-living increase in compensation payments to other veterans with service-connected disabilities; and
- (3) Authorize the furnishing of medical devices on an outpatient basis to totally disabled veterans who have very severe service-connected disabilities in the same way as they are now furnished to veterans requiring regular aid and attendance whose disability is not service connected.

SUMMARY OF COMMITTEE AMENDMENT

The committee bill would not change the text of the House bill. However, the committee added three new sections relating to other matters:

(1) *Arrested tuberculosis.*—Under present law, veterans with arrested tuberculosis are awarded specific disability ratings automatically (even if they are not disabled at all). In any case, the law provides a minimum compensation payment of \$67. The committee amendment deletes these provisions of law for veterans who incur arrested tuberculosis in the future. However, veterans now receiving compensation for arrested tuberculosis will not be affected.

(2) *Hospital and nursing homes.*—The 1966 amendments to the Fair Labor Standards Act extended minimum wage coverage to hospital and nursing home employees for the first time, with special rates of \$1.15 per hour in 1968, \$1.30 per hour in 1969, \$1.45 per hour in 1970, and \$1.60 per hour (the regular rate) beginning in 1971. The committee amendment insures that these special minimum wage rates under the 1966 amendments will apply with respect to Federal contracts with institutions for hospital services or extended care or nursing home services to veterans and other beneficiaries under Federal law.

(3) *On-farm training program in Tangipahoa Parish.*—The third new section added by the committee would relieve of liability certain veterans in Tangipahoa Parish, La., who participated in good faith in an on-farm training program which through no fault of their own did not meet Veterans' Administration standards.

GENERAL STATEMENT

By law, compensation is paid to veterans who suffer disabling conditions as a result of military service. As the name implies, the purpose of the payments is to compensate the veteran for the average economic loss resulting from the disease or injury sustained during his military service. Thus, compensation payments are based not on need, but on the degree of disability of the veteran. Under present law, monthly compensation rates for disabilities incurred in time of war range from \$21 for veterans with a 10-percent disabling condition to \$300 for totally disabled veterans, with higher rates provided for certain very serious disabilities. Veterans whose disabilities were incurred during peacetime receive compensation payments at 80 percent of the wartime rate.

The Veterans' Administration is currently undertaking an extensive study to determine whether the compensation payments in the law actually reflect the average economic loss suffered by a veteran as a result of his disability. They intend also to look into the question of compensation for losses or impairments that cannot be expressed in economic terms.

In the President's message to the Congress on veterans' benefits, January 31, 1967, the Administrator of Veterans' Affairs was directed to appoint an advisory commission to study each facet of the existing programs designed to assist veterans and their dependents. A panel of 11 distinguished members was subsequently named by the Administrator and designated as the U.S. Veterans' Advisory Commission. Hearings were held by the Commission, throughout the country, during 1967 and on March 18, 1968, the formal report of the Commission was released.

INCREASE OF \$100 IN COMPENSATION PAYMENTS TO TOTALLY
DISABLED VETERANS

Though compensation payments are not based on need, a Veterans' Administration study conducted in 1962 showed that four-fifths of the totally disabled veterans have no earnings whatever. Most of the remaining fifth have only very small earnings. Even when the tax-exempt nature of compensation payments is taken into account, it is clear that the \$300 monthly payment is much lower than the amount a totally disabled veteran would have earned had he not become disabled.

The committee recommends approval of a \$100 monthly increase in compensation payments for totally disabled veterans, with comparable increases for veterans with certain very serious disabilities, who receive the higher statutory rates. This will increase the payment to \$400 monthly or \$4,800 annually, about equal to the average annual after-tax earnings of the 46 million production workers in the private sector.

The first recommendation included by the U.S. Veterans' Advisory Commission in their recent report was that compensation payments to the totally disabled be increased by \$100 monthly. The text of their recommendation follows:

RECOMMENDATION NO. 1

The Commission recommends that the basic compensation rate payable to the service-connected totally disabled veteran be increased by \$100 monthly.

Background to recommendation

The disability rating schedule endeavors to evaluate the average impairment of earning capacities resulting in civilian occupations from service-related diseases or injuries.

A recent pilot study in connection with the economic validation of the rating schedule confirmed the unemployability of the totally disabled. The study indicated that the totally disabled veteran does not have the capacity to earn a living and must rely solely on disability compensation for his economic support.

Disability compensation at present rates of \$300 a month for total disability imposes a standard of living on totally disabled veterans which is much lower than that which they would have attained except for their service-connected disabilities, and much lower than the median national income level of wage earners. Therefore, in order to compensate the totally disabled at a rate which would more closely approximate their loss in earnings resulting from disabilities incurred in service, the Commission recommends that the basic compensation rate payable to these veterans be increased by \$100 per month. A similar increase is recommended in the higher statutory awards, pending the completion of the reevaluation of the rating schedule.

EIGHT-PERCENT INCREASE IN COMPENSATION PAYMENTS TO VETERANS WHOSE DISABILITY IS LESS THAN TOTAL

Until the Veterans' Administration study provides a basis for evaluating the present compensation payments, it appears reasonable to increase payments to veterans who are not totally disabled to at least reflect the increase in the cost of living since the present rates became effective December 1, 1965. Between that date and May 1968, the Consumer Price Index has risen about 8 percent. The bill accordingly raises the monthly compensation payments to veterans not totally disabled by 8 percent, rounded to the nearest dollar. This provision incorporates the second recommendation of the U.S. Veterans' Advisory Commission:

RECOMMENDATION NO. 2

The Commission recommends that the compensation rates payable to veterans whose disabilities are evaluated from 10 to 90 percent be increased not less than the rise of the cost of living as measured by the Consumer Price Index, since December 1, 1965.

Background to recommendation

In order to maintain compensation rates at levels which are economically realistic, it has been necessary, from time to time, to adjust these rates to the changing cost of living in America. Most recently, compensation rate increases of about 6 percent were made in 1962 and 1965. Between the effective date of the last increase, December 1965, and December 1967, the cost of living (according to the Consumer Price Index) has risen 6.5 percent and is continuing to rise.

The Commission wishes to establish the most equitable rate structure possible. This is not possible until the study being undertaken on economic validation of the rating schedule is completed.

Until this time, we want to protect the 10- to 90-percent disabled veteran from the economic cost resulting from substantial increases in the cost of living. Therefore, we recommend an appropriate increase in the compensation rates payable to these veterans, including the additional benefits for dependents.

This recommendation is made in conjunction with our recommendation for a \$100 monthly compensation rate increase for the totally disabled and for an increase in statutory allowances.

COST OF THE COMPENSATION INCREASES

The bill in its first full year would cost \$235 million; the cost would rise only slightly thereafter. Of the total, \$137 million is related to the \$100 increase for the totally disabled and \$98 million would be for veterans with disability ratings between 10 and 90 percent.

The detail of the cost estimate for the compensation increases is shown on the following table:

COST OF COMPENSATION INCREASE IN H.R. 16027

Degree of disability or paragraph of sec. 314	Cases at wartime rates						Cases at peacetime rates						Total cases	Total additional annual 1st year cost
	Cases	Rate		Increase		Additional annual cost	Cases	Rate		Increase		Additional annual cost		
		Present	Proposed	Monthly	Annual			Present	Proposed	Monthly	Annual			
Less than totally disabled:														
10 percent.....	727,249	\$21	\$23	\$2	\$24	\$17,453,976	73,985	\$17	\$18	\$1	\$12	\$857,820	801,234	\$18,341,796
20 percent.....	276,602	40	43	3	36	9,957,672	26,010	32	34	2	24	624,240	302,612	10,581,912
30 percent.....	257,669	60	65	5	60	15,460,140	23,570	48	52	4	48	1,131,360	281,239	16,591,500
40 percent.....	151,600	82	89	7	84	12,734,400	10,000	66	71	5	60	600,000	161,600	13,334,400
50 percent.....	93,962	113	122	9	108	10,147,896	7,000	90	98	8	96	672,000	100,962	10,819,896
60 percent.....	90,987	136	147	11	132	12,010,284	7,000	109	118	9	108	756,000	97,987	12,766,284
70 percent.....	49,863	161	174	13	156	7,778,628	4,000	129	139	10	120	480,000	53,863	8,258,628
80 percent.....	27,438	186	201	15	180	4,938,840	1,500	149	161	12	144	216,000	28,938	5,154,840
90 percent.....	8,642	209	226	17	204	1,762,968	400	167	181	14	168	67,200	9,042	1,830,168
Subtotal.....	1,684,012					92,244,804	153,465					5,434,620	1,837,477	97,079,424
Totally disabled:														
100 percent.....	78,551	300	400	100	1,200	91,861,200	12,990	240	320	80	960	12,470,400	89,541	104,331,600
(L).....	4,099	490	500	100	1,200	4,918,800	450	320	400	80	960	432,000	4,549	5,350,800
(M).....	2,472	450	550	100	1,200	2,966,400	300	360	440	80	960	288,000	2,772	3,254,400
(N).....	398	525	625	100	1,200	423,600	25	420	500	80	960	24,000	378	447,600
(O).....	45	600	700	100	1,200	54,000	5	480	560	80	960	4,800	50	58,800
(P).....	3,875	600	700	100	1,200	4,650,000	350	480	560	80	960	336,000	4,225	4,986,000
(R).....	5,361	850	1,000	150	1,800	9,649,800	1,300	680	800	120	1,440	1,872,000	6,661	11,521,800
(S).....	5,376	350	450	100	1,200	6,451,200	680	280	360	80	960	652,800	6,056	7,104,000
Subtotal.....	98,132					120,975,000	16,100					16,080,000	114,232	137,055,000
Total.....	1,782,144					213,219,804	169,565					21,514,620	1,951,709	234,734,424

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MEDICAL DEVICES FOR VETERANS WITH CERTAIN SEVERE SERVICE-CONNECTED DISABILITIES

Under present law, a veteran whose disability is not service-connected who receives a pension based on the need for regular aid and attendance, whether in a hospital or not, is entitled to an invalid lift, any type of therapeutic or rehabilitative device, or other medical equipment and supplies for any disability.

A veteran with a service-connected disability, on the other hand, may be furnished any of these items while in a hospital. When he is out of a hospital the service-disabled veteran may only receive those items required for medical treatment of his service-connected disability. It may thus happen that a veteran whose disability is not service connected is entitled to medical services not authorized for a totally disabled veteran whose injury or illness was incurred during service.

Section 3 of the bill corrects the situation by authorizing medical devices for totally disabled veterans with certain very severe service-connected disabilities on the same basis as veterans' pension recipients who require regular aid and attendance.

The cost of this section is estimated at \$240,000 in fiscal year 1969, rising to \$1,650,000 by fiscal year 1974. The cost estimate of Chief Medical Director of the Veterans' Administration is shown below:

1. We estimate that the fiscal year 1969 cost of section 3 should not exceed \$240,000.

2. An accurate estimate of cost in this case is of course impossible. Our conclusions are based upon an analysis of previous costs for non-service-connected aid and attendance patients served under the current law (approximately 10 percent of the total veterans potentially eligible are served each year at an average cost of about \$30 each); our belief that approximately 20 percent of potentially eligible service-connected veterans will apply for services (about 4,000 patients per year); and our belief that the average cost per service-connected patient during the first year will be about twice as high as for the NSC patient because of the types of appliances to be furnished.

3. For fiscal year 1970 and for at least another 10 years, our costs will undoubtedly increase each year because of increased numbers of patients becoming eligible, increased unit costs of items furnished, and the introduction of new and more costly types of appliances and equipment for improved treatment and/or rehabilitation. The trend toward home treatment of patients requiring hemo-dialysis, for example, will require the expenditure of approximately \$10,000 per patient for the initial installation plus approximately \$3,000 to \$5,000 per year in maintenance costs. Our estimate of the increased costs for service-connected veterans covered by this bill for fiscal year 1970 through 1974 would be as follows:

Fiscal year 1970 (includes procurement of 10 dialysis units)-----	\$400, 000
Fiscal year 1971 (includes procurement of 15 dialysis units)-----	720, 000
Fiscal year 1972 (includes procurement of 20 dialysis units)-----	1, 050, 000
Fiscal year 1973 (includes procurement of 20 dialysis units)-----	1, 300, 000
Fiscal year 1974 (includes procurement of 20 dialysis units)-----	1, 650, 000

COMPENSATION FOR ARRESTED TUBERCULOSIS

Present law provides a minimum monthly compensation payment of \$67 (\$54 for peacetime cases) to veterans with a service-connected case of tuberculosis which has reached a condition of complete arrest. Over 56,000 veterans receive this minimum payment.

In addition, another provision of present law requires that veterans whose tuberculosis has been completely arrested be rated as totally disabled for a period of 2 years following the arrest, 50 percent disabled for the next 4 years, and 30 percent disabled for the following 5 years. Since the \$67 minimum is higher than the compensation payment for a 30-percent disability, the veteran receives \$67 instead, and this payment continues for the rest of his life.

The administration recommended that these provisions affecting veterans with arrested tuberculosis be eliminated from present law. (The reasons supporting their elimination are explained in the Veterans' Advisory Commission background statement below.) Instead of repealing these provisions of law for all veterans, as the VA suggested, the committee amendment would delete them only for veterans who incur arrested tuberculosis in the future. Veterans now receiving compensation for arrested tuberculosis would not be affected, but would continue to qualify for this benefit.

The amendment will result in some small savings in future years.

The committee amendment incorporates recommendation No. 12 of the U.S. Veterans' Advisory Commission:

RECOMMENDATION NO. 12

The Commission recommends discontinuation of the statutory award and graduated ratings for arrested tuberculosis with the provision that veterans receiving compensation under the present law continue to receive payment.

Background to recommendation

At present, the law (title 38 U.S.C., sec. 314(q)) provides a minimum rate of disability compensation (\$67 per month for wartime cases and \$54 per month for peacetime cases) for veterans with service-connected tuberculosis which has reached a state of complete arrest. Section 356 of title 38 United States Code prescribes gradually reduced disability ratings for tuberculosis during the 11-year period after the disease has first become arrested.

A minimum rate of compensation for arrested tuberculosis has been provided almost continuously since 1926. At that time, tuberculosis was a dread disease. It was believed that few persons suffering from the disease could expect to live more than 20 years; that even if arrested, the disease was almost certain to recur; and that the only effective therapy was the "rest cure" followed by a slow and progressive course of exercise. The death rate from tuberculosis in the United States in 1926 was 74.9 per 100,000 population. Medical authorities believed then that people with arrested tuberculosis would never have the strength to meet the demands of their previous employment. The employability of persons who had had tuberculosis was further curtailed by the

popular attitude that, since the disease was contagious, those suffering from it should be avoided.

The grim expectations of 1926 have not been realized. Experience has demonstrated that most World War I veterans receiving the minimum rate of compensation for arrested tuberculosis had no recurrence of the disease. Furthermore, the causes of death for this group closely resembled those of the general population. At present, modern methods of medical treatment achieve rapid and stable arrest of tuberculosis. These methods have accelerated the decline in the occurrence of the disease and have lowered the death rate from tuberculosis to a point of relative insignificance. In 1965, the death rate from tuberculosis in the United States was 3.8 per 100,000 population. By now, the general public has stopped considering those who have had tuberculosis as outcasts.

Ordinarily, there is no loss of employability in cases of arrested tuberculosis. Veterans who have received modern treatment for the disease are generally able to return to their homes with assurance of normal industrial acceptance and full-time employment. Thus, the compensation these veterans receive (in the form of a statutory award) does not reflect average economic impairment, as compensation is intended to do. Because of this, the compensation received by veterans with arrested tuberculosis discriminates against all other veterans.

The Commission feels that disability ratings for all veterans should be related to demonstrable physical impairment. We therefore recommend that veterans with tuberculosis should be assigned a 100-percent disability rating during the period of active disease and for 2 years thereafter, while convalescence takes place. After this 2-year period, disability compensation should reflect actual economic impairment. If some degree of disability remains, the rating schedule provides ample authority and criteria for evaluating and compensating for such residual disability. To avoid hardship, however, we feel that veterans now receiving compensation under the present law should continue to receive this payment.

AMENDMENT TO CONFORM SERVICE CONTRACT ACT OF 1965 TO 1966 MINIMUM WAGE REQUIREMENTS FOR INSTITUTIONS FURNISHING MEDICAL CARE TO VETERANS AND OTHER FEDERAL BENEFICIARIES

Until 1966, nursing homes and hospitals were not covered by minimum wage legislation. In that year, however, the Fair Labor Standards Act was amended to cover hospital and nursing home employees for the first time. The 1966 amendments also increased the minimum wage to \$1.40 an hour effective February 1967 and \$1.60 an hour effective February 1968. However, recognizing that hospital and nursing home employees were being covered for the first time, the Congress provided special transitional minimum wages for these newly covered employees, scheduled at:

\$1 per hour.....	beginning February 1967
\$1.15 per hour.....	beginning February 1968
\$1.30 per hour.....	beginning February 1969
\$1.45 per hour.....	beginning February 1970
\$1.60 per hour.....	beginning February 1971

Recently, the Wage and Hour Division of the Labor Department, ignoring the 1966 amendments, determined that under the Service Contract Act of 1965, nursing homes contracting with the Federal Government must pay the full \$1.60 minimum wage rather than the special transitional minimum wage of \$1.15 this year. The Service Contract Act of 1965 requires that the minimum wage be paid by employers rendering services under Federal contracts. However, it refers neither to hospitals nor nursing homes.

The 1966 legislation indicates a congressional intent that hospitals and nursing homes (whether or not contracting with the Federal Government) should be uniformly brought under the minimum wage law on the special transitional basis provided in that legislation.

The Labor Department determination has created an immediate problem with respect to nursing home care rendered to veterans by private nursing homes with whom the Veterans' Administration has contracted. In the opinion of the Veterans' Administration and the Committee on Veterans' Affairs of the House of Representatives, the Labor Department decision would result in nursing homes simply refusing to contract for care of veterans because of the prohibitive labor costs which would result.

The cost implications of the Labor Department position, however, are even greater in the context of medicare and medicaid. The Federal Government in effect contracts with more than 4,000 nursing homes for extended care benefits under medicare. Application of the Service Contract Act of 1965 to these facilities would increase medicare nursing home costs by at least \$25 million annually for the next several years. Most of these same institutions also render care under medicaid. Obviously, the same facility could not have two minimum wage levels, one for medicare and one for medicaid—and medicaid costs would also be substantially increased.

Finally, the Labor Department position would create the anomaly of two types of health facilities, hospitals and nursing homes, competing for the same kinds of personnel—each with a different minimum wage requirement: in 1968, \$1.15 an hour for hospitals and \$1.60 an hour for nursing homes. The effect of this would be that hospitals would have to increase their minimum wages for unskilled and semi-skilled labor by 30 percent or more in order to compete with nursing homes. No estimate is available of the additional costs which this kind of situation would bring about in medicare and medicaid.

The committee amendment reiterates that the 1966 legislation, which specifically provides for phasing in of the minimum wage for hospital and nursing home employees, is superior to the Labor Department's administrative interpretation that the 1965 Service Contract Act governs the situation. No change is made in the 1966 minimum wage legislation.

ON-FARM TRAINING PROGRAM IN TANGIPAHOA PARISH, LA.

In 1953, the School Board of Tangipahoa Parish, La., submitted an application to operate an on-farm training program for veterans. The

application was approved, and for the next 9 years the school board operated the training program and participating veterans received monthly educational allowances from the Veterans' Administration.

To be eligible for educational allowance, the veterans were required to either own or have under lease a farm capable of providing support. For its part, the school board had to provide a certain amount of classroom instruction and on-farm supervisory instruction.

For 5 years after its initiation, the training program met the requirements of the law. But for the next 4 years, though the training program continued in operation, it later was found out that beginning in September 1958, the training program operated by the school board no longer offered the minimum amount of instruction and on-farm supervisory instruction required. Subsequent investigation showed that some veterans either did not own or lease a farm, or were working full time in a nonfarm occupation. Yet during this period, educational allowances continued to be paid to 253 veterans enrolled in the training program.

Subsequent investigation demonstrated that some veterans receiving training were not aware that the training program no longer met the legal requirements entitling them to educational allowances; other veterans apparently submitted false documents in order to receive their educational allowances.

While individuals submitting false documents of farm ownership or lease clearly acted fraudulently, there were many veterans who did own or lease farms, who cultivated them, and who in good faith participated in the instructional program to the extent it was made available to them.

Under law, the educational allowances made to these veterans are considered overpayments even in cases where the trainees acted in good faith. The law requires the Veterans' Administration to recover overpayments from the training institution if they are not recovered from the veteran to whom they were made.

Under the committee amendment, any veteran who is alleged to have received overpayments may apply for relief from liability for repayment. He will be relieved of liability if he:

(1) Owned, or operated under a valid lease, a farm which met the requirements of the law and implementing Veterans' Administration regulations;

(2) Was engaged in the cultivation of such farm, and not employed on a full-time basis in a nonfarm occupation; and

(3) Participated in the institutional instruction furnished by the Tangipahoa Parish School Board in connection with the institutional on-farm training program, even though such instruction may not have met all of the requirements of the law and implementing Veterans' Administration regulations.

This amendment will not free from liability for repayment any person who acted fraudulently, whether from failure to have a bona fide interest in a farm, from being employed full time in a nonfarm job, or from failing to participate in such instruction as was offered. But the amendment will relieve from liability those veterans who owned or operated farms and participated in the training program in good faith.

The two persons most directly responsible for the chain of events described here have been convicted of criminal violations and have

served their sentences. The amendment is needed to clarify the rights of veterans who acted in good faith.

VETERANS' ADMINISTRATION REPORT

The report of the Veterans' Administration on the House-passed bill follows:

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., July 8, 1968.

HON. RUSSELL B. LONG,
*Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request for a report by the Veterans' Administration on H.R. 16027, 90th Congress.

The bill proposes to increase, in varying amounts, the rates of service-connected disability compensation payable to wartime and peacetime veterans. The increases would become effective on January 1, 1969. The rates of compensation were last increased by Public Law 89-311, effective December 1, 1965.

The basic purpose of the disability compensation program, throughout its history, has been to provide relief for the impaired earning capacity of veterans disabled as the result of their military service. The amount payable varies according to the degree of disability which in turn is required by the law (38 U.S.C. 355) to represent, to the extent practicable, the average impairment in earning capacity resulting from such disability or combination of disabilities in civil occupations. The degree of a given veteran's loss of earning capacity is determined in accordance with the Veterans' Administration's Schedule for Rating Disabilities.

As you know, for several years the Veterans' Administration has been engaged in the preliminary steps of an extensive project designed to test whether the Schedule for Rating Disabilities accurately represents the degree of average economic impairment resulting from disability. Employing the facilities of the Bureau of Census, we have just this year begun the full-scale study. The assembly and evaluation of the data obtained in this study, and the reflection of that information in necessary changes, if any, of the rating schedule, will require an extended period of time.

In developing techniques for use in the study which is now underway, we conducted a pilot study. While much of the information obtained through this preliminary study cannot be regarded as conclusive, it does show that the average totally disabled veteran on our compensation rolls has virtually no earnings and is dependent on his disability compensation. As you know, the U.S. Veterans' Advisory Commission, established early in 1967 at the direction of the President to conduct a comprehensive study of the veterans' benefit structure, has recently completed its task and has submitted a number of recommendations in its recent report to me. With respect to the disability compensation rate payable to the totally disabled veteran, the Commission's report recommends an increase in this category of cases such as is proposed in H.R. 16027.

H.R. 16027 proposes a \$100 monthly increase in the rate payable for total disability. This increase would raise the basic compensation

payable to a totally disabled veteran from \$3,600 annually to \$4,800 (plus up to an additional \$660 compensation payable for dependents under 38 U.S.C. 315). The bill would also provide a \$100 monthly increase for the higher statutory rates which existing law (38 U.S.C. 314(1) (p) and (s)) provides for certain very serious disabilities or combinations of disabilities. In the light of the preliminary results obtained from the pilot study, some increase in excess of the cost of living for the totally disabled veteran is clearly warranted. Available data suggest that an increase in the range of \$100 per month would not be unreasonable.

With respect to veterans on the compensation rolls who are less than totally disabled (i.e., from 10 percent through 90 percent), the bill proposes an across-the-board increase of 8 percent (rounded to the nearest dollar). It is understood that this is intended to represent a cost-of-living increase. A comparison of the Consumer Price Indexes between the time of the last compensation increase and the present time reflects an upward change of over 8 percent. The Veterans' Administration is in favor of adjustments, when warranted, of compensation rates based on cost-of-living increases.

Nevertheless, it should be noted that any across-the-board increase presupposes the economic validity of the base compensation now being paid in these cases. As has been pointed out, our extensive economic validation study is designed for the specific purpose of revealing whether the economic impairment of each of the several thousand specific disability evaluation is correctly reflected in our rating schedule. These findings will, of course, translate themselves into the adequacy or inadequacy of the amount of compensation payable in each case.

While the definitive findings in our validation study will not be available for some period of time, we are hopeful that in the next several months we will receive such further data as may form a basis for reaching some reasonable conclusions with respect to the need for increased compensation rates. In this connection, we note that the increases proposed by H.R. 16027, as it passed the House of Representatives, would not become effective until January 1, 1969. Under these circumstances, the Veterans' Administration would not object to the favorable consideration of the bill, in its present form, by your committee.

At the same time, however, the committee will recall that the Veterans' Administration early last year submitted to the Congress, and recommended the enactment of, a draft bill proposing to repeal the provisions of existing law providing (a) a minimum rate of disability compensation for veterans with service-connected tuberculous disease which "has reached a condition of complete arrest" and (b) certain minimum disability ratings for tuberculosis for a period of time after the disease has become arrested. Our proposal was referred to your committee on February 23, 1967. The law has prescribed the minimum rate and ratings for many years. During this period the picture with respect to tuberculosis has changed most significantly and dramatically. The tuberculosis death rate has declined to the point of relative insignificance; advances in medical science can now bring about the rapid and stable arrest of the disease; thereafter there is little impairment of the veteran's employability or employment; and improved Veterans' Administration rating practices now permit the rat-

ing of arrested tuberculosis consistent with the basic concept of our rating schedule. Accordingly, we believe the minimum rate and ratings can no longer be justified.

The U.S. Veterans' Advisory Commission in the course of its study, reviewed this area of the disability compensation program and, although it would limit the discontinuance to prospective cases, its recommendation for repeal of the statutory award and graduated disability ratings for arrested tuberculosis represents agreement in principle with the Veterans' Administration. The consideration of H.R. 16027 presents an opportunity for the committee to act on our proposal with respect to arrested tuberculosis. We urge that it be incorporated in this bill.

Section 3 of the bill, as it passed the House of Representatives, proposes to extend certain medical benefits that are currently available to veterans in receipt of pension based on need for regular aid and attendance to veterans with service-connected disabilities that render them eligible for one of the higher statutory rates of disability compensation. 38 U.S.C. 617 authorizes the Veterans' Administration to furnish to veterans being paid pension based on need for regular aid and attendance, on an outpatient basis, an "invalid lift," "any type of therapeutic or rehabilitative device, as well as other medical equipment and supplies (excluding medicines)" if medically indicated for any disability. By comparison, veterans receiving disability compensation may be furnished on an outpatient basis only those items required for medical treatment of their service-connected disabilities. Devices, equipment, etc., needed for non-service-connected disabilities may only be supplied such veterans while they are receiving hospital care. Section 3 of H.R. 16027 proposes to permit the Veterans' Administration to furnish to veterans receiving one of the higher statutory awards of disability compensation (38 U.S.C. 314(1)-(p)), medical benefits on the same basis as they are now available to the aid and attendance pensioner.

In light of our longstanding view that the agency's primary responsibility is to those with service-connected disabilities, we believe that this proposed amendment is both equitable and reasonable. We would therefore have no objection to its enactment.

It is estimated that the first section of H.R. 16027, if enacted in its present form, would affect some 1,951,000 veterans the first year at an additional cost of approximately \$234.7 million. The number affected and the additional cost would increase slightly each year thereafter to 1,964,000 veterans at an additional cost of \$236.2 million during the fifth year. These costs would be offset in part by adoption of the mentioned tuberculosis amendments by approximately \$46 million. With respect to section 3, while an accurate estimate of cost is not possible, we believe that this provision would cost approximately \$400,000 in fiscal year 1970 increasing to around \$1,650,000 during fiscal year 1974. No provision was made in the fiscal year 1969 budget for the cost of H.R. 16027.

Advice has been received from the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

W. J. DRIVER,
Administrator.

CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

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PART II. GENERAL BENEFITS

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§ 314. Rates of wartime disability compensation

For the purposes of section 310 of this title—

- (a) if and while the disability is rated 10 per centum the monthly compensation shall be ~~[\$21]~~ \$23;
 (b) if and while the disability is rated 20 per centum the monthly compensation shall be ~~[\$40]~~ \$43;
 (c) if and while the disability is rated 30 per centum the monthly compensation shall be ~~[\$60]~~ \$65;
 (d) if and while the disability is rated 40 per centum the monthly compensation shall be ~~[\$82]~~ \$89;
 (e) if and while the disability is rated 50 per centum the monthly compensation shall be ~~[\$113]~~ \$122;
 (f) if and while the disability is rated 60 per centum the monthly compensation shall be ~~[\$136]~~ \$147;
 (g) if and while the disability is rated 70 per centum the monthly compensation shall be ~~[\$161]~~ \$174;
 (h) if and while the disability is rated 80 per centum the monthly compensation shall be ~~[\$186]~~ \$201;
 (i) if and while the disability is rated 90 per centum the monthly compensation shall be ~~[\$209]~~ \$226;
 (j) if and while the disability is rated as total the monthly compensation shall be ~~[\$300]~~ \$400;
 (k) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of one or more creative organs, or one foot, or one hand, or both buttocks, or blindness of one eye, having only light perception, or has suffered complete organic aphonia with constant inability to communicate by speech, or deafness of both ears, having absence of air and bone conduction, the rate of compensation therefor shall be \$47 per month for each such loss or loss of use independent of any other compensation provided in subsections (a) through (j) or subsection (s) of this section but in no event to exceed ~~[\$400]~~ \$500 per month; and in the event the veteran has suffered one or more of the disabilities heretofore specified in this subsection, in addition to the requirement for any of the rates specified in subsections (l) through (n) of this section, the rate of compensation shall be increased by \$47 per month for each such loss or loss of use, but in no event to exceed ~~[\$600]~~ \$700 per month;
 (l) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of both hands, or both feet, or of one hand and one foot, or is blind in both eyes,

with 5/200 visual acuity or less, or is permanently bedridden or so helpless as to be in need of regular aid and attendance, the monthly compensation shall be ~~[\$400]~~ \$500;

(m) if the veteran, as the result of service-connected disability has suffered the anatomical loss or loss of use of two extremities at a level, or with complications, preventing natural elbow or knee action with prosthesis in place, or has suffered blindness in both eyes having only light perception, or has suffered blindness in both eyes, rendering him so helpless as to be in need of regular aid and attendance, the monthly compensation shall be ~~[\$450]~~ \$550;

(n) if the veteran, as the result of service-connected disability, has suffered the anatomical loss of two extremities so near the shoulder or hip as to prevent the use of a prosthetic appliance or has suffered the anatomical loss of both eyes, the monthly compensation shall be ~~[\$525]~~ \$625;

(o) if the veteran, as the result of service-connected disability, has suffered disability under conditions which would entitle him to two or more of the rates provided in one or more subsections (l) through (n) of this section, no condition being considered twice in the determination, or if the veteran has suffered bilateral deafness (and the hearing impairment in either one or both ears is service connected) rated at 60 per centum or more disabling and the veteran has also suffered service-connected total blindness with 5/200 visual acuity or less, in combination with total blindness with 5/200 visual acuity or less, the monthly compensation shall be ~~[\$600]~~ \$700;

(p) in the event the veteran's service-connected disabilities exceed the requirements for any of the rates prescribed in this section, the Administrator, in his discretion, may allow the next higher rate or an intermediate rate, but in no event in excess of \$600. In the event the veteran has suffered service-connected blindness with 5/200 visual acuity or less and (1) has also suffered bilateral deafness (and the hearing impairment in either one or both ears is service connected) rated at no less than 40 per centum disabling, the Administrator shall allow the next higher rate, or (2) has also suffered service-connected total deafness in one ear, the Administrator shall allow the next intermediate rate, but in no event in excess of ~~[\$600]~~ \$700;

[(q) If the veteran is shown to have had a service-connected disability resulting from an active tuberculosis disease, which disease in the judgment of the Administrator has reached a condition of complete arrest, the monthly compensation shall be not less than \$67.]

(r) If any veteran, otherwise entitled to the compensation authorized under subsection (o), or the maximum rate authorized under subsection (p), is in need of regular aid and attendance, he shall be paid, in addition to such compensation, a monthly aid and attendance allowance at the rate of ~~[\$250]~~ \$300 per month, subject to the limitations of section 3203(f) of this title. For the purposes of section 334 of this title, such allowance shall be considered as additional compensation payable for disability.

(s) If the veteran has a service-connected disability rated as total, and (1) has additional service-connected disability or dis-

abilities independently ratable at 60 per centum or more, or, (2) by reason of his service-connected disability or disabilities, is permanently housebound, then the monthly compensation shall be [§350] \$450. For the purposes of this subsection, the requirement of "permanently housebound" will be considered to have been met when the veteran is substantially confined to his house (ward or clinical areas, if institutionalized) or immediate premises due to a service-connected disability or disabilities which it is reasonably certain will remain throughout his lifetime.

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[§ 356. Minimum rating for arrested tuberculosis

【Any veteran shown to have active tuberculosis which is compensable under this chapter, who in the judgment of the Administrator has reached a condition of complete arrest, shall be rated as totally disabled for a period of two years following such date of arrest, as 50 per centum disabled for an additional period of four years, and 30 per centum for a further five years. Following far advanced active lesions the permanent rating shall be 30 per centum, and following moderately advanced lesions, the permanent rating, after eleven years, shall be 20 per centum, provided there is continued disability, dyspnea on exertion, impairment of health, and so forth; otherwise the rating shall be zero per centum. The total disability rating herein provided for the two years following a complete arrest may be reduced to 50 per centum for failure to follow prescribed treatment or to submit to examination when requested. This section shall not be construed as requiring a reduction of compensation authorized under any other provision of this chapter.】

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[§ 617. Invalid lifts and other devices for pensioners

【(a) The Administrator may furnish an invalid lift, if medically indicated, to any veteran in receipt of pension under chapter 15 of this title based on the need of regular aid and attendance.

【(b) The Administrator may furnish any type of therapeutic or rehabilitative device, as well as other medical equipment and supplies (excluding medicines), if medically indicated, to any veteran who is eligible to receive an invalid lift under subsection (a) of this section, or who would be so eligible, but for the fact that he has such a lift.】

§ 617. Invalid lifts and other devices

The Administrator may furnish an invalid lift, or any type of therapeutic or rehabilitative device, as well as other medical equipment and supplies (excluding medicines), if medically indicated, to any veteran who is receiving (1) compensation under subsections 314(l)-(p) (or the comparable rates provided pursuant to section 334) of this title, or (2) pension under chapter 15 of this title by reason of being in need of regular aid and attendance.

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