STATEMENT OF
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THE AMERICAN LEGION
BEFORE THE
SUBCOMMITTEE ON BENEFITS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
THE DEPARTMENT OF VETERANS AFFAIRS' LIFE INSURANCE PROGRAMS

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Mr. Chairman and Members of the Subcommittee:

The American Legion appreciates this opportunity to share its views on the status, recent changes, and proposal for the Department of Veterans Affairs (VA) life insurance protection and benefit programs for veterans and active duty members and their dependents.

These programs are divided into two distinct categories; VA administered policies from the Philadelphia VA Insurance center, covering veterans up to the 1950s, the United States Government Life Insurance (USGLI), National Service Life insurance (NSLI) and Service Disabled Veterans Insurance (SDVI) and VA supervised policies covering veterans post 1970s, Servicemembers Group Life Insurance (SGLI) and Veterans Group Life Insurance (VGLI), administered by the Prudential Insurance Company.

VA, in addition, directly administers the Veterans Mortgage Life Insurance (VMLI) for veterans who qualify for VA housing grants for specially adapted homes. Overall these programs provide millions of veterans, military personnel and family members with almost half a trillion dollars of life insurance coverage.

The American Legion recognizes that the VA Insurance center in Philadelphia has evolved into an exemplary operation with few parallels in either government or the private sector. Efforts to achieve an almost paperless, 100 percent computerized claims workflow by September 30, 2003 will result in even higher efficiencies.

Cost comparisons show the VA's Philadelphia operation is much lower than private sector insurance providers, and significantly lower than the SGLI/VGLI unit in Newark, NJ. VA's improved performance is also seen in the customer satisfaction area with a 95 percent satisfactory rating for the past year. The American Legion notes this was recently recognized in a national study, the American Customer Satisfaction Index (ACSI), which provides a "gold standard" that over 200 companies use as benchmark for their performance. VA's score of 90 compared to the private insurance sector's score of 71 and the federal government's overall score of 69 shows a clear difference in the performance of the department. The Philadelphia insurance center was also awarded VA's highest organizational performance award in 2002.

A recent initiative begun in 2001 by VA's Insurance management, in response to an American Legion proposal, provides an insurance outreach effort for those servicemembers being discharged on disability retirement at a disability rating of 60 percent to 100 percent to ensure they are fully aware of the transition process and requirements for such coverage when they are released. This outreach involves special letters and direct phone calls, and has resulted in a 20 percent increase of these particular veterans enrolling. The American Legion agrees with a VA recommendation to increase the current one year free SGLI Total Disability Extension to two years. This would give some added leeway to severely disabled veterans, who are often precluded by their disabilities from proper personal financial planning, and will improve the VA outreach programs. The American Legion fully supports this proposal.

The American Legion has seen veterans, in the worst service-connected disabled conditions, lose the right to insurance coverage within a short time of leaving service. These beneficiaries receive very little in the way of benefits, because they are either unaware of the actions required or are simply unable to take the proper steps needed to ensure their service coverage remains in effect.

New brochures widely distributed to all interested organizations, public and private, and comprehensive interactive websites contribute to VA's veteran's service network. The American Legion notes VA is taking special care that all casualty claims from operations in the Middle East and South Asia are especially controlled and paid within 48 hours of receipt of a claim and required documentation.

Also in the SGLI/VGLI area, due to the demonstrated efficiency, cost savings, customer satisfaction performance, it is the opinion of The American Legion that better service would accrue to the group policyholders in these programs if the SGLI/VGLI operation were moved into VA's Philadelphia center. The American Legion would like to see a federal subsidy for this portion of VGLI premium costs. Veterans benefits are a moral obligation of government in their fundamental nature, and we do not believe active duty personnel should have to subsidize premium costs for service-disabled veterans as is now the case.

Several proposals for improvement of the VA service-disabled insurance programs have been developed in the past few years that involve primarily service-connected disabled veteran's life insurance coverage. In 2001, a study was completed for the Congress on the adequacy of VA's insurance programs. Generally, the result of the study was that the present SDVI program was completely inadequate due to obsolete and unrealistic face values, severe time limits and qualifying requirements, and the continuing lack of awareness of the existence of the benefit on the part of disabled veterans.

Two separate proposals were developed from this study. One proposal would provide such veterans up to $50,000 term insurance coverage on a level, permanent premium basis up to age 70, at which point the amount of insurance would reduce to 20 percent of the face value held, but which would then be in a paid-up insurance state. A standard disability waiver of premiums provision would also apply, and the aggregate of service-disabled coverage held under all such programs would not exceed $50,000. Qualifying criteria would be the same as for the current SDVI program, but with the added constraint of an overall eligibility period of applying for such within 10 years of release from active duty and that applying veterans be under age 65. Premium rates would be level and based on the 2001 Commissioner's Standard Ordinary (CSO) Mortality Table.

The American Legion has long been in favor of this enhancement to the VA's SDVI program, bringing it into line with today's economic realities. The standard SDVI maximum of $10,000 has long been insufficient, and only the most disabled veterans under age 65 who cannot work because of their disabilities qualify for supplemental SDVI coverage, for which they must pay full premiums.

We feel this option is a step in the right direction, but we favor a more extensive overall eligibility period than the 10 years after release from active duty specified in VA's proposal. We also believe that service-disabled veterans who receive increases in their service-connected disabilities, rather than only those who receive original ratings for service-connection, should be eligible to apply for such coverage and that such a provision be extended to the regular SDVI program as well. In connection with this it has been our experience that the present two year eligibility period from the date of notification of a rating is too restrictive and should be extended to a more appropriate time period for all SDVI programs. Too many disabled veterans lose the chance for much needed insurance coverage because they are unaware of the program or because they were not able to see beforehand how their service-connected disabilities would progress.

Further, as the majority of applications for SDVI are currently from Viet Nam era veterans, The American Legion supports an open period on this program for this group is appropriate, especially in light of their current service-connected disability levels and the deficiencies in the VA insurance programs in effect during that time.

The American Legion suggests increasing the maximum amount of the present Supplemental SDVI coverage from the current $20,000 limit to $40,000 for those who are already insured under the current SDVI program, or who would qualify only for the current program due to being outside the designated application period for the above proposal. It is obvious that $20,000 is not a sufficient amount of coverage for such veterans, who by definition are totally disabled from their service-connected disabilities – making gainful employment virtually impossible. Such additional coverage would allow desperately needed relief for this group. Additionally, The American Legion suggests offering a new enrollment period for those who would qualify for SDVI coverage, but are outside the eligibility period as set by law, that such a re-opened period be at least of one, and preferably two, years duration.

Lastly in the SDVI area, VA wishes to lower premiums to a more reasonable level. SDVI premiums are based on an old mortality table, i.e. the 1941 CSO Mortality Table. In 1951, when this program began, these premium rates were competitive with commercial insurance policy rates; however, as life expectancy has significantly improved over the past 60 years, a more recent mortality table would reflect lower mortality and, hence, significantly lower premium rates.

VA has one other insurance program for specially disabled veterans; the Veterans Mortgage Life Insurance (VMLI) program. VMLI provides mortgage life insurance coverage to certain severely disabled veterans who have received grants for Specially Adapted Housing from VA. The insurance is intended to pay off the outstanding balance of the mortgage in the event of the veteran's death. The current maximum amount of VMLI allowed an eligible veteran is $90,000, dating from December 1, 1992, the previous limit being $40,000.

The American Legion's National Commander, John Brieden, presented testimony to a joint hearing of the House and Senate Veterans' Affairs Committees requesting that the current limit of VA Home Loan Guarantee of $252,500 be raised to $300,000 and that higher limits be established for areas of the country with higher housing costs. In San Francisco, California in 2002 the median price of a home was $482,300, an actual decrease of .3 percent from 2001. In Boston, Massachusetts the median price of a home was $358,000; in the New York City Metro area, $285,600; and here in Washington D.C. the median home cost $229,100 in 2002, up 19.8 percent from $183,700 in 2001. Clearly the current VMLI coverage is inadequate in these areas.

Finally, attention must be brought to the VA recommendation excluding Government life insurance benefit, from being considered as income or resources for purposes of determining eligibility for, or the amount of benefits under, any Federal or federally-assisted program or for any other purpose.

Eligibility for certain Federal or federally assisted benefit programs, primarily Medicare and Medicaid, is based upon certain asset or resource limitations. Under existing law, VA insurance benefits are included for purposes of determining the value of an individual's assets and such inclusion often results in disqualifying that individual from federal benefits. As a result, some policyholders, that would otherwise choose to maintain life insurance, surrender their policies in order to reduce their assets and qualify for these benefits.

Under this VA proposal, the value of government life insurance benefits would not be a factor in an individual's ability to qualify for other Federal or federally assisted benefit programs. The average age of NSLI policyholders is 77, generally an age where eligibility for medical assistance and nursing home care benefits under Social Security's Medicare and Medicaid programs is a primary concern. The American Legion does not oppose congressional action to exclude government life insurance proceeds from all Federal income and asset limit benefits programs. The forced surrender of these policies to qualify for other Federal benefits obviously defeats congressional intent in providing them.

Mr. Chairman, The American Legion would like to address an area of veteran's benefits that could be well served by a new program of VA insurance: long term care.

The veteran population is projected to decline significantly – from 26.5 million in 2000, to approximately 17.9 million in 2020, and to 15 million in 2030. This increasingly older veteran population will result in increased demand for long-term care, to include nursing homes and community health care programs and services.

The CARES Commission is currently reviewing planning initiatives and developing market plans for each Veterans Integrated Services Network (VISN) addressing effective and efficient utilization of its capital assets. Long-term care is to be added later, once CARES is incorporated into VA's strategic plan. Unfortunately, VA's 2003-2008 Strategic Plan has little to say about long term care, except to express concern over the quality and availability of contract nursing home care. The American Legion is deeply concerned that the continuum of care mandates of the Veterans Millennium Health Care and Benefits Act will not receive the appropriate attention anytime in the foreseeable future.

Currently, VA provides long-term care, either in its own facilities or through per diems paid to State Veterans Homes and contract nursing home care for veterans service connected at 70 percent and higher, certain other service-connected and nonservice-connected veterans. All other veterans are considered for long term care on a case-by-case basic, subject to space and resource availability. A VA long-term care insurance program could provide both institutional and non-institutional long-term care for more veterans.

Nursing home care is expensive: the national average cost of a semi-private room in a nursing home is $52,000 annually. Depending upon the location and the type of facility preferred, costs can be significantly higher. Nursing home costs have been increasing approximately 5 percent a year. If this trend continues for another 30 years, the cost of nursing home care (for a semi-private room) in 2032 is expected to be $190,000 a year. Home health care is also expensive the national average annual cost being well over $20,000 ($18/hour, five hours per day, five days a week for a home health aide). This is expected to climb to $68,000 by 2030.

Today, the federal government and many other employers offer premium based long-term care insurance. In the case of the federal program, employees are able to select services packages they believe they will need and pay into the program over time. With compounding of interest on premiums, they are funding their own long-term care. Those without this opportunity must rely on Medicare and Medicaid to provide long-term care. Medicaid is designed to protect those with minimal assets. To qualify, many people "spend down" nearly all of their assets. Medicare only pays limited amounts for skilled care following a hospital stay. It does not cover purely custodial care, the type that is required by most people in nursing homes.

The American Legion believes a similar long-term care insurance program for veterans would not only provide security for aging veterans and their families, but would create a funding pool large enough to incentivize the private nursing home industry to build new capacity. Given the success of VA's insurance activity, the VA would be the most logical choice to administer such a program.

Mr. Chairman, that completes my testimony. Again, I thank you for allowing The American Legion the opportunity to provide comment on these programs and issues which are crucial to this nation's military personnel, their families, and the honored veterans. The American Legion looks forward to working with this Subcommittee on these issues.