

UNITED STATES VETERANS' BUREAU (WAR RISK  
INSURANCE ACT)

APRIL 10 (calendar day, APRIL 11), 1924.—Ordered to be printed

Mr. REED of Pennsylvania, from the Committee on Finance, submitted  
the following

REPORT

[To accompany S. 2257]

The Committee on Finance, to whom was referred the bill (S. 2257) to consolidate, codify, revise, and reenact the laws affecting the establishment of the United States Veterans' Bureau and the administration of the war risk insurance act as amended, and the vocational rehabilitation act as amended, having considered the same, report thereon with the recommendation that it do pass with amendments.

This bill was presented by the select committee created by Senate Resolution 466, Sixty-seventh Congress, March 2, 1923, to investigate the conduct of the Veterans' Bureau, accompanied by a report of that select committee.

In the hearings conducted before the subcommittee of the Committee on Finance the Director of the Veterans' Bureau was heard at length, as well as representatives of the various organizations of service men affected by this class of legislation. The bill is very largely the result of the study made of the subject by the Select Committee on Investigation of the Veterans' Bureau. Adopting the views of the select committee as embodied in its report to the Senate, the Finance Committee has had in mind two purposes, the codification of all existing statute law under which the Veterans' Bureau has been administered in the past into one comprehensive and easily understandable act, and the making of such remedial amendments in the existing law as experience has shown to be wise or necessary. This bill, as reported with amendments, is designed fully to accomplish both these purposes.

This bill, as now presented, proposes several substantial changes in the law, to which the attention of the Senate should be specifically directed. These are, inter alia:

1. This bill accomplishes a complete codification of the laws affecting the Veterans' Bureau. It is intended to replace all existing

statutes and to restate the whole of the statute law under which the bureau operates.

2. Full authority of administration is given the director enabling him to designate employees to perform such duties as he may assign them and to delegate to such subordinates sufficient authority to enable the work of the bureau to be carried on.

3. Decentralization to subdistrict offices is authorized in the same manner now provided for regional offices, in the discretion of the director.

4. The director is authorized to detail persons to investigate frauds or attempts to defraud the Government or the irregularity or misconduct of any employee of the bureau.

5. The director is given authority to seek the opinion of the Attorney General on questions of law arising in the administration of the Veterans' Bureau in the same manner as the heads of executive departments may now secure such an opinion.

6. Appropriations made for the bureau are made available for payment of judgments in suits brought on contracts of insurance. The procedure for such suits is also defined and provision is made for bringing in all parties in interest.

7. The bureau is authorized to recognize accredited representatives of the American Red Cross, the American Legion, the Disabled American Veterans, and the Veterans of Foreign Wars in the presentation of claims for compensation and treatment, vocational training, or insurance.

8. Hospitals of the Public Health Service formerly placed under the operation, management, and control of the bureau are permanently transferred to the bureau.

9. The present provision authorizing allowances to the commissioned personnel detailed from the Public Health Service not enjoyed by other medical personnel of the bureau is omitted. This will place all of the medical personnel of the bureau in the same status as civilian employees of the bureau.

10. The director is given power to suspend payments to all guardians of insane veterans who fail to render accounts showing proper application of payments for the benefit of their wards, and the embezzlement or misuse of such funds by guardians is made punishable by a fine not exceeding \$2,000 or imprisonment at hard labor for a term not exceeding five years, or both.

11. Members of the National Guard called into Federal service who became disabled or died before being accepted and enrolled for active service are placed in the same status as men inducted by local draft boards.

12. Payments heretofore made under a regulation declared invalid by the Comptroller General, which permitted permanent and total disability to be presumed from hospitalization or from ratings less than permanent total, are validated so as to relieve from the necessity of their recovery back from the veteran.

13. The director is also authorized to forego recovery of payments from beneficiaries without fault where such recovery will defeat the purpose of benefits otherwise authorized or would be against equity and good conscience.

14. The director is authorized to sell, lease, or exchange surplus equipment, supplies, etc., the net proceeds to be covered into the

Treasury to the credit of the appropriation from or on account of which the subject of such sale, lease, or exchange was purchased or is maintained.

15. The files, records, and reports pertaining to any claim are declared confidential with certain exceptions.

16. The benefits of the bill are limited to those who suffer from disease or injury suffered or contracted during the war; that is, between the declaration of war, April 6, 1917, and the peace resolution of July 2, 1921. Vocational training is similarly limited to the cases of those persons whose disability occurred between those dates.

17. The present requirement that the disease or injury must have been incurred "in line of duty" has been replaced by requiring that the disease or injury occurred in the "military service"; but the requirement that such disease or injury be not the result of willful misconduct has been retained.

18. Payment of compensation is authorized for a recurrence of a preexisting disease as well as for the aggravation of the preexisting disease, to which the present provision is limited.

19. Encephalitis lethargica (sleeping sickness) has been added to tuberculosis and neuropsychiatric diseases in the class presumed to be of service origin if developing within a given time after discharge. This time of development has been changed from three years after discharge to a fixed period, viz, prior to January 1, 1924. The present provision that the development of such disease must be shown by examination made within three years of discharge is omitted, and the benefit of the presumption has been extended to cases of diseased veterans without regard to whether they were examined by medical officers of the bureau.

20. The rates of compensation to those veterans having several children or widows with more than two children are slightly increased. Training allowances for veterans with children are slightly increased.

21. The present provision that widows and parents may not receive death compensation on account of the loss of their husbands or sons, if already in receipt of a pension or compensation on account of some other persons, has been remedied so as to permit the payment of compensation on account of the death of a husband or son, to a widow or parent, notwithstanding the receipt by the latter of a pension or compensation on account of the loss of some other person, or in some prior war.

22. The burial expense allowance is increased from \$100 to \$150.

23. The director will be permitted in his discretion to make payments of compensation and maintenance and support allowances semimonthly.

24. Loss of use of limbs is made equivalent to loss of limbs as a statutory permanent total disability and the loss of hearing of both ears is added as a condition declared to be permanent total disability.

25. Ratings of disability are to be based upon the average impairments of earning capacity resulting from such injuries in civil occupations similar to the occupation of the injured man at the time of enlistment.

26. Veterans so helpless as to be in need of a nurse or attendant are to be allowed \$50 per month for that purpose in the discretion of the director. This amount under the present law is allowed

only to blind, legless, or armless veterans, while in other cases the allowance permitted for a nurse or attendant is \$20 per month.

27. Compensation to insane veterans who have neither wife, child, nor dependent parent and who are maintained in hospital by the bureau, is reduced to \$20 per month with the proviso that if the patient shall recover and be discharged from the hospital as cured, an additional amount of \$60 will be paid to him for each month the rate of compensation was reduced.

28. The compensation of an inmate of any asylum or hospital for the insane may, in the discretion of the director, be paid to the chief officer of the institution for the benefit of the patient.

29. In cases of veterans who are not totally and permanently disabled, and who are being maintained by the bureau in a hospital and who are without wife, child, or dependent parent, the amount of compensation after June 30, 1927, will not exceed \$40 monthly while remaining in hospital.

30. A veteran in hospital found to be retarding his own progress by gross dissipation will have not more than three-quarters of his compensation deposited with the Treasurer of the United States to accumulate at interest until his discharge from hospital.

31. Veterans' Bureau hospitals are made available to all honorably discharged veterans of the Spanish-American War, Philippine insurrection, Boxer rebellion, or the World War suffering from neuropsychiatric or tuberculous ailments and diseases, encephalitis lethargica or the loss of sight of both eyes regardless of whether such conditions are due to military service; and so far as existing government facilities permit, the director is further authorized to hospitalize honorably discharged veterans of any war, military occupation, or expedition since 1897, if such veterans have no adequate means of support, and by reason of their disability are unable to earn their living. In the event such veterans are not receiving any other pension, gratuity, compensation, or training allowance, there will be a monthly allowance of \$10 during the period of hospitalization.

32. Apportionment of compensation to the wife and children of a beneficiary is authorized where the disabled person is a patient in a hospital.

33. Retroactive reductions in compensation are forbidden except in case of fraud, and it is provided that reduction or discontinuance of compensation is to become effective the first day of the second calendar month after the reduction or discontinuance is determined.

34. There is a slight change in the provision limiting payments of compensation in those cases where the death or disability does not occur within one year after separation from the service. The exceptions in this bill are where within one year from the approval of this act evidence is furnished to establish the service origin of aggravation, or where there is an official record of injury during service.

35. Retroactive awards and increases of compensation are more strictly limited, the former to a period of one year prior to the date of claim instead of two years as at present, and the increases to revert back not more than six months prior to the date of claim for increased compensation instead of not more than one year as at present.

36. The provision that compensation shall not be paid while the person is in receipt of service or retirement pay has been changed to refer only to active service or retirement pay.

37. The provision requiring that claims against third parties be assigned to the United States before compensation is payable has been omitted, but the section in the war risk insurance act providing for the Government's rights in cases of liability of third parties have been saved in the repealing clause.

38. Injuries or death resulting from hospitalization or vocational training when not due to misconduct are made compensable in the same manner as though such injury or death had occurred in military service.

39. Cadets at the United States Military Academy and midshipmen at the United States Naval Academy are included in the definitions or "men" and "enlisted men," as used in the act, and there is a specific provision allowing application for insurance benefits by this class of persons.

40. All term insurance is required to be converted by July 2, 1926. Except when death or total permanent disability shall have theretofore occurred, all term insurance is to cease on that date.

41. If no beneficiary within the permitted class of beneficiaries survives, the present value of the remaining monthly installments, commuted at 5 per cent interest, will become payable to the estate of the insured.

42. Partial reinstatement of lapsed war-risk insurance is to be permitted on payment of back premiums. The reinstatement is to be applied for within one year after the enactment of this bill, or within two years after the lapse of the insurance. Physical disabilities of service origin, except permanent total disability, are to be no bar to reinstatement.

43. Automatic revival of insurance is provided in whole or in part in the cases of any person who allowed his insurance to lapse while suffering from a compensable disability for which compensation was not collected where such person dies or becomes permanently and totally disabled without collecting such compensation, the amount of uncollected compensation to be computed at the rate provided by section 302 of the war risk insurance act, as amended, December 24, 1919. This provision makes definite the language interpreted by the bureau in the Schwartz case. The provision for deduction of premiums from the amount of insurance so revived remains the same as in the present law.

44. Vocational training is limited to those who made application on or before June 30, 1923, instead of December 16, 1922, as at present. Training must be begun on or before June 30, 1924, and all vocational training and payments or allowances to trainees must be terminated by June 30, 1926.

45. This bill provides that the test of rehabilitation shall be employability.

46. The war risk insurance act, the vocational rehabilitation act, the act establishing the Veterans' Bureau, and all amendatory acts are repealed, all of them being replaced by this one bill.

The following letter from the Director of the United States Veterans' Bureau gives estimates of the possible costs of the changes incorporated in this bill:

UNITED STATES VETERANS' BUREAU,  
Washington, April 10, 1924.

Hon. REED SMOOT,  
Chairman of the Committee on Finance,  
United States Senate.

MY DEAR SENATOR SMOOT: In accordance with the request of the Subcommittee on Veterans' Legislation of the Senate Finance Committee, there is transmitted herewith an estimate of the probable cost of the provisions under S. 2257 with amendments, as reported by Senator Reed of Pennsylvania on April 2, 1924. In this connection it is to be borne in mind that there is no experience other than the recorded experience of the Veterans' Bureau to determine the probable development of many of these proposed changes, and it is further true that the recorded experience, while accurately showing the trend of certain activities of the Veterans' Bureau in the past, can only in a general way be used to determine what may be the result with relation to future claims. However, certain broad general assumptions can be made based upon past experience, and results of these broad general assumptions when applied to the item of cost may to a certain extent be considered as indicative of probable future cost.

Section 27 validates payments of compensation and insurance made pursuant to a regulation permitting permanent and total disability to be presumed from hospitalization or ratings of less than permanent total disability, and section 28 provides that no recovery of payments shall be made from any beneficiary who, in the judgment of the director, is without fault on his part, and where such recovery would defeat the purpose of benefits otherwise authorized or would be against equity and good conscience. The total outstanding overpayments, which, under existing procedure, are subject to collection from the beneficiary are \$1,889,265, representing amounts due from 13,933 beneficiaries. It is assumed that under the proposed sections 27 and 28 most of these payments would become valid and would not be subject to collection.

Section 200 under Title II, "Compensation and treatment," on page 27, provides presumption, prior to January 1, 1924, of neuropsychiatric diseases, active tuberculosis diseases, and encephalitis lethargica developing a 10 per cent degree of disability. It is impossible to estimate the cost of this legislation accurately, as you have previously been advised, due to the fact that we are dealing with physical conditions, the progress of which for the past several years can not well be measured. But, from existing records in the Veterans' Bureau, the following estimates of the possible cost under this legislation are given:

*Neuropsychiatric diseases.*—The records of the Veterans' Bureau indicate that up to approximately the present time there are approximately 18,000 cases where claim was made for neuropsychiatric disease or condition, and where the claim was reported disallowed because "not of service origin." It is assumed that all of these cases would be considered under this new presumptive clause. Reports in central office indicate that for all claims filed to date 14 per cent of these claims have been disallowed because the disability was less than 10 per cent. It is believed that for neuropsychiatric diseases, involving as they do cases of mental deficiency and constitutional psychopathic inferiority, this percentage is too small as representative of these cases, and it has therefore been assumed as reasonable that probably 25 per cent of the neuropsychiatric cases would have been disallowed for less than 10 per cent. Therefore, discounting the figure 18,000 by 25 per cent, to eliminate those that may be less than 10 per cent, there results 13,500 cases which would become compensable under this amendment. In this connection it is to be borne in mind that these cases have not necessarily been diagnosed by the Veterans' Bureau as neuropsychiatric cases. In considering the cost of this load of cases there may be some factor which should be applied to this figure to discount those cases which were not actually neuropsychiatric. No data are available to determine what this factor should be, but it is not believed in this type of case it is large. Assuming, however, that the total load of cases come over under this presumptive clause and that these cases would be paid the average rate now being received by neuropsychiatric cases (\$49.12 per month), the annual cost of this legislation would approximate \$7,957,000.

*Pulmonary tuberculosis.*—The records of the Veterans' Bureau indicate that there are approximately 26,000 cases disallowed because "not of service origin"

where the veteran claimed to have tuberculosis. However, in this instance there is a decided factor which must be taken into consideration, viz, that not in all instances where tuberculosis was claimed was tuberculosis actually a fact. There are no data available which would determine exactly what this factor might be, but it would appear reasonable to suppose that this factor would be as high as 33 per cent, and therefore this load of 26,000 should be discounted one-third, leaving a balance of 17,330 cases, which in accordance with the above may be considered as the possible load under this presumptive clause. Similarly, as in the instance of neuropsychiatric diseases, this figure must be further discounted by those cases which would probably be rated at less than 10 per cent. Applying the average per cent of claims which have been rated less than 10 per cent, viz, 14 per cent of total claims filed, to the above figure, there results a final figure of 14,900 cases, which it would seem reasonable to suppose will be affected by this legislation. Assuming that this final figure is reasonably representative of the number of cases which will come in under this new legislation, and further assuming that they will be paid at the average rate now being paid to tuberculosis cases (\$63.65 per month), the annual cost would approximate \$11,380,000.

*Encephalitis.*—It has been variously estimated that the number of encephalitis cases would range between 200 and 1,000. Assuming that this number of cases were 500, and further assuming that the period of duration of the disability would be 46 months, which is the average period of duration for all active claims, and assuming further that these cases would be carried on a temporary total basis, it appears reasonable that the cost for these cases would approximate \$540,000 per year.

Section 201, on page 29, provides that where a veteran of any war dies after discharge or resignation from the service and does not leave sufficient assets to meet the expenses of his burial and the transportation of his body, and such expenses are not otherwise provided for, the United States Veterans' Bureau will pay \$5 for a flag and a sum not exceeding \$150 for burial expenses, and further provides that where death occurs while such person is receiving governmental medical, surgical, or hospital treatment or vocational training the Government shall pay for the transportation of the body and burial expenses at the previous rates. The foregoing proposal does not affect existing regulation relative to burial payments but does increase the rates. During the fiscal year 1923 there was reported an expenditure of \$418,440 for burial expenses, representing 5,360 deaths. The average cost of burial on this basis is \$78. It is assumed that for the next several years there will occur approximately the same number of deaths as occurred in 1923, and if this be true the total cost at \$150 per burial would be \$804,000, or an annual increase of \$388,560.

Section 201, page 31, paragraph 7, provides that the receipt of a gratuity, pension, or compensation by widow or parent on account of the death of any person shall not bar the payment of compensation on account of the death of any other person. There has been collected from beneficiaries to date a total of \$50,000 where payment had previously been made and where it had been terminated due to the fact that pension was being received for another beneficiary. There is still uncollected \$232,405 where these double payments had been made. This proposal would validate these payments as well as pay other cases where payment has been disallowed to date and would also make retroactive all these payments. It is not possible to estimate the amount of money involved in these payments, but this legislation would cost a certain amount each year, and the retroactive effect thereof would be material.

Section 202, page 33, provides that the loss of hearing of both ears will constitute total permanent disability. At the present time there is a total of 242 cases involving diseases of the ear, nose, and throat which are rated 70 per cent or more, costing monthly in compensation \$20,490. It can reasonably be assumed that practically all these cases involve total deafness. If they were placed on a permanent and total basis, the monthly cost in compensation would be \$24,200, or a monthly increase of \$3,710, or, annually, \$44,520.

Section 202, page 34, provides for the payment of attendants at a rate of \$50 per month. The present monthly payment for attendants totals \$22,450, and applies to 835 cases. On the basis of \$50 per month, the cost would be \$41,750, which would be an additional cost of \$231,600 a year.

Section 202, page 35, provides that where a patient has been in a neuropsychiatric hospital for six months and shall be deemed by the director to be permanently insane, the compensation for such person shall thereafter be \$20 per month so long as he shall thereafter be maintained by the bureau in a neuropsychiatric hospital, provided the disabled person has neither wife, child, nor dependent

parent. At the present time there are in neuropsychiatric hospitals 3,664 cases diagnosed as psychotic, who have been hospitalized for six months or more. Statistics on all compensable claimants of the bureau indicate that 54 per cent are without dependents of any kind, and applying this percentage to the above figure there results a total of 1,979 patients who can reasonably be assumed to be affected by this legislation. Assuming that these 1,979 patients are now receiving, on an average, \$90 a month, which is the average hospital pay, including total temporary or permanent disability, the cost of these patients at the present time is \$2,137,320. If these men were paid at the proposed \$20 rate, the annual cost would be \$474,960, which would represent an approximate savings in existing expenditure after July 1, 1924, amounting to approximately \$1,662,360 annually. No figure is given as to the additional cost should certain of these patients be subsequently rated as less than permanent and total disability, since such great care is taken in rating insane cases permanent and total, there is very little probability of cases subsequently being rated less than permanent and total.

Section 202, page 36, provides that after June 30, 1927, the monthly rate of compensation for all veterans other than those totally and permanently disabled, who are being maintained by the bureau in a hospital of any description, and who are without wife, child or dependent parent, shall not exceed \$40. There is no possible basis of estimating the number of permanent and total cases who will be in hospitals on June 30, 1927. It is considered reasonable to assume that 50 per cent of the hospital load at that time will be permanent and total. The hospital population at the present time is approximately 24,000, and 50 per cent of this figure would be 12,000, which it is estimated would represent those cases not rated permanent and total. Of the beneficiaries of this bureau, 54 per cent are without dependents, and therefore, applying this percentage to 12,000 cases, there would result 6,480 cases who would be affected, under the assumption that the number of patients in hospitals after June 30, 1927, will be as great as it is now. Assuming that these cases now receive a rating of temporary total, i. e., \$80 per month, the annual cost for these cases would be \$6,220,800. The annual cost on a \$40 basis would be \$3,110,400, and this figure would represent the annual savings in expenditure by the Veterans' Bureau under this proposed legislation, based upon the foregoing assumptions.

Section 202, on page 38, provides for general hospitalization. In the maximum it is assumed that this would mean the filling up of all vacant available beds in Government institutions. It is estimated that at the end of the fiscal year 1925, considering the present plans for increased hospital facilities, there will be available approximately 30,000 beds in all Government hospitals. It is estimated that under existing legislation there would be approximately 25,000 patients of the Veterans' Bureau. It is further estimated that of these 25,000 cases, possibly 2,000 at that time will be cared for in civil or State hospitals, which would mean that there would be vacant in Government facilities approximately 7,000 beds. It further must be assumed that on the whole 5 per cent of the total beds should be reserved to permit the proper administration of the hospital, which would reduce the number of beds which might be considered actually available for utilization to 5,500. If under this proposed legislation these beds would all be occupied, there would result a total of 2,007,500 patient days, and while the average cost of hospitalization in Veterans' Bureau hospitals for the month of January was \$4.35 per patient per day, it is believed that because of the lower rates of the soldiers' homes and St. Elizabeths Hospital the average per diem rate of \$4 per day would be reasonably representative. Therefore, at this rate the additional cost of general hospitalization, not including travel, would approximate \$8,030,000 per year. In this connection it is possible that because of the increased utilization of Veterans' Bureau hospitals there would result a slightly lower per diem rate, which in turn would reduce the cost of hospitalization of those cases which would be hospitalized under existing legislation. With reference to travel, it is roughly estimated, based upon the experience of 1923, that the additional cost, because of this legislation, would be approximately \$400,000, and that therefore the total cost of this proposed legislation would approximate \$8,430,000, not considering the possible reduction in this figure, as a result of the lower rate obtaining for all patients in all hospitals than obtains at the present time, due to their greater utilization.

Section 202, page 39, provides that any veteran being hospitalized under the general hospitalization program, who is not then receiving any other pension, gratuity, compensation, or allowance, shall be paid by the bureau a monthly



allowance of \$10 while in such hospital. Assuming that under the foregoing paragraph all beds will be occupied at any one time, there would be involved the payment of \$10 a month on approximately 5,500 cases. The annual cost of this provision, therefore, would approximate \$660,000.

Section 210, page 45, provides that no compensation shall be payable for any period more than one year prior to date of claim therefor, nor shall increased compensation be awarded to revert back more than six months prior to the date of claim therefor. Under the existing legislation these periods are twice those proposed. In view of the fact that this section is not made retroactive, it would affect only those claims being awarded at the present time or in the future. It is estimated that during the calendar year 1924 there would be awarded approximately 7,986 claims, based upon the number of claims awarded during January and February of this year and the monthly reduction in the rate of awards over the past 24 months. It is further estimated, based upon a study of 1,000 cases, awarded during the calendar year 1923, that all these cases average approximately 14 months, and that the average rate of award was \$20.62. If these 1,000 cases were representative of all cases and the figures were applied to the estimated number of awards to be made during the calendar year 1924, it would mean that there would be a saving in the calendar year 1924 of \$329,342. The foregoing figure represents the estimated savings on new awards, but it does not measure the possible savings on amended awards where the retroactive effect can not be for more than six months. No figures are readily available to determine the possible savings under such an amendment.

To recapitulate the foregoing, the following summary is submitted showing possible amounts involved as continuing annual costs, retroactive (not continuing) costs, and annual savings. The effect of one phase of proposed legislation on another is not considered, nor is the effect of this legislation on insurance payments considered.

Item	Estimated continuing additional costs	Estimated savings
Presumption period:		
Neuropsychiatric.....	\$7,957,000	
Tuberculosis.....	11,380,000	
Encephalitis.....	540,000	
Burials.....	388,560	
P. T. for deafness.....	44,520	
Attendants at \$50.....	231,600	
Hospital pay to insane without dependents.....		\$1,662,360
Hospital pay for patients less than P. T. without dependents after June 30, 1927.....		3,110,400
General hospitalization.....	8,430,000	
Hospital pay \$10 per month to those not compensable.....	660,000	
Limiting retroactive payments.....		<sup>1</sup> 329,342

<sup>1</sup> Incomplete.

Very truly yours,

FRANK T. HINES, Director.

