

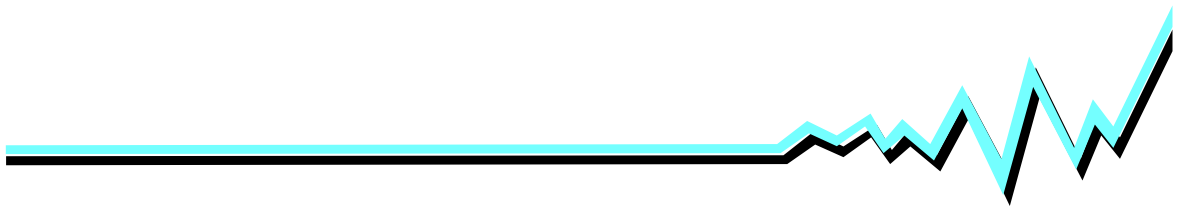


Veterans Affairs  
Canada

Anciens Combattants  
Canada

# Evaluation of Disability Pensions and Awards

Final: August 2010



Canada 



*This report was prepared by the  
Audit and Evaluation Division*

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## EXECUTIVE SUMMARY

The evaluation of Veterans Affairs Canada's (VAC) Disability Pension and Disability Award Programs originated in the requirement to support the renewal of the Terms and Conditions of the Disability Award Program by March 2011. The Disability Award Program is part of the New Veterans Charter (NVC) suite of programs introduced in 2006 in order to meet the needs of a shifting client demographic. The NVC represents the most sweeping changes to Veterans' benefits and services in the past 60 years.

This modernization relies on a shift in culture for VAC; moving from a model of delivery of benefits to aging Veterans to a model of case management aimed at encouraging and supporting younger clients as they re-establish themselves in civilian life. NVC programs and services are intended to support Veterans and clients at a point in time in which they are needed. Other programs and services NVC offers include rehabilitation, financial benefits, health benefits, and career transition services. The evaluation of pensions and awards is being conducted concurrently with a comprehensive evaluation of the New Veterans Charter (NVC) suite of programs. This evaluation is being completed in three phases with a report being developed for each phase. The first phase assessed the design and relevance of the NVC; the second phase evaluated outreach, application process and service delivery framework; and the final phase assesses progress towards expected outcomes. The evaluation of Disability Pensions and Awards should be read in conjunction with the NVC Evaluation reports.

The implementation of the NVC and the shift from monthly disability pensions to lump sum disability awards has met with both praise and criticism from individual Veterans, Veterans' organizations, Departmental Advisory committees, and the Veterans Ombudsman. For some clients, the NVC has been a positive experience, on the other hand some stakeholders would like to see VAC revert to either a monthly model or one that offers clients a choice (among the single lump sum, an annuity, or a monthly pension). In some circumstances over the course of a lifetime, a disability pension and associated benefits results in more benefits being paid to the client than is the case with the disability award and other relevant NVC benefits.

The disability award recognizes and compensates CF members and Veterans for the non-economic effects of service related disability including pain and suffering and functional loss on the lives of CF members, Veterans, and their families. The award is a monetary tax-free lump-sum payment, the amount of which is assessed according to the extent of a disability, based on the instructions and a Table of Disabilities made by the Minister for the guidance of persons making such assessments. Other NVC benefits provide benefits for the effects of permanent impairment. The Disability Award Program is no longer the only gateway for CF clients to other VAC services and benefits, as the NVC's Rehabilitation Program is also a gateway to many VAC services and benefits.

The *Pension Act* provides for a disability pension, a tax-free monthly payment which is assessed based on the instructions and a Table of Disabilities made by the Minister for

the guidance of persons making such determinations. The underlying rationale of the disability pension is to provide compensation for the severity of the particular disability endured and its relative impact on earning capacity. The program was designed for the “traditional” World War I and II Veteran and is available to CF Veterans and Merchant Navy Veterans of the First and Second World War and the Korean War as well as civilians who served in close support of the Armed Forces during wartime, and current or former members of the Regular or Reserve Force, provided the CF Veteran applied for the pension prior to the implementation of the NVC. One of the identifying characteristics of the disability pension is that the pension served as the main “gateway” to other VAC programs such as treatment benefits, long-term care and the Veterans Independence Program (VIP). Critics of the Disability Pension Program have argued that the monthly payment may encourage a focus on disability, not wellness.

The main purpose of the Evaluation of Disability Pension and Awards is to assess similarities and differences in program design, delivery, activities, outputs, and outcomes. The evaluation considers relevant elements of other NVC programs, where appropriate in comparisons. The main questions the evaluation addressed are:

- How do disability pensions and awards contribute to the federal government priorities?
- With the implementation of the NVC and the Disability Award, have the roles and responsibilities for VAC in recognizing war service disability changed?
- What are the inputs and outputs of the disability award in comparison to the disability pension?
- To what extent do the disability award and the disability pension meet desired outcomes?
- What are the program design differences of disability pensions and disability awards in addressing client need?
- To what extent do disability awards or disability pensions address a demonstrable need?

The evaluation strives to include the entire suite of NVC programs in the comparison of disability awards and disability pensions. Extensive data analysis of client uptake and expenditure forecasts, as well as actual client utilization and expenditures also support findings. This information was derived from multiple sources, with VAC data provided by VAC’s Statistics Directorate. The dates of data extracts used span the 2003-2004 to March 2010 period. Also, the evaluation used research conducted during Phase I of the NVC evaluation. Current data are not necessarily indicative of what the data will look like in the future (i.e. 5 or 10 years out) as the CF demographics evolve.

Case scenarios were used as the primary method of comparative analysis to demonstrate the similarities and differences in the two benefits at the client level, depending on the type of client and the extent of disability. Each case provides present value calculations to compare the value of a monthly pension payment to a lump-sum

award payment, reflecting the time value of money, based on client's age and life expectancy. The full scenarios can be found in Appendix F of the full report and the findings are presented in Section 4.5.

One of the Government of Canada's desired outcomes stated in the 2008-2009 Government of Canada Report on Plans and Priorities was "income security and employment for Canadians". VAC's strategic outcome states that eligible Veterans and other clients achieve their optimum level of well-being through programs and services that support their care, treatment, independence and re-establishment. Both the disability pension and disability award support this outcome. However, performance measurement plans are not fully aligned with the outcomes of the Disability Awards Program; therefore it is difficult to draw conclusions on the success of the program.

VAC roles with regard to the processing and adjudication of disability benefits for Veterans and other clients have not changed significantly. Since the introduction of the disability award, employees working in the area of disability benefits have the added responsibility of becoming more knowledgeable about the application of an additional piece of legislation and how it inter-relates with the pre-existing legislation. A particular challenge exists as these entitlements apply to "dual clients", clients who have both a disability pension and disability award. Some work flow processes and reporting relationships have changed to accommodate the reality of functioning under two pieces of legislation rather than one.

Recipients of both the disability pension and the disability are eligible for payment of treatment benefits related to the assessed condition. The respective governing legislation authorizes different effective dates from which the payment of treatment benefits can first take effect. Disability award clients are eligible for the payment of treatment benefits prospectively from the date of the decision which grants their award. Disability pension clients are eligible for reimbursement of the cost of treatment benefits from the date the pension is payable, which is the later of the date of application or three years prior to the date of the decision. Program Management is currently aware of this gap between the programs and will be considering it within the context of future program changes.

There is still some confusion regarding the purpose of the lump sum, despite the plethora of information VAC has distributed and published on its web site regarding the NVC and other programs. VAC's direct communication of disability benefit decisions and related entitlements by direct letters to clients can be difficult to understand. However, VAC's ongoing efforts to improve outreach and communication to clients are expected to address these issues. Payment of a disability award is clearly an act of compensation.

A potential issue warranting further review raised during the evaluation's fieldwork was that the lump-sum award may be paid out at a time when the client is not in a position to responsibly administer their finances. VAC has developed provisions, such as case management and reimbursement of financial counselling costs, to support clients in

their long-term management of the lump sum, but these measures have not been fully implemented.

Which payment stream is most monetarily advantageous is dependent on factors including marital and dependent status, life expectancy, and severity of disability. NVC offers more generous benefits for some single clients and for survivors than does the Disability Pension Program. As well, during the point in time when the client is in need, the NVC benefits are more generous than pre-NVC. However, married CF members and Veterans with children would have received more compensation prior to the implementation of the NVC, especially if clients only accessed the Disability Award Program and not the additional benefits associated with the NVC's Rehabilitation and Financial Benefits Programs.

### ***Conclusion***

Many CF clients have families and may have decades of civilian life ahead of them. The intention of the lump-sum disability award is to offer a sense of closure respecting service related disability and allow recipients to successfully focus on a new life and career path, with the support of other NVC programs. The NVC model is consistent with modern disability management practices that emphasize de-linking disability benefits from other programs and services. At the time the NVC was introduced, there was an expectation of pent up rehabilitation demand. However, overall, there was only a 7.5% participation rate in the Rehabilitation Program from April 2006 to February 2010; therefore, there does not yet appear to be full integration of the NVC suite of programs.

The disability award (DA) and disability pension (DP) are not easily compared. While the DP provided monthly income, sometimes clients only accessed the pension so they were able to open the gateway to Veterans Independence Program (VIP) and treatment benefits. Additionally, clients receiving large monthly disability pensions did not have any incentive to transition to civilian life. The disability award is a lump sum payment and clients need not access the DA program in order to qualify for rehabilitation and financial benefits programs.

At the lowest levels of disability there is evidence that some clients may be better off under the NVC than they were prior to its implementation. This applies in both a financial sense and in a non-economic sense (client is able to successfully transition to civilian life). However, more needs to be done for clients at the higher levels of disability. This evaluation supports recent suggestions that clients who are severely disabled may require more support from VAC.



## **RECOMMENDATIONS:**

- R1** It is recommended that the Director General, Program Management Division: (Essential)
- a) clearly map how the outcomes for the Disability Award program link to the outcomes of the other NVC programs; and
  - b) ensure the VAC performance measurement plans are consistent with the outcomes of the Disability Awards Program.
- R2** It is recommended that the Director General, Policy and Research Division, in cooperation with the Director General Service Delivery Management conduct research to quantify the scope and magnitude of issues associated with “at risk” clients receiving lump sum awards and the resulting effects on clients’ long-term well-being and re-establishment in civilian life. (Essential)
- R3** It is recommended that the Director General, Policy and Research Division and Director General, Program Management Division review the benefits and/or allowances available to severely disabled clients under the New Veterans Charter, and where necessary, seek authority to ensure the needs of these clients are adequately met. (Critical)
- R4** It is recommended that the Director General, Policy and Research Division consider conducting an analysis of the need for and feasibility of reimbursing treatment benefits for disability award recipients retroactive to the date of application. (Essential)

## 1.0 BACKGROUND

The need for this comparative evaluation originates in the requirement to support the renewal of the Terms and Conditions of the Disability Award Program by March 2011. This evaluation is being conducted concurrently with a comprehensive evaluation of the New Veterans Charter (NVC) suite of programs. This evaluation is being completed in three phases with a report developed for each phase. The Phase I report was released publicly in March 2010 and focused on the relevance and rationale of the NVC and its programs. The Phase II report, which will be released in September 2010, will focus on the effectiveness and efficiency of Veterans Affairs Canada's (VAC) outreach, application processes, and service delivery frameworks for the suite of NVC programs. The Phase III report, due in December 2010 will focus on unintended impacts and the NVC's success in achieving desired outcomes. Efforts have been made to reduce duplication and overlap between the two evaluations. As such, some elements of this evaluation borrowed from and built on work completed in the NVC Phase I Evaluation, but the focus centers on the comparison between disability pensions and disability awards. The Evaluation of Disability Pensions and Awards should be read in conjunction with the NVC Evaluation reports.

The implementation of the Disability Award Program was part of a broad and fundamental change within VAC. The disability award is one of several NVC programs and services designed to modernize and adapt VAC programs in order to meet the needs of a shifting client demographic. Other programs and services NVC offers include rehabilitation, financial benefits, health benefits, and career transition services. This modernization relies on a shift in culture for VAC; moving from a model of delivery of benefits to aging and dependent Veterans to a model of case management aimed at encouraging and supporting younger clients as they re-establish themselves in civilian life, including family, community, and employment. NVC programs and services are intended to support Veterans and clients during the point in time in which there is a need.

Both the Disability Award Program and the Disability Pension Program continue to operate and share the same activities, processes, objectives, and desired outcomes despite differing program intentions. As a result, neither all challenges nor successes can be attributed to either the pension or the award in isolation. Additionally, a comparison of the two disability benefit programs is best when accounting for the other NVC programs as the Disability Award Program is one of a suite of concurrent benefits, both financial and non-financial.

The implementation of the NVC and the shift from pensions to awards has met with both praise and criticism from individual Veterans, Veterans' organizations, Departmental Advisory committees, and the Veterans Ombudsman. For some clients, the NVC has been a positive experience, on the other hand some stakeholders would like to see VAC revert to the pension delivery model or offer clients a choice between the single lump sum, an annuity, or a pension. The point has also been made that, over the course of a

lifetime, a disability pension may result in more benefits being paid to the client than he or she receives under the disability award. The case scenarios discussed in section 4.5 seek to address these concerns.

## 2.0 STUDY APPROACH

The purpose of this evaluation is to compare the disability award and the disability pension using the five criteria presented in Table 1 below. Similarities and differences in program design, delivery, activities, outputs, and outcomes were assessed in order to determine the impact of the change from pensions to awards. The evaluation considers relevant elements of other NVC programs, where appropriate in the comparison. The Terms of Reference for the evaluation are in Appendix C.

### 2.1 Scope of Work

The core evaluation issues and specific evaluation questions which will be covered by this evaluation are presented in the table below.

**Table 1: Evaluation Questions**

Objective	Evaluation Questions
To assess the linkages between the objectives of disability pensions and awards and (i) federal government priorities; and (ii) departmental strategic outcomes.	How do disability pensions and awards contribute to the federal government priorities?
To assess the roles and responsibilities for VAC in delivering the disability pensions and awards program.	With the implementation of the NVC and the disability award, have the roles and responsibilities for VAC in recognizing war service disability changed?
To assess resource utilization in relation to the production of outputs and progress toward expected outcomes.	What are the inputs and outputs of the disability award in comparison to the disability pension?
To assess progress towards expected outcomes (incl. immediate, intermediate, and ultimate outcomes) with reference to performance targets and program reach, program design, including the linkage and contribution of outputs to outcomes.	To what extent do the disability award and the disability pension meet desired outcomes?  What are the differences?
To assess the extent to which disability awards continue to address a demonstrable need and are responsive to the needs of CF Veterans; particularly in comparison to disability pensions.	What are the program design differences of disability pensions and disability awards in addressing client need?  To what extent do disability awards or disability pensions address a demonstrable need?

## **2.2 Methodology**

The evaluation was conducted in accordance with the directive and standards specified in Treasury Board's 2009 Policy on Evaluation.

The research methodology incorporated multiple lines of evidence, thus ensuring the reliability of information collected and results reported. Fieldwork for this report was conducted from October 2009 to April 2010. The evaluation framework is presented in Appendix D and shows how multiple lines of evidence support the findings in key objectives. A detailed explanation of the methodology is presented in Appendix E.

A documentation review was performed to assess the theory, design, and concept of operations for the disability award and the disability pension, as well as to provide pertinent background information. Primary sources for the review included the departmental subject record files, legislation, VAC policies and business processes and the results of previously completed studies, reviews, and analysis. As previously indicated, this evaluation relied on research conducted during Phase I of the NVC evaluation in order to reduce duplication of effort as well as to lessen respondent burden. Extensive data analysis of client uptake and expenditure forecasts as well as actual client utilization and expenditures also supported findings. This information was derived from multiple sources in VAC's Reporting Database and FreeBalance financial system. The dates of data extracts used span the 2003-2004 to February 2009-2010 period.

Case scenarios were used as the primary method of comparative analysis to demonstrate the differences in the two benefits at the client level, depending on the type of client and the extent of disability. Each case provides present value calculations to compare the value of a monthly pension payment to a lump-sum award payment, reflecting the time value of money, based on client's age and life expectancy. The full scenarios can be found in Appendix F and the findings stemming from the analysis of the scenarios are presented in Section 4.5. More detailed information on the methodology can be found in Appendix E.

Key informant interviews served as an important source of information. These interviews provided context to the documentation review and data analysis as well as qualitative input on the evaluation questions. In total, 39 interviews were completed with VAC employees across the country in district and regional offices and Head Office as well as with Department of National Defence (DND) employees. Interviews with employees covered the three years prior to and the three years since the implementation of the NVC on April 1, 2006, in order to compare program delivery and service to clients under the two benefits.

### **2.2.1 Limitations**

Budgetary and time constraints did not allow for the evaluation to consult stakeholders directly. However, client focus groups and client surveys are being done as part of the

overall NVC Evaluation and will be reported in the Phase III report. For this study, stakeholder reports and documents produced by the Veterans Ombudsman were reviewed. In addition, although there is some criticism surrounding eligible beneficiaries of the NVC death benefit, the evaluation did not cover this issue.

The evaluation strives to include the entire suite of NVC programs in the comparison of disability awards and disability pensions. Actual data are used to build case scenarios and assumptions are clearly stated. However, current data are not necessarily indicative of what the data will look like in the future (i.e., 5 or 10 years out) as the CF demographics evolve. As well, in analyzing the medical and psychosocial rehabilitation costs, it was noted that coding amongst disability pension/award and rehabilitation attribution are less than clear. Through detailed analysis, this evaluation reports rehabilitation costs that are higher than those reported in the Public Accounts, as the evaluation acquired more comprehensive data and included costs that could either be attributable to rehabilitation or to the clients disability condition.

The program logic model for the disability award and disability pension was approved after the majority of the data analysis for this evaluation was conducted. In the approved logic model, disability pensions and awards share the same model. Performance Measures for these two programs are largely output and not outcome driven. These factors limit the assessment of client outcomes for this evaluation. As a result, the outcome findings of this evaluation identify areas of potential concern (further details on these findings are in section 4.0). Further research into these areas of concern will be required to determine their magnitude. Phase III of the NVC comprehensive evaluation will also fill some gaps in outcome information.

The detailed methodology presented in Appendix E presents the assumptions and limitations of the case scenarios.

### 3.0 DESCRIPTION OF THE DISABILITY BENEFITS PROGRAM

The Disability Benefits Program recognizes and compensates Veterans and eligible clients for service to Canada that resulted in death or a disability. These disability benefits are based on entitlement (i.e., link to service) and assessment (i.e., extent of the disability) and have been provided to Veterans since 1919.

#### 3.1 Disability Pension

The disability pension is a tax-free monthly payment determined based on the extent of the Veteran's disability, as determined by the Table of Disabilities. The assessment of the extent of a disability is based on the instructions and a Table of Disabilities made by the Minister for the guidance of persons making such assessments. The underlying rationale of the disability pension is to provide some compensation for the severity of the particular disability endured and its relative impact on earning capacity. The program was designed for the "traditional" World War I and II Veteran and is available to CF Veterans and Merchant Navy Veterans of the First and Second World War and the Korean War as well as civilians who served in close support of the Armed Forces during wartime, and current or former members of the Regular or Reserve Force, provided they applied for the pension prior to the implementation of the NVC. One of the characteristics of the Disability Pension is that the pension served as the main gateway to other VAC programs such as treatment benefits, long-term care and the Veterans Independence Program (with the exception of low income war service clients in receipt of the War Veterans Allowance). For 2010, the maximum monthly Disability Pension (i.e., at 100% excluding Attendance Allowance [AA] and Exceptional Incapacity Allowance [EIA]) rates are as follows:

Single client: \$2,398/month	Married client: \$2,997/month
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Additional compensation for dependent children:

First child: \$312/month	Second dependent child: \$228/month	Additional dependent children: \$180/month
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Additional disability benefits under the Pension Program include the following:

- **Additional Pension for Spouse and Dependents** is payable in respect of a spouse or dependent child(ren).
- **Prisoner of War (POW) Compensation** is available to Veteran or qualified civilians who were held prisoner, or avoided capture, by enemy forces. Additional compensation may be awarded to qualified dependents.
- An **Attendance Allowance** may be awarded to Veterans who receive a disability pension, or a POW compensation and are totally disabled and need help with daily living tasks, such as having a bath, eating or going to

the bathroom. The amount is based on the degree of attendance needed in the day-to-day personal care of the pensioner.

- An **Exceptional Incapacity Allowance** can be awarded to pensioners (with a disability pension at 98% and above) who are exceptionally incapacitated in whole or in part by their pensioned disability. The amount of the allowance is based on the extent of the helplessness, pain, loss of enjoyment of life and shortened life expectancy of the pensioner.
- A **Clothing Allowance** is available to disability pensioners who are amputees, wear special appliances, require specially-made clothing or who suffer from a pensionable disability which causes them to soil their clothing excessively. The purpose of this additional monthly allowance is to purchase special clothing.
- **Survivor and/or Survivor Dependent Benefits** are available to the surviving spouse or common-law partner (and in certain cases to parents and/or siblings of deceased pensioners) of a disability pensioner or a former POW. The benefit includes, for one year, all the monthly benefits (including pensions and allowances) that were in place at the time the Veteran passed away. At the end of the one-year period, a survivor pension is paid, the amount of which is dependent upon the percentage of the disability pension and/or POW compensation that was being paid at the time the Veteran pensioner/POW passed away.

### 3.2 Disability Award

The Disability Award Program was introduced in April 2006 as part of the NVC in order to encourage wellness and facilitate transition of CF clients and their families from military to civilian life. The disability award recognizes and compensates CF members and Veterans for the non-economic effects of service related disability including pain and suffering, and functional loss on the lives of CF members, Veterans, and their families. The award is a monetary tax-free lump-sum payment, based on the extent of the disability. Other NVC benefits provide benefits for the effects of permanent impairment. The assessment of the extent of a disability is based on the instructions and a Table of Disabilities made by the Minister for the guidance of persons making such assessments. The Disability Award Program is no longer the only gateway to other VAC services and benefits. In addition to the award, the Disability Award Program includes the following disability benefits:

- The **Clothing Allowance** is awarded to CF members or Veterans who received a disability award due to an amputation or other disability that causes wear and tear on clothing or whose assessed disability requires the client to wear specially-made clothing.



- The **Detention Benefit** is a tax-free lump-sum payable to CF members or Veterans who, while serving in the Forces, were detained by an enemy, opposing force or person or group carrying out a terrorist activity; or who evaded capture or escaped from any power.
- The **Death Benefit** is a tax-free, lump-sum payment paid to a spouse or common-law partner, and dependent children, if a CF member is killed while in service or injured while in service and dies within 30 days of the injury.
- Recipients of lump-sum benefits may wish to seek out the **Financial Advice** of an expert to help the client manage the lump-sum payment. If the payment is \$12,500 or more, some, or all, of the fees related to this advice may be paid by VAC, up to a maximum of \$500.

## 4.0 EVALUATION FINDINGS

This section of the report presents the findings, conclusions and recommendations relating to linkages to federal government priorities and Departmental strategic objectives.

### 4.1 Linkages

***Evaluation Objective: To assess the linkages between the objectives of disability pensions and awards and (i) federal government priorities and (ii) Departmental strategic outcomes.***

The following sections present the relationship between the Disability Benefits Program and federal government priorities as expressed by the 2008-2009 Government of Canada Report on Plans and Priorities (GOCRPP) as well as the linkages between the Program and Departmental strategic outcomes.

#### 4.1.1 Linkages to Federal Government Priorities

According to the 2008-2009 GOCRPP, one of the key desired outcomes of the Government of Canada is “income security and employment for Canadians.” Among the program activities typically aligned with this outcome area is the provision of retirement and survivor pensions and compensation as well as non-tax benefits for vulnerable populations, including children and people with disabilities. Both the DP and the DA clearly support this outcome.

#### 4.1.2 Linkages to Departmental Strategic Outcomes

VAC’s mandate is to provide *care, treatment or re-establishment in civilian life of any person who served in the Canadian Forces or merchant navy or in the naval, army or air forces or merchant navies of Her Majesty, of any person who has otherwise engaged in pursuits relating to war, and of any other person designated by the Governor in Council.* The focus of this mandate is further highlighted in VAC’s strategic outcome, which is that *Eligible Veterans and other clients achieve their optimum level of well-being through programs and services that support their care, treatment, independence and re-establishment.*

Recipients of either a disability award or a disability pension are eligible for treatment benefits and other services or care in respect to the disabling condition related to their service. In addition, the NVC includes other programs which releasing CF members and their families can receive additional benefits and services. Together with these other NVC programs, the disability award is considered the foundation for releasing CF members and their families to achieve their optimum level of well-being and independence. The intent of the disability award is to offer “a sense of finality that, coupled with the wellness programs, can help Veterans, members, and their families move on to successfully focus on a new life and career path.”

## **Conclusion**

The disability award, like the disability pension, is highly consistent with the priorities and objectives of both the federal government and VAC.

### **4.2 Roles and Responsibilities**

***Evaluation Objective: To assess the roles and responsibilities for VAC in delivering the disability pensions and awards.***

The implementation of the NVC and its programs brought about many Departmental changes. First, there has been a steep learning curve as employees learn about and work within new legislation, services, policies, and processes. In some regional offices, there have also been organizational changes, unrelated to the implementation of the disability award, which result in slightly differing roles and reporting relationships for employees who work in disability benefits. At the same time, VAC is discovering that new emerging clients are clustered around bases and are not necessarily aligned with current district office locations.

At the same time as the NVC was put in place, VAC implemented a revised Table of Disabilities, which is the instrument used by VAC to assess or reassess the degree of impairment caused by an entitled disability for the purposes of payment of a disability pension or award. As a result of the revisions, the 2006 Table of Disabilities provides impairment relativities between body systems and consideration of quality of life factors in determining pension and award assessments.

In addition, the National Contact Centre Network (NCCN) became responsible for distributing application kits for the NVC, including the disability award, with the intent of freeing up time in the district offices for direct client service. Prior to the NVC, district offices would send out application packages. This change in work flow has resulted in an increase in calls to the NCCN.

Pension officers' and pension assistants' knowledge intake of disability benefits has increased in order to appropriately counsel CF members, Veterans, and pensioners to help them with their application for benefits under the two programs. Determining how to counsel "dual clients" poses particular challenges. Dual clients are those in receipt of both a disability pension and an award. Notwithstanding these changes in knowledge, the roles and responsibilities of disability benefit employees do not change when processing disability awards as compared to processing disability pensions.

Similarly, the role of the Head Office adjudication unit has not changed, though employees were required to simultaneously learn how to apply the new *Canadian Forces Member and Veterans Re-establishment and Compensation Act* (CFMVRCA) as well as the revised 2006 Table of Disabilities while continuing to process a constant flow of applications. In addition, some internal reorganization has taken place to allow for team leaders to gain specialized knowledge of particular issues. The adjudication of dual client claims continues to pose challenges. With the support of Ancillary Benefits

and Medical Advisory Services, adjudicators render the favourable or unfavourable decision on a claim and the Benefits Processing Unit calculates payments, incorporates pay information into the client's decision letter, and distributes the letter to the client.

## **Conclusion**

VAC roles with regard to the processing and adjudication of disability benefits for Veterans and other clients have not changed significantly. Since the introduction of the disability award, employees working in the area of disability benefits have the added responsibility of becoming more knowledgeable about the application of an additional piece of legislation and its regulations and how these inter-relate with the pre-existing legislation, particularly as these entitlements apply to dual clients. Some work flow processes and reporting relationships have changed to accommodate the reality of functioning under two pieces of legislation rather than one.

### **4.3 Resource Utilization**

***Evaluation Objective: To assess resource utilization in relation to the production of outputs and progress toward expected outcomes.***

In this section of the report, data is presented to describe the volumes, turnaround times and program expenditures for the Disability Benefits Program.

#### **4.3.1 Volume of Disability Benefits Decisions**

This section presents the number of first application decisions, Departmental Review decisions, and re-assessments in the Disability Benefits Program since the implementation of the NVC.

##### **4.3.1.1 First Applications**

In 2006-2007, VAC issued 23,524 disability benefit first application decisions for all client groups; 62% were favourable. Of all the 23,524 decisions, 5,051 (21%) were for disability awards. The favourable rate for disability awards in 2006-07 was 48%, increasing to 63% in 2008-09. The favourable rate for disability pensions in 2006-07 was 67%, increasing to 85% in 2008-09. As of data September 2009, the trend toward increasing rate of favourable decisions was continuing for both awards and pensions.

##### **4.3.1.2 Re-assessments**

Re-assessments are an important component of the Disability Benefits Program. They allow clients who experience a deterioration of their condition to have it re-assessed, potentially resulting in an increase in disability benefits. The total number of re-assessments for pensions and awards has remained relatively stable and total approximately 16,000 since the implementation of the NVC. As would be expected, since 2006-2007 the number of re-assessments for pensions has dropped from 15,805 in 2006-2007 to 12,309 in 2008-2009. The number of disability award re-assessments

have increased from 366 to 3,451 over the same period, corresponding to an increase in the number of first application decisions.

#### 4.3.1.3 Departmental Reviews

A client can request a Departmental Review on the basis that there was an error with respect to any facts or interpretation of any law, or if new evidence has become available. Under both the *Pension Act* and the *NVC*, after a client has requested one Departmental Review for a decision, any further appeals must be addressed to the Veterans Review and Appeal Board.

The overall number of Departmental Reviews has fluctuated over the past three years, however the number of Departmental Reviews for disability awards has been increasing significantly. When assessed in relation to the number of decisions on first applications, there is a steady increase of reviews from 1.6% in 2006-2007 to 7.15% in 2008-2009.

#### 4.3.2 Forecasts and Expenditures

During interviews with program management, the forecasting of Disability Benefit Program uptake and expenditures was discussed. It was noted that the original forecasts for uptake of the disability award were inaccurate. This is not surprising as this was a new program and several years are required to develop trend lines to enhance forecasting accuracy. Two tables follow – one depicts the forecasts for client uptake and expenditures for the disability award compared to actual, the other depicts the same forecasts for the disability pension.

**Table 2: Disability Award Clients and Expenditures – Comparison of Forecasts and Actuals**

Year	Disability Award Forecasts		Disability Award Actuals	
	Clients	Expenditures (\$ millions)	Clients	Expenditures (\$ millions)
2006-2007	6,034	214.8	1,420	50.0
2007-2008	5,454	200.3	4,342	156.9
2008-2009	5,004	190.4	6,000	238.5
2009-2010	4,554	179.7	-	-
2010-2011	4,105	168.4	-	-

**Table 3: Disability Pension Clients and Expenditures - Comparison of Forecasts and Actuals**

Year	Disability Pension Forecasts		Disability Pension Actuals	
	Clients	Expenditures (\$ millions)	Clients	Expenditures (\$ millions)
2006-2007	176,662	1,532.7	174,070	1,551.4
2007-2008	170,348	1,562.2	172,278	1,556.9
2008-2009	162,832	1,538.3	169,634	1,582.9
2009-2010	156,382	1,509.8	-	-
2010-2011	149,608	1,481.2	-	-

Disability award forecasts for 2006-2007 and 2007-2008 were considerably higher than the actual in both clients and expenditures. These large variances could be explained as an issue related to timing. When original forecasts were developed for the program it was assumed that all applications would be processed and paid within that year. Many applications were not processed and paid within the fiscal year thus influencing actual numbers. In 2006-2007, for example, only 60% of the applications approved for a disability award but were paid during that fiscal year. In addition, VAC employees indicated that the over forecast could be attributed to an unexpected influx of clients applying for the disability pension program before the introduction of the NVC.

In contrast, the number of pension clients for 2006-2007 was over forecasted by only 1% and expenditures were under forecasted by 1.2%. The Statistics Directorate explains the under estimated expenditures to be primarily due to an under estimate in the average costs per client already covered by the program. In 2007-2008 and 2008-2009, the clients for disability pensions have been under forecast. In 2008-2009, the expenditures were under forecast by 3%. In a program as large as that of the Disability Pension Program, these differences are considered to be in the range of acceptable.

Reference to pent up demand for other NVC programs were noted by the study team. Based on current data, there are a total of 1,605 still-serving clients in pay, with service in Afghanistan. The majority, 820 are disability award only, 349 are dual clients and the remaining 318 are disability pensioners. It must be noted that only 59 still serving clients with service in Afghanistan (6%) have disability assessment of 78% or greater. The majority, 965 (60%), have disability assessments of 22% or less. This would indicate that pent up demand from still serving clients in pay for all types of disabilities is at the lower levels of disability.

## **Conclusion**

Due to the slow uptake of the Disability Award Program in the first year and half and higher than estimated uptake in the last two years, current data for related NVC programs may not be indicative of future data (i.e., rehabilitation and earnings loss amounts and durations).

### **4.3.3 Turnaround Times**

During interviews, many staff members expressed concerns related to turnaround times for disability award applications and the potential impact that this has on a client's sense of recognition. It was believed by many VAC employees that turnaround times had increased significantly since the implementation of the disability award program. In 2008, VAC redefined "the date we received your application" to signify the receipt of a completed and signed application form. Therefore, the Service Standard Turnaround Time (SS TAT) is measured from the date a completed and signed application is received by a VAC representative until the date of decision. VAC also tracks Overall Turnaround Time (OA TAT), which is measured from the first date a client submits an application to the date of decision, including delays incurred while VAC waits for supporting documentation to be submitted.

For CF clients, in 2008-2009, 74% of award adjudications and 44% of pension adjudications were completed within the service standard of 24 weeks. While OA TATs worsened significantly from 2006-2007 to 2007-2008, they have shown improvement since that time. OA TATs for 2008-2009 for award applications show 60% of decisions rendered in less than 24 weeks (168 days), compared to 27% for pension applications.

Backlogs were also of concern to many VAC employees. Backlog is considered to be the number of claims pending at the end of a fiscal year. On March 31, 2006, 12,213 claims were pending. In 2007, VAC initiated a project to reduce the backlog of applications; as a result, the backlog decreased to 8,394 on March 31, 2008. However, there are signs that backlogs have begun to increase once again; as of December 31, 2009, 11,286 claims were pending.

VAC is aware of potential backlog and turnaround time issues and recently completed a study to identify areas to improve efficiency in the Disability Benefits Program. The report outlines 15 recommendations including recommendations related to streamlining business processes.

### **4.3.4 Assessment of Resource Requirements**

In 2007, VAC contracted out the conduct of the *Assessment of Resource Requirements* to determine the human resource requirements for five departmental functions, including first applications for disability benefits, benefits processing for re-assessments, and adjudication of ancillary benefits for survivors and incapacitated children. The study methodology did not allow for comparisons between the processing of disability

pensions and disability awards; however the results are presented below in Table 4 for the disability benefits processes studied.

**Table 4: Resource Requirements of Selected Disability Benefit Program Functions**

Resource Requirement Summary				
	Time to complete a file (minutes)	Completion rate per day (files)	2007-2008 Volume (files)	FTEs required
First Applications	130	3.2	20,121	34.5
Reassessments	37	11.4	11,645	5.7
Survivors/Incapacitated Children (AB)	368	1.1	607	2.9

Source: Assessment of Resource Requirements, 2007-08

The report indicated that dual clients posed a challenge for adjudication of Ancillary Benefits taking longer to process than applications made wholly under the *Pension Act* or the NVC. In addition, as presented in Section 4.3, disability benefit workflow processes and employee roles and responsibilities have not changed significantly since the introduction of the disability award.

### **Conclusion**

A more focused resource allocation study would be necessary to verify if there is a difference in resource utilization when comparing disability awards and disability pensions and the extent to which resource allocation issues are causal to the turnaround time challenges.



#### 4.4 Progress Towards Expected Outcomes

***Evaluation Objective: To assess progress toward expected outcomes (incl. immediate, intermediate and ultimate outcomes) with reference to performance targets and program reach, program design, including the linkage and contribution of outputs to outcomes.***

As the disability award and the disability pension are separate programs delivered under the umbrella of the Disability Benefits Program, they share the same desired outcomes and performance targets. However, the design of the two programs, such as their intent mode of delivery (lump-sum payment versus a stream of payments), differs.

Currently, VAC employs two main methods to measure client outcomes and to determine levels of satisfaction with VAC programs and services. These are the Re-establishment Survey and National Client Satisfaction Survey (NCSS). The Re-establishment Survey is administered to Rehabilitation Program and Job Placement Program participants only. Because these clients represent a very small percentage of clients in receipt of disability benefits and are not representative of the disability benefit clientele, the survey's findings with regard to client outcomes are not useful to this analysis. The NCSS seeks to evaluate client satisfaction with VAC's programs and services, but does not measure the outcomes of the Disability Benefits Program. According to the current Disability Benefits Program logic model, the following Immediate and Ultimate outcomes are for both the Disability Award and Disability Pension programs. Also referenced below is a Departmental Strategic Outcome to which numerous VAC program contribute including disability benefits but also financial support, treatment, VIP, and long-term care.

##### Disability Benefits Immediate Outcomes

- Eligible Veterans and other clients receive compensation in recognition of the effects of service related disabilities or death.

##### Disability Benefits Ultimate Outcomes

- Eligible Veterans and other clients feel the effects of their service-related disabilities or death have been recognized.

##### Departmental Strategic Outcome

- Eligible Veterans and other clients achieve their optimum level of well-being through programs and services that support their care, treatment, independence and re-establishment.

It is also fair to note that the ultimate outcome of the Disability Award Program is 1) the same as those of the Disability Pension Program and 2) may require clients' participation in other NVC programs. Additionally, performance measurement plans are not fully aligned with the outcomes of the Disability Awards Program; therefore it is difficult to draw conclusions on the success of the program.

#### **4.4.1 Eligible Veterans and other clients receive compensation in recognition of the effects of service-related disabilities or death.**

Recognition is a key outcome of both the Disability Pension Program and the NVC. Although the pension was built and delivered based on a dual principle of compensation-recognition—compensation for loss and recognition for duty to country—little has been done to assess how pensions contributed to recognition. The same holds true for disability awards to date. Therefore, there is difficulty in comparing the degree to which the two programs are achieving this outcome.

The CFMVRCA, by including CF members and Veterans in the definition of “who is a client” and introduced new programs to address certain needs of this growing population which it was felt were not being met by the previous benefits. The NVC carried the dual principle of compensation-recognition through to the disability award program. Both the disability pension and disability award recognize the sacrifice of CF members and Veterans who sustained disabilities in service of their country; however the award yields a one-time act of recognition, versus a life time stream of compensation.

According to clients participating in the 2004 evaluation focus groups, the administrative processes and delays associated with applying for a pension have the effect of taking away from Veteran recognition by offending the pride and dignity of traditional Veterans and making CF clients feel demoralized and degraded<sup>1</sup>. Since backlogs in processing disability benefit applications persist despite recent efforts to meet established turnaround times (see Section 4.3 and 4.3.3) , it is likely that the administrative processes continue to reduce Veterans’ feelings of recognition.

In some cases, clients are more knowledgeable about the pension because it has been in place for several decades, whereas the award dates back only four years to 2006. This can create some confusion and misconceptions regarding the disability award. In particular, employees perceive that many clients do not understand the purpose of the lump-sum award and the accompanying financial responsibility the client bears to make his or her own arrangements if he or she wishes to receive an annuity.

In addition, according to many pension staff, once a decision is rendered, clients do not seem to understand their decision letters as VAC frequently receives calls from clients seeking clarification. One interviewee indicated that the decision letters, for both pensions and awards, can be difficult even for staff to understand. This is especially problematic given the importance of information that decision letters contain, such as entitlement to treatment benefits and the availability of reimbursement of costs related to financial counseling. Plain language revisions of the standard decision letter have been undertaken.

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<sup>1</sup> Volume II of the Disability Pension Program Evaluation, page A5.

## **Conclusion**

The plethora of information VAC has published on its web site regarding the NVC and other programs, coupled with the Internet-savvy generation of NVC target population, has resulted in a post-2006 client population that seems to know more about its disability award entitlements than older generations did about disability pensions. However, there is still some confusion regarding the purpose of the lump sum. VAC's direct communication of disability benefit decisions and related entitlements can be difficult to understand. VAC's ongoing efforts to improve outreach and communication to clients are expected to address these issues. The payment of a disability award is clearly an act of compensation, and recognition.

### **4.4.2 Eligible Veterans and other clients feel the effects of their service related disabilities or death have been recognized.**

As mentioned earlier, the disability pension and the disability award legislation originated in different eras. The former originated in 1919 and the latter in 2006. Both forms of payment share a common purpose to provide compensation for service-related disability or death. The disability pension is multi-purpose in that it provides compensation for both the severity of the disability endured and its relative impact on earning capacity. The grant of disability pension also serves as the recipient's gateway to other programs and benefits under the *Pension Act* and *Veterans Health Care Regulations*. The disability award is aimed at recognizing and compensation for the non-economic effects of service related disability or death. Other programs, under the CFMVRCA provide benefits in relation to economic loss, rehabilitation needs and vocational assistance needs of the individual. The disability award also entitles the recipient to other benefits and services pursuant to the *Veterans Health Care Regulations*. At the time of the development of the disability award rate tables, the NVC rates including earnings loss were competitive with Worker's Compensation benefits and court awards for non-punitive damages. These differing purposes of the two benefits are explored in greater depth in Section 3.0.

As discussed in Section 4.3.1, average disability assessments among CF clients declined slightly since the implementation of the NVC. Since compensation is correlated with assessment levels, the pension and lump-sum award compensation paid to clients have similarly declined.

The most commonly paid benefit to CF clients during the three years from April 1, 2003 to March 31, 2006, was at the 5 to 7% assessment level, amounting to a monthly pension of \$119.89 for a single pensioner (2010 rates). In 2006-2007 and 2007-2008, the 18 to 22% range was most common, resulting in lump-sum award payments of \$55,215.94 (2010 rates). In 2008-2009, the most common assessments were at the 8 – 12% level, yielding lump-sum awards of \$27,607.97 (2010 rates). Appendices H, I, and J present the Disability Award Rate Table for 2010 and the Monthly Rates of Pensions for Disabilities, and the Monthly Rates of Pensions for Dependents effective January 1, 2010.

It is difficult to compare the value of a lifetime of monthly disability pension payments to a lump-sum award. An accurate portrayal requires consideration of additional financial benefits potentially available to clients under the NVC, and the beneficiary's age and life expectancy which, of course, will vary from one client to another. Calculations of the present value of pension payments, allowances and financial benefits are presented in the case scenarios in Appendix F and in Section 4.5.

## **Conclusion**

A determination of which payment stream is most monetarily advantageous is dependent on a series of factors including marital status, years of longevity, and severity of disability. It is notable that NVC offers more generous benefits for the survivors of CF members and Veterans than does the Disability Pension Program. Married CF members and Veterans with children would receive more cumulative financial compensation prior to the implementation of the NVC, especially if clients only access the Disability Award Program and not the additional benefits associated with the NVC's Rehabilitation and Financial Benefits programs.

### **4.4.3 Eligible Veterans and other clients achieve their optimum level of well-being through programs and services that support their care, treatment, independence and re-establishment.**

All NVC programs, including the Disability Benefits Program, contribute to this Departmental strategic outcome. Since the disability award is a one-time lump-sum payment that is generally first awarded early in the client's relationship with VAC, it might be argued that the other NVC programs make a more significant contribution than the disability award does. However, there may be circumstances where the lump-sum award compromises this outcome, as outlined below.

The disability award is designed to support independence and re-establishment of Veterans and survivors/dependents by providing a lump-sum payment to support the transition after a service-related injury, disease, or death. This approach is consistent with the intent of *In Unison*, an effort of the Federal/Provincial/Territorial Ministers responsible for social programs to make disability issues a collective priority in the pursuit of social policy renewal. Also, *In Unison* recognizes that Canadians with disabilities are independent individuals with the ability to control all facets of their lives.

During interviews with VAC employees across the country and at all levels of the organization concerns were expressed regarding the risks to client health and well-being in situations where clients, primarily those with psychiatric conditions, are paid a lump-sum award at a time early in their treatment and recovery when their mental health may lead them to use their award to support activities that compromise their health. Clients with addictions to gaming or drugs may be particularly vulnerable. VAC's Special Needs Advisory Committee (SNAG) also raised this as a concern in their January 26, 2006 report.

In addition, this risk was identified during the design phase of the NVC. The risk was to be mitigated through VAC employees counseling clients regarding the value of considering independent financial advice on their options to maximize the financial benefits from their lump sum disability award or death benefit. This information was to be provided through brochures and face-to-face discussion. A directive to this effect was drafted early in the implementation of the disability award. According to the draft directive, clients with psychiatric conditions who were about to receive a disability award were to be telephoned by an area counselor in order to ensure the client understands his/her entitlement, inform the client of potential departmental services and benefits that may be available, and to determine the clients' current status and the level of intervention required. However, this directive was not approved or implemented.

Interviews with employees across the country have confirmed that the personalized provision of pro-active information and case counseling is not taking place consistently across the country. In addition, as discussed in section 4.4.3, while the client is notified of the availability of financial counseling in the client's disability award decision letter, this information is buried in an already lengthy letter. Clients could easily overlook this and may not clearly understand what services are available to them.

At this time, VAC is not able to identify the number of clients who may require financial counseling but did not take advantage of the benefit available to them. However, it is known that, in 2008-09, 1,300 disability awards were paid to clients with post-traumatic stress disorder. Of these, only 1.2% received reimbursement for financial counseling costs. It is important to note, however, that this issue may not pertain solely to those clients with psychiatric conditions. Additionally, free financial advice is readily available through financial institutions and other organizations. Therefore low uptake of the financial counseling benefit does not necessarily signify that clients are not seeking and using such advice; they may be receiving it from alternative sources.

### ***Conclusion***

While the purpose of the disability award and the NVC is to promote independence and client autonomy, the lump-sum award may be paid out at a time when the client is not in a position to assume that responsibility. VAC has developed provisions, such as case management and reimbursement of financial counseling costs, to support clients in their long-term management of the lump sum, but these measures have not been fully implemented.

- R1 It is recommended that the Director General, Program Management Division: (Essential)**
- a) clearly map how the outcomes for the Disability Award program link to the outcomes of the other NVC programs; and**
  - b) ensure the VAC performance measurement plans are consistent with the stated outcomes of the Disability Awards Program.**

**Management Response:**

Management agrees with this recommendation.

In 2006, a logic model was submitted to Treasury Board Secretariat as part of the New Veterans Charter (NVC) Results Based Management Accountability Framework. The logic model mapped the linkages between the expected outcomes for all New Veterans Charter programs and demonstrated how they contribute, individually and collectively to the overall intent of the Charter. Over the past year, detailed logic models and performance measurement plans have been developed for each of the New Veterans Charter programs to better demonstrate the distinct outcomes of each program. In response to the above recommendation, management agrees to map the outcomes of the individual program logic models, including the Disability Award, in the context of the overall 2006 NVC logic model to ensure that the linkages between the programs are clearly demonstrated.

In March 2010, VAC submitted a Performance Measurement and Evaluation Plan to Treasury Board Secretariat for the Disability Benefits programs (includes both Disability Awards and Disability Pensions and related benefits). The performance measurement plan was developed to be consistent with the stated outcomes of the logic model for Disability Awards and is currently being implemented.

**Management Action Plan:**

<b>Corrective Action to be taken</b>	<b>OPI (Office of Primary Interest)</b>	<b>Target Date</b>
1.1 Communicate Approved Disability Benefits Performance Measurement and Evaluation Plan	Program Management	June 2010
1.2 Map detailed outcomes for specific NVC programs in the context of the “umbrella” NVC logic model	Program Management	September 2010

**R2 It is recommended that the Director General, Policy and Research Division, in cooperation with the Director General Service Delivery Management conduct research to quantify the scope and magnitude of issues associated with “at risk” clients receiving lump-sum awards and the resulting effects on clients’ long-term well-being and re-establishment in civilian life. (Essential)**

**Management Response:**

Management agrees with the recommendations.

VAC is currently conducting research in two ways: (1) a follow-up with clients in receipt of a disability award recently conducted by Policy and Research Division and Centralized Operations Division; and (2) a program of Research called the Life After

Service Study being led by Policy and Research in partnership with DND and Statistics Canada.

In response to concerns about how Veterans may be using their Disability Awards raised in the media and by some Veterans' advocates, Policy and Research Division and Centralized Operations Division undertook a survey of Disability Award recipients to better understand how they have been using their awards. The Directorate followed up with a random sample of clients in receipt of a Disability Award and asked them questions about financial advice, how they used their award and preferred payment options. The survey was completed in late-May and final analysis will be completed in June.

While the Disability Award program compensates for the non-economic impacts of a service related disability, other VAC programs are available to compensate for the economic impact, such as loss of salary, resulting from a career ending or service related disability.

Work is ongoing with service delivery staff to improve communications with clients who receive a lump sum disability award to ensure that they are aware of the availability of independent financial advice to assist them in managing their lump sum award. In addition, expectations are being clarified with case management staff in terms of their responsibility to proactively counsel "at risk" clients regarding their lump sum award, and the availability of departmental or other assistance based on client circumstances.

**Management Action Plan:**

<b>Corrective Action to be taken</b>	<b>OPI (Office of Primary Interest)</b>	<b>Target Date</b>
2.1 Complete analysis of follow-up with disability award clients.	DG PRD/DG COD	July 2010
2.2 Determine changes which could be proposed.	DG P&R	November 2010
2.3 Finalize and issue a directive to case management staff regarding their responsibility to proactively counsel "at risk" clients regarding their lump sum award	DG SDM/DG PMD	July 2010

**4.5 Case Scenarios and Other Benefits**

In addition to a disability pension or disability award, Veterans and other clients can receive a variety of allowances under the Disability Benefits Program. Entitlement to a disability benefit is also accompanied by treatment benefits associated with the assessed disability. The sections below provide an overview and analysis of these benefits. Case scenarios are based on data available at the time of the evaluation, with a list of assumptions in Appendix E.

#### 4.5.1 Benefits for Severely Disabled Clients and Death Benefit

Appendices E and F contain detailed explanations of the Methodology and calculation results for each case scenario. Case Scenario 1a depicts a serious disabled client (98%+ disability) who is unable to return to work. Several scenarios with differing parameters were conducted, each showing that married CF clients would receive more benefits over their lifetime pre-NVC (including the NVC's Financial Benefits and Rehabilitation programs). For single clients, NVC benefits can be higher, depending upon the age and years of service. A younger client was chosen to demonstrate that even with nearly the maximum NVC benefits, the majority of clients would receive more financial benefits pre-NVC. However, most severely disabled clients have only received a disability award and have not participated in the Rehabilitation and Financial Benefits programs, resulting in an even greater discrepancy between the amount of benefits received pre NVC and NVC.

The first case scenario (Case Scenario 1a Appendix F) examined a 28 year old Corporal with one year of service, no offsets from Earnings Loss (a component of the Financial Benefits Program) and a disability award at 100%. The Present Value (PV) totals from the scenario for married and single clients are outlined in the table below.

	Pre NVC	NVC	DA Only
<b>Married</b>	\$2.895M	\$2.615M	\$276K
<b>Single</b>	\$2.380M	\$2.608M	\$276K

The second case scenario (1b, Appendix F) for seriously disabled clients describes a 40 year old Corporal with 19 years of service and offsets from Earnings Loss with a disability assessment of 80%. A 40 year old client is representative of the average age of a medically released CF member. The Present Value (PV) totals from the scenario for married and single clients are outlined in the table below.

	Pre NVC	NVC	DA Only
<b>Married</b>	\$1.316M	\$1.192M	\$221K
<b>Single</b>	\$982K	\$1.186M	\$221K

It is important to note that NVC clients could benefit from a comprehensive array of rehabilitation services designed to optimize client well-being and functioning in the home and in the community. All of the above scenarios, for married clients, include two years of vocational rehabilitation for the spouse. The value of these services in terms of quality of life and household finances has not been calculated, and would require many more assumptions and challenges.



Case Scenarios 5 in Appendix F portrays a situation where a client has died as a result of a service-related condition. According to VAC's Statistics Directorate from April 1, 2006 to February 23, 2010, 132 NVC death benefit payments had been approved for survivors. When the present value of survivor pension benefits is calculated, the present value of the lump sum death benefit coupled with the monthly financial benefits is shown to be higher. Additionally, under the NVC, the survivor may be entitled to vocational assistance, the aim of which is to restore the earnings capacity of the household and result in increased income. The Present Value (PV) totals from the scenario for clients married at the time of service related death are outlined in the table below.

	Pre NVC	NVC
Married	\$1.127M	\$1.618M

#### 4.5.2 The Exceptional Incapacity Allowance and the Permanent Incapacity Allowance

Introduced into the *Pension Act* in 1971, Exceptional Incapacity Allowance (EIA) was intended to recognize and compensate for the broad range of non-economic impacts from a client's disability related condition(s) by providing monthly compensation to pensioners who suffer extraordinary physical, social and psychological impairments and who, because of the nature of their disabilities are exceptionally incapacitated.

Although the NVC carried over some pension program allowances such as the clothing allowance, the EIA was not carried over. Instead, the NVC introduced the Permanent Incapacity Allowance (PIA) whose purpose is to recognize and compensate for the lost opportunity or economic disadvantage that permanent severe impairment resulting from service can cause.

The PIA is delivered under the Financial Benefits Program and is available to clients who are participating in the Rehabilitation Program for reasons related to a condition for which they have received a disability award. The two programs differ in their intent; while the EIA is a non-economic benefit, the PIA is an economic benefit. However, the eligibility requirements of the two benefits are very similar. EIA applicants must have pension assessments totaling 98%. The pensioner must also have an exceptional incapacity resulting from that disability. Exceptional incapacity is indicated by helplessness, continuing pain and discomfort, loss of enjoyment of life, and shortening of life span. Similarly, PIA applicants must have a permanent and severe impairment. They must also have been accepted into the Rehabilitation Program as well as received an award under the disability award program. Conditions that are considered to be a permanent severe impairment that impacts on employability and career progression include a permanent requirement for assistance and/or supervision, certain amputations, total loss of vision, hearing and/or speech, and severe and permanent psychiatric conditions.

Approximately 11% (6,747) of disability benefit recipients since 2006 are in receipt of both disability awards and disability pensions. Though they may have an exceptional incapacity as defined by the EIA or a permanent and severe impairment under the PIA, such dual clients are unlikely to ever qualify for either benefit. The EIA requires pension assessments to total at least 98% and does not take into account assessed disabilities under the disability award. The PIA requires the applicant to have a rehabilitation need related to his or her awarded condition; if the rehabilitation need is instead related to the pensioned condition, then the client is not eligible for the PIA.

From April 1, 2006 to December 31, 2009, 203 dual clients had a combined disability assessment of 98% or above. None were in receipt of EIA or PIA benefits. These severely disabled clients may be excluded from the PIA and EIA because the requirements of each program do not take into account the existence of the other program. Clients must be released from the military in order to qualify for PIA. However, only three clients were assessed at the 100% class and are still serving. In addition to the potential gap for severely disabled dual clients, it appears that the PIA is not as easily accessed by severely disabled Veterans whose disabilities fall entirely under the NVC, compared to the accessibility of the EIA for pensioners. In January 2009, the Special Needs Advisory Group (SNAG) reported that the stringent PIA eligibility criterion was preventing PIA from being awarded to severely disabled Veterans.

There is evidence to support this contention. Under the Rehabilitation Program, VAC has created the category Totally and Permanently Incapacitated (TPI) clients, defined as Veterans “incapacitated by a permanent physical and/or mental health problem that prevents them from performing any occupation that would be considered suitable gainful employment.” From April 2006 to October 2009, 269 clients had been deemed to be TPI, but only three clients (0.02% of disability award recipients) had been awarded the PIA as of March 2009. In comparison, between April 2006 and March 2009, 3,779 pensioners (1.2% of disability pension recipients) were awarded the EIA. Statistics as of February 2010 show that only 15 eligible CF clients have applied for PIA. Of these cases, nine have had favourable decisions (60%). On the other hand, 43 CF client applications have been received for EIA and 39 or 90% of these have been favourable.

## **Conclusion**

Both the disability pensions and the NVC have programs and benefits designed for severely disabled clients. Under the *Pension Act*, pre-NVC, clients may be eligible for attendance allowance and additional disability pension for the Veteran’s spouse and dependent children. Except for cases of service-related death, the allowance and additional pensions amount to significantly more financial benefits being paid to average pensioners than to NVC clients. Furthermore, differing intents and implementation of the EIA (pre-NVC) and the PIA (NVC) appear to further this imbalance. The eligibility requirements for EIA and PIA are both based on the client’s disabilities being entirely assessed under either the *Pension Act* or the NVC. It can be concluded that severely disabled dual clients do not receive the same compensation and benefits as severely

disabled clients who are covered entirely under the *Pension Act* or NVC. Moreover, due to different eligibility criteria, it appears as though severely disabled NVC clients cannot always access PIA benefits even if they are deemed “totally and permanently incapacitated”.

**R3 It is recommended that the Director General, Policy and Research Division and Director General, Program Management Division review the benefits and/or allowances available to severely disabled clients under the New Veterans Charter, and where necessary, seek authority to ensure the needs of these clients are adequately met. (Critical)**

**Management Response:**

Management agrees with the importance of ensuring that VAC programs and services are responsive to the needs of seriously ill and injured CF members and Veterans. In particular, it is recognized that special consideration should be given to individuals who have suffered catastrophic injuries as they may have greater needs.

As such, research and analysis are presently underway to examine this issue, including what changes to legislation and/or regulation could be recommended.

Any proposal for legislative or regulatory change(s) that the Department might develop for Government consideration would need to be costed (on a cash and accrual basis) and considered in light of other priorities. Within this context, management will consider what further action may be appropriate as part of the NVC Review.

**Management Action Plan:**

Corrective Action to be taken	OPI (Office of Primary Interest)	Target Date
3.1 Complete research and analysis.	DG P&R	July 2010
3.2 Consider whether authority change(s) and costing should be pursued under the NVC Review.	DG P&R	December 2010

**4.5.3 Clients with Moderate or Mild Disabilities**

Clients who are moderately or mildly disabled are clients for whom re-establishment is less likely to pose a long-term challenge and who are expected to benefit from the medical, psychosocial, and vocational services available through the Rehabilitation Program.

In Case Scenarios 2 and 3, in Appendix F, the Veteran is released from the CF at age 35 and has disabilities assessed at 10%, and 40%, respectively. Class 19 (10%) accounts for 17.5% of all CF disability benefit clients. Class 13 (40%) accounts for 3.5% of all CF disability benefit clients but it should be noted that 84.2% of CF disability benefit clients have assessment of Class 13 (40%) or less.

Case scenarios 2 and 3 depict mild and moderately disabled clients who return to work after participating in the Rehabilitation and Financial Benefits programs; however, it should be noted that in the 10% disability class only 3.9% of Disability Award and dual clients participated in the Rehabilitation program and 13.3% of similar clients in the 40% class participated. The Present Value (PV) totals from scenario 2 and 3 for married and single clients are outlined in the tables below.

<b>10%</b>	<b>Pre NVC</b>	<b>NVC</b>	<b>DA Only</b>
<b>Married</b>	\$162K	\$134K	\$28K
<b>Single</b>	\$119K	\$134K	\$28K

<b>40%</b>	<b>Pre NVC</b>	<b>NVC</b>	<b>DA Only</b>
<b>Married</b>	\$647K	\$214K	\$110K
<b>Single</b>	\$476K	\$214K	\$110K

Several scenarios with differing parameters were conducted, including analysis when clients return for additional rehabilitation and a comparison of financial expenditures pre-NVC and NVC for the duration that a client is in rehabilitation (called point in time comparison). Lower levels of disability are associated with lower financial benefits payouts because it is assumed that the client will only need these benefits for a short period of time, before successfully re-establishing in civilian life and finding suitable gainful employment. However, rehabilitation services and financial benefits remain available to the Veteran for as long as there is a need.

In case scenario 2 (10%), if the client returns for a second episode of vocational rehabilitation services for two years, the present value of their benefits increases to \$204K. Moreover, the NVC client in the scenario, as a result of successfully completing vocational rehabilitation, is expected to find “suitable gainful employment” (see Appendix E – Detailed Methodology). In contrast, it has been argued that the client who relies on the monthly pension for household income has a disincentive to return to work and therefore does not fully re-establish in the community. VAC does not regularly measure clients’ employment earnings as a result of the NVC programs and this was not assessed during this evaluation.

Additionally, the NVC was designed to provide benefits to clients at the point in time when the client requires assistance in their transition to civilian life. If one examines a three-year point in time for mild to moderate disability scenarios where NVC clients receive a disability award and participate in the rehabilitation program, arguably the time





### **Management Response:**

Management agrees that concerns have been expressed that CF Veterans eligible for a disability pension have earlier access for the reimbursement of treatment benefits than CF Veterans eligible for a Disability award. A policy analysis is currently underway to examine this issue, including what changes to legislation and/or regulation could be recommended to extend eligibility to treatment benefits to begin at the same time for clients receiving a disability pension or a disability award.

Any proposal for legislative or regulatory change(s) that the Department might develop for Government consideration would need to be costed (on a cash and accrual basis) and considered in light of other priorities. Within this context, management will consider what further action may be appropriate as part of the NVC Review and in relation to the recommendations flowing from the Independent Assessment.

### **Management Action Plan:**

<b>Corrective Action to be taken</b>	<b>OPI (Office of Primary Interest)</b>	<b>Target Date</b>
4.1 Complete policy analysis.	DG P&R	July 2010
4.2 Consider whether authority change(s) and costing should be pursued under the NVC Review.	DG P&R	December 2010

#### **4.6 Need for Disability Awards and Disability Pensions**

***Evaluation Objective: To assess the extent to which disability awards continue to address a demonstrable need and are responsive to the needs of CF Veterans; particularly in comparison to disability pensions.***

The Disability Pensions Program was established in 1919 to compensate the “traditional” World War I and II Veterans for service related disabilities, detention and death. Designed for the “traditional” World War I and II Veteran, the pension is a benefit providing compensation for service-related disability or death. It also served as a gateway to additional benefits and services; Veterans needing home care or long-term care could access these benefits only if their need was related to their pensioned condition. The amount of this tax-free monthly payment is dependent on the extent of the Veteran’s disability, determined based on the instruction and a Table of Disabilities, constructed for the guidance of persons making such assessments. The extent of disability is reflected as a percentage. Pensioners who experienced a change in their pensioned condition(s) could request a re-assessment. If the condition had deteriorated, the pension would be increased.

As VAC’s client demographic profile evolved to include increasing numbers of younger CF members, it became apparent that the pension, treatment benefits, VIP and long-term care were not adequate to meet the needs of younger Veterans. Consequently,

VAC undertook extensive research into the needs of VAC's CF clients, studied modern disability management practices, and reviewed Veterans' disability policies in Allied nations.

From 1996 to 2000, VAC conducted the Review of Veterans' Care Needs (RVCN) to study the issues and gaps related to the care and support of clients and their families. This study identified that the CF client base was growing at an annual rate of 9% and had doubled between 1990 and 1999. The average age of these CF clients was 39 years. About 75% of them were married and 40% had dependent children. In addition, CF clients had lower levels of educational attainment and poorer health than the general population. The RVCN further indicated that VAC needed to better focus program delivery on meeting the needs of this client group. The RVCN found that the pension process was an overused and inappropriate tool with which to address these clients' needs. "The disability pension process is currently the sole gateway to VAC benefits and services for CF clients. There are many instances where clients' needs go unmet as they await decision on a pension application. There are also cases where the client (...) needs rehabilitation or skills upgrading."<sup>2</sup>

In response, the NVC suite of programs was designed to introduce a modern approach to disability management in order to encourage independence and employment for this young cohort of CF clients. Accordingly, the gateway role of the disability pension no longer exists with the disability award; the NVC separated disability supports (Disability Award and Treatment Benefits) from income supports (Financial Benefits Program) and introduced programs to enhance the employability of persons with disabilities, encourage re-entry into the labour market, and help promote work and volunteer opportunities (Rehabilitation Program and Job Placement Program). Veterans can participate in these programs regardless of their entitlement for a disability award. This approach is consistent with *In Unison*.

In contrast to the disability pension, the disability award is a benefit aimed at recognizing and compensating for the non-economic effects of service-related disability or death, including pain and suffering, and functional loss on the lives of CF members, Veterans, and their families. Other NVC benefits provide benefits for the effects of permanent impairment. As with the pension, the amount of the lump-sum award is dependent on the extent of the Veteran's disability, determined using VAC's Table of Disabilities. Award recipients who experience a change in their awarded condition(s) can request a re-assessment. If the condition has deteriorated, an additional award can be granted.

As part of Phase I of the Evaluation of the New Veterans Charter, a comparative analysis was performed between VAC's benefits and services and those offered to Veterans in Australia, the United Kingdom, and the United States. These countries are considered to have structures similar to Canada and are often used for various types of international comparison. The analysis found that each country provides this

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<sup>2</sup> Key Findings, Review of Veterans' Care Needs Phase III, March 2000, p. 19.



compensation differently. In Canada and the United Kingdom, Veterans receive a lump-sum award. In the United States, Veterans can receive either a lump-sum award or, for more serious disabilities, a monthly pension. Finally, in Australia, Veterans have a choice of receiving a lump-sum award or monthly pension, although it is important to note that Australia is the only country which adjusts compensation based on the Veteran's age. It is also important to note that the three countries who recently modernized their programs (Canada, Australia, United Kingdom) moved from paying a monthly pension to providing a lump-sum award. Finally, only Canada and Australia cover the cost of financial counseling to help clients manage this compensation which, in some cases, can be a significant amount of money.

## **Conclusion**

Just as the needs of younger CF clients are different from those of older "traditional" Veterans, the pension and award programs are designed to meet different needs. A growing number of clients are in receipt of both the award and the pension. This was not anticipated during the design phase of the NVC. The design differences are reflected in their different delivery mechanisms; while the disability pension paid a lifetime monthly benefit based on Veteran entitlement and assessed disability, the disability award is a one-time lump-sum, similarly based on entitlement and assessed disability.

## **Summary Conclusion**

Many CF clients have families and may have decades of civilian life ahead of them. The intention of the lump sum is to offer a sense of finality and allow recipients to successfully focus on a new life and career path, with the support of other NVC programs. The NVC model is consistent with modern disability management practices which emphasize de-linking disability benefits from other programs and services. The design of the Disability Award Program and the NVC is consistent with similar programs in Allied countries.

The disability award and disability pension are not easily compared. While the pension provided monthly income, sometimes clients only accessed the pension so they were able to gain access to VIP and treatment benefits. This program did not provide an incentive for clients to transition to civilian life. The disability award is a lump-sum payment and clients need not access the DA program in order to qualify for Rehabilitation and Financial Benefits programs. At the lowest levels of disability there is evidence that clients may be better off under the NVC than they were prior to its implementation. This is true both in a financial sense and in a non-economic sense (client is able to successfully transition to civilian life). However, more needs to be done for the clients at the higher levels of disability. This evaluation supports recent criticism that clients who are severely disabled may require more support from VAC.

## **5.0 DISTRIBUTION**

Deputy Minister

Chief of Staff to the Minister

Chair, Veterans Review and Appeal Board

Senior Assistant Deputy Minister, Policy, Programs and Partnerships Branch

Assistant Deputy Minister, Service Delivery and Commemoration Branch

Assistant Deputy Minister, Corporate Services Branch

Department of Justice, General Counsel

Executive Director and Chief Pensions Advocate, BPA

Director General, Program Management Division

Director General, Service Delivery Management Division

Director General, Centralized Operations Division

Director General, Communications Division

Director General, Finance Division

Director General, Departmental Secretariat and Policy Coordination

Director General, Human Resources Division

Regional Directors General (3)

District Directors (29)

A/Director General, Policy and Programs

Director General, Service Delivery Management

Director General, Program Management

Deputy Coordinator, Access to Information & Privacy

Program Analyst, Treasury Board of Canada, Secretariat (TBS)

Comptrollership Branch (TBS)

## Appendix A - List of Acronyms

CF	-	Canadian Forces
CFMVRCA	-	<i>Canadian Forces Member and Veterans Re-establishment and Compensation Act</i>
CPP	-	Canadian Pension Plan
DND	-	Department of National Defence
EIA	-	Exceptional Incapacity Allowance
GOCRPP	-	Government of Canada Report on Plans and Priorities
HRSDC	-	Human Resources and Service Delivery Canada
IPSC	-	Integrated Personnel Support Centre
NCCN	-	National Contact Centre Network
NCSS	-	National Client Satisfaction Survey
NVC	-	New Veterans Charter
PIA	-	Permanent Impairment Allowance
POW	-	Prisoner of War
RVCN	-	Review of Veterans Care Needs
SCAN	-	Second Career Assistance Network
SCONDVA	-	Standing Committee on National Defence and Veterans Affairs
SISIP	-	Service Income Security Insurance Plan
SNAG	-	Special Needs Advisory Group
VAC	-	Veterans Affairs Canada
VIP	-	Veterans Independence Program

## **Appendix B – Significance of Recommendations**

To assist management in determining the impact of the recommendations, the following definitions are used to classify recommendations presented in this report.

- Critical:** Relates to one or more significant weaknesses/gaps. These weaknesses/gaps could impact on the achievement of goals at the Departmental level.
- Essential:** Relates to one or more significant weaknesses/gaps. These weaknesses/gaps could impact on the achievement of goals at the Branch/Program level.
- Important:** Relates to one or more significant weaknesses/gaps. These weaknesses/gaps could impact on the achievement of goals at the Sub-Program level.

## Appendix C – Terms of Reference

<b>Project Title and Number</b>	<i>Evaluation of Disability Pensions and Awards</i>						<b>2009.02</b>	
<b>Project Type</b>	Summative Evaluation							
<b>Project Authority</b>	DG                      Orlanda Drebit, DG, AED DIR/MGR(s)        Kevin Edgecombe, A/Director, AED							
<b>Background</b>	<ul style="list-style-type: none"> <li>With the introduction of the NVC programs, the disability pension was superseded for CF Veterans by a disability award which is a one-time transfer payment to compensate for the non-economic effects of a service-related disability.</li> <li>The Award is a monetary, tax-free, lump sum payment. The intent of the one-time disability award provided to the younger CF Veterans was to have a quick resolution of their compensation benefit so that they could focus on their rehabilitation and re-entry into the civilian workforce.</li> <li>Disability pensions have a protracted decision-making process which could delay the re-establishment process.</li> </ul>							
<b>Project Objectives</b>	<ul style="list-style-type: none"> <li>To assess the extent to which disability awards continue to address a demonstrable need and are responsive to the needs of CF Veterans; particularly in comparison to disability pensions.</li> <li>To assess the linkages between the objectives of disability pensions and awards and (i) federal government priorities and (ii) departmental strategic outcomes.</li> <li>To assess the roles and responsibilities for VAC in delivering disability pensions and awards.</li> <li>To assess progress toward expected outcomes (incl. immediate, intermediate and ultimate outcomes) with reference to performance targets and program reach, program design, including the linkage and contribution of outputs to outcomes.</li> <li>To assess resource utilization in relation to the production of outputs and progress toward expected outcomes.</li> </ul>							
<b>Scope</b>	Covers the following SSAs: 1.1.1.1 Disability Pensions and 1.1.1.2 Disability Awards.							
<b>Resources</b>	<b>Hours</b>	<b>DG</b>	<b>DIR</b>	<b>MGR</b>	<b>OFF</b>	<b>ASST</b>	<b>TOT</b>	
	Planning	45.0	45.0	270.0	270.0	270.0	900	
	Field Work	45.0	45.0	270.0	270.0	270.0	900	
	Reporting	22.5	22.5	135.0	135.0	135.0	450	
	<b>Totals</b>	<b>112.5</b>	<b>112.5</b>	<b>675.0</b>	<b>675.0</b>	<b>675.0</b>	<b>2250</b>	
<b>Notes</b>	<ul style="list-style-type: none"> <li>Some Veterans and Veterans organizations have questioned the desirability of the shift to the disability award.</li> <li>An evaluation at this time would provide an independent evidence and analysis that will contribute to an informed discussion.</li> </ul>							
<b>Time Frame</b>	Planning:                      APR/09 - JUL/09 Field Work:                    AUG/09 – OCT/09 Reporting:                    NOV/09 – DEC/09							

## Appendix D – Evaluation Framework

Objective	Evaluation Question	Indicators	Information Required	Collection Methodology	Source
A. To assess the extent to which disability awards continue to <b>address a demonstrable need and are responsive to the needs of CF Veterans</b> ; particularly in comparison to disability pensions.	<p>What are the program design differences of the Disability Pension (DP) and the Disability Award (DA) in addressing client need?</p> <p>To what extent does the Disability Awards Program or Disability Pensions Program address a demonstrable need?</p>	In comparison to DP, DA addresses the needs of CF Veterans.	<p>Design of the DA and DP</p> <p>Policy trends in relation to disability recognition in other countries</p> <p>Identified disability compensation needs of Veterans</p>	<p>Document Review</p> <p>Comparative Analysis to other countries</p> <p>Document Review</p> <p>Interviews</p>	<p>Website foreign country contacts</p> <p>NVC Phase 1 Evaluation</p> <p>Research</p>
B. To <b>assess the linkages</b> between the objectives of disability pensions and awards and (i) federal government priorities; and (ii) departmental strategic outcomes.	How do the Disability Pensions and Awards contribute to the federal government priorities?	Disability Pensions and Awards contribute to Federal Government roles and responsibilities.	<p>What are federal priorities</p> <p>What are departmental strategic outcomes</p> <p>Degree of coincidence between federal priorities and Disability Award as compared to Disability Pension</p>	Document review	<p>TB Submission</p> <p>Speeches from the throne</p> <p>Management Accountability Framework</p> <p>VAC report on Plans and Priorities</p> <p>NVC Phase 1 Evaluation</p>
C. To <b>assess the roles and responsibilities</b> for VAC in delivering the Disability Pensions and Awards Programs.	With the implementation of the NVC and DA program have the roles and responsibilities for VAC, in recognizing war service disability, changed?	Roles and responsibilities for VAC, in recognizing war service disability, are consistent for both DA and DP.	Organizational, governance structure and workflow	<p>Document review</p> <p>Interviews</p>	<p>Organization chart</p> <p>Governance structure</p> <p>Workflow diagrams</p>

Objective	Evaluation Question	Indicators	Information Required	Collection Methodology	Source
<p>D. To <b>assess progress towards expected outcomes</b> (incl. Immediate, intermediate, and ultimate outcomes) with reference to performance targets and program reach, program design, including the linkage and contribution of outputs to outcomes.</p>	<p>To what extent do the Disability Award Program and the Disability Pension Program meet desired outcomes?</p> <p>What are the differences?</p>	<p>Veterans and other clients are made aware of services and benefits to which they are entitled.</p> <p>Eligible Veterans and other clients have access to services and benefits to which they are entitled.</p> <p>Eligible Veterans and other clients are recognized and compensated for the effects of service-related disabilities and death.</p> <p>Eligible Veterans and other clients achieve their optimal health and well-being through programs and services that support their care, treatment, independence, and re-establishment.</p>	<p>Performance indicators and performance targets for DA and DP</p> <p>Policies for DA and DP with respect to spouse</p> <p>Scenario based comparative analysis</p> <p>Client feedback mechanisms (i.e. surveys)</p>	<p>Document review</p> <p>Case Scenarios</p> <p>Interviews</p>	<p>Disability Program Logic Models</p> <p>Performance Measurement Plans</p> <p>Re-establishment Surveys</p> <p>Disability Program Managers and Staff</p> <p>Regional and District Office Staff</p> <p>TB Submission and supporting documentation</p>

Objective	Evaluation Question	Indicators	Information Required	Collection Methodology	Source
<p>E. To assess <b>resource utilization</b> in relation to the production of outputs and progress toward expected outcomes.</p>	<p>What are the inputs and outputs of the Disability Awards Program in comparison to the Disability Pension Program?</p>	<p>Eligible Veterans and other clients are provided with financial compensation for pensions, awards, and allowances.</p> <p>Human resource utilization for delivering Disability Award and Disability Pensions are comparable.</p> <p>Program expenditures for the Disability Award Program are less than the Disability Pension Program.</p>	<p>Output information of the DA and DP programs</p> <p>Human resource activity-based information on program delivery for Disability Award and Disability Pension cases</p> <p>Forecast expenditures during the design of NVC</p>	<p>Data Analysis</p> <p>Document review</p> <p>Interviews</p>	<p>RDB</p> <p>Resource Model Study Adjudication 2007</p> <p>VAC Managers</p> <p>TB Submission and supporting documentation</p> <p>Forecasts</p>



## Appendix E – Detailed Methodology

The evaluation team comprised one manager and two team members for the planning and fieldwork phases . Most interviews were conducted by two people. Primary research conducted for this evaluation included interviews with VAC staff. Secondary research consisted of data analysis and document reviews. Case scenarios were developed for program comparison purposes. Details concerning these methods are presented below.

### Primary Research

Thirty-three interviews were conducted in person and over the phone with VAC Head Office, and regional and district office staff.

	Number	Method	Content
Atlantic Region	5	Telephone	All objectives
Quebec Region	3	Telephone	All objectives
Ontario Region	5	Telephone	All objectives
Western Region	4	Telephone	All objectives
Head Office - Policy, Programs and Partnerships Branch	5	In-person	All objectives, background, context
Head Office – Service Delivery and Commemoration Branch	9	In-person	All objectives, background, context
Justice Canada	1	In-person	All objectives, background, context
Department of National Defence	1	In-person	Background, context
<b>TOTAL</b>	<b>33</b>		

VAC staff members from the regions included district staff such as Pension Officers, Area Counselors, Client Service Team Managers, District Medical Officers, and District Directors, as well as regional staff including National Client Contact Centre managers, Regional Directors Client Services, Regional Pension Officers, and Associate Regional Directors General. Head Office interviews were conducted with staff from the Adjudication Unit, Benefits Processing, Program Management, and Service Delivery.

## Secondary Research

The evaluation team obtained VAC data from VAC's Statistics Directorate. The data requested related to client demographics, disability assessment levels, turnaround times, receipt of additional allowances, participation in the Rehabilitation Program, rehabilitation expenditures, first decisions, re-assessments, departmental reviews, and forecasts and expenditures.

Key documents reviewed in the conduct of the evaluation include the following:

- *Pension Act*
- *Canadian Forces Members and Veterans Re-establishment and Compensation Act*
- *Veterans Health Care Regulations*
- Canada's Performance – Annual Report to Parliament (2008-09)
- Veterans Program Policy Manual
- Veterans Affairs' Report on Plans and Priorities (2009-10)
- Volume I of the Disability Pension Program Evaluation (October 2004)
- Volume II of the Disability Pension Program Evaluation (July 2005)
- Re-establishment and Compensation Programs Outcome Measurement Results (2007-08)
- Veterans Affairs Canada Ad Hoc Special Needs Advisory Group (SNAG) reports
- Assessment of Resource Requirements (2008)
- Key Findings – Review of Veterans' Care Needs Phase III: Canadian Forces Clients (March 2000)
- *In Unison: A Canadian Approach to Disability Issues. A Vision Paper of the Federal/Provincial/Territorial Ministers Responsible for Social Services* (1998)

## Case Scenarios

The case scenarios were developed to compare the financial benefits received from VAC pre NVC and since NVC implementation. Case scenarios were developed at many levels of disability classes. Sensitivity analysis was performed on the cases to include the variables of interest rate, age differences, multiple entry points into the rehabilitation program, military rank – corporal and army captain, earnings capacity in the civilian world, and outliving the expected life course according to Statistics Canada Data. In total, approximately 60 case scenarios were developed in order to represent common and potential VAC client characteristics. A sample of six scenarios are included in Appendix F. For each scenario, profiles based on the data to date were chosen. The profile characteristics include:

- **Age:** For each disability class, the distributions of age were plotted for clients in receipt of disability pensions, disability awards and dual awards. The average age of CF members at medical release 1998-1999 to 2008-

2009 was 40 years of age. In most disability classes, the age distributions were comparable and bi-modal with the first distribution falling in the 40-49 age group and the second distribution falling in the 70-79 age group. There are too few, only 23, Disability Award clients disabled at Class 1 (98%+ assessed disability) to obtain reliable age data so a younger Veteran was chosen to demonstrate generous NVC benefits.

- **Gender of clients:** 87% of NVC clients in receipt of benefits are male.
- **Marital status:** Based on data from the VAC Statistics Directorate. 75% of CF Disability Benefit Clients are married or common-law.
- **Life expectancy:** Statistics Canada data indicates that life expectancy varies depending on the decade a person was born. Assuming the veteran is male, his life expectancy in the cases is either 69 or 72 years. The life expectancy for the female spouses/survivors is either 76 or 79 years. Husbands and wives were assumed to be the same age in each scenario.
- **Monthly Military Salary:** The scenarios used military salaries for Corporals of \$4,663/month.
- **Medical, Psychosocial and Vocational Rehabilitation Costs -** Extensive data analysis was done to determine, by disability class, the average medical and psychosocial costs. These costs, which differ from what has been reported in the Public Accounts, may be overstated as there is no differentiation on the drug data which allocates drugs for rehabilitation and disability pension/award purposes. Further, for all other medical rehabilitation costs, data strictly attributable to rehabilitation and data found in a class where staff are unable to distinguish rehabilitation from disability purposes was used. While rehabilitation costs were escalated annually for inflation, no allowance was made for increasing infirmity of aging clients. For vocational rehabilitation the average annual cost for all clients to date \$ \$3,462/year was used. No SISIP benefits were included.
- **10% disability (Class 19):** As of February 2010, clients at this level of disability represented 17.5% of favourable decisions for CF clients. This was the second largest category of clients (only 5% disability had more clients).
- **40% disability (Class 13):** As of February 2010, clients at this level of disability represented 3.5% of favourable decisions for CF clients.
- **80% disability (Class 5):** As of February 2010, clients at this level of disability represented less than 1% of favourable decisions for CF clients.
- **98%+ disability:** As of February 2010, clients at this level of disability represented 1.6% of CF clients, however this level of disability was

chosen to illustrate the maximum level of benefits available under both the *Pension Act* (to include the Exceptional Incapacity Allowance and the Attendance Allowance) and the *CFMVRC Act*.

- **Service related death:** As of March 2009, there have been 135 service related to death benefits awarded.
- **Re-establishment need but no disability benefit:** As of March 2010, 71 clients at who had entitlement only or no Disability Benefit participated in the rehabilitation program.
- **Exclusions:** The case scenarios did not include Veterans Independence Program Benefits. Neither did the scenarios include DND's Service Income Security Insurance Plan (SISIP) benefits. In addition, the Education Assistance Program was not portrayed as the maximum benefit for it is the same for orphans of CF members and Veterans for whom an award or pension was paid. The same is true for the Clothing Allowance. The Prisoner of War Compensation under the *Pension Act* and the Detention Benefit were also excluded from the comparison. The NVC also offers the Health Benefits Program to clients who participate in the Rehabilitation Program. This benefit was not directly included in the scenarios.
- **Calculation of benefits – Assumptions**
  - **Present Value:** Present value calculations were applied to all monthly benefits including Disability Pension, Survivor and Surviving Dependent Benefits, Exceptional Incapacity Allowance, Attendance Allowance, Earnings Loss, Permanent Impairment Allowance, Canadian Forces Income Support and Rehabilitation. It was assumed that these benefits are indexed annually usually by the consumer price index (CPI). Based on the Bank of Canada's average CPI since 2000, a rate of 1.9% was used to inflate benefits. The discount factor used was  $3.45\% - 1.9\% = 1.45\%$ . (The Bank of Canada Prime Rate less the CPI rate).
  - **Pensions:** It was assumed that clients, survivors and spouses lived to the current average life expectancy, as described above, and therefore receive benefits for that time. Full pension for spouse was provided for one year after the Veterans death for Disability Pension and Attendance Allowance. Survivor pension was then provided for the spouse until their death.
  - **Severely disabled client scenario:** It is assumed that the pensioner is receiving Grade 4 Attendance Allowance and Grade 4 EIA benefit available and for the entire period. It is also assumed that the NVC client is receiving the Grade 3 PIA and for the entire period.

- **Earnings Loss:** In 2008-2009, the average earnings loss payment per client was \$1,659 per month. Scenarios have been developed to demonstrate situations based largely on the data using offsets of Canadian Forces Superannuate of 2%/year for each year of military service in excess of 10 years and one instance of no offsets.
- **Supplementary Retirement Benefit (SRB):** Where applicable, SRB was calculated using 75% of the Monthly Military Salary multiplied by the number of months that Earnings Loss was received. As indicated in VAC policy, 2% of this amount is paid as a lump-sum payment when the eligible client reaches age 65. This benefit is only available to clients who have been deemed “Totally and Permanently Incapacitated” (TPI).
- **Canadian Forces Income Support (CFIS):** Veterans and survivors may be eligible to receive CFIS if their total household income is insufficient to meet their basic needs of daily living. The amount is income tested against total household income. CFIS was applied only to the service related death scenario. It was assumed that recipients were paid at the maximum monthly survivor rate of \$1,273.88 (survivor).
- **Employment Income:** As of March 2010, the Monthly Military Salary for a corporal was \$4,663, resulting in an average annual military salary of \$55,956. It is assumed that, having successfully completed the Rehabilitation Program, and possibly the Job Placement Program, the Veteran will have successfully found “suitable gainful employment”.
- **Gross values:** In this report, all benefits are presented as gross dollar values, even though income from NVC Financial Benefits program is taxable.
- **Validation Process:** Audit and Evaluation Division started with three previously VAC developed case scenarios and commenced by validating the profile characteristics. Data was provided by VAC’s Statistics Directorate and additional research and analysis was conducted to portray the range of services available under the two Acts as well as their expected outcomes. This resulted in changes to the profiles and the development of additional scenarios. Numerous validation exercises were conducted with representatives from the policy and program areas. Through these exercises, disability and financial benefits experts provided corrections and suggestions to improve the accuracy, completeness and representativeness of the scenarios. Most of this feedback was subsequently incorporated into the scenarios. Program staff and senior management had a subsequent opportunity to review and comment on the scenarios during the report briefing and finalization stage of the evaluation.

## Appendix F – Case Scenarios

### Case Scenario 1 – Severely Disabled Client

#### 1a - 98 %+ disability

In this scenario, a CF client has assessed disabilities totaling 98%. As a CF member, the client's indexed monthly salary as a corporal as of March 31, 2010, was \$4,663. The Veteran is married and both he and his spouse are 28 years of age at the time the application for disability benefits and other programs is made. The life expectancy of the Veteran is 72, while his wife is expected to live to age 79. The Veteran has one year of service and is not in receipt of Canadian Forces Superannuate.

#### **Pre-NVC**

The purpose of the disability pension is to compensate for service-related disability or death. The monthly pension rate for a single pensioner at 98%+ is \$2,397.83. The present value of a pension paid over a 45 year period is \$1.432M (assuming life expectancy to age 72). The present value of additional pension for the spouse amounts to \$358K. The present value of Attendance Allowance paid at grade 3 amounts to an additional \$569K. Similarly, the present value of the Exceptional Incapacity Allowance amounts to \$379K. The present value of the survivor pension paid for 6 years, beginning in year 45 amounts to \$157K. Prior to the NVC, the Rehabilitation Program was not available to assist the client and his family in adjusting to their new life circumstances.

#### **NVC**

The lump sum disability award is paid to provide recognition and compensation for the non-economic effects of service related disability or death. The rate for a 98%+ disability award is \$276,079.70.

In addition to this payment, the Veteran may receive medical and psychosocial rehabilitation for life (determined to be \$9,620/year). Vocational rehabilitation services are available to the spouse, determined to be \$3,462/year for 2 years. Participation in the Rehabilitation Program opens the door to the Financial Benefits Program, which compensates for the economic impact a service-related injury has on the Veteran's ability to earn income. The present value of the Earnings Loss benefit paid over a 37-year period to age 65, amounts to an additional \$1.686M after which time a \$29K lump sum, the Supplementary Retirement Benefit, is paid. The present value of this benefit is \$17K. The Permanent Impairment Allowance is an economic benefit to compensate for lost opportunities resulting from a severe impairment. The present value of a Grade 3 allowance paid over a 44 year period is \$313K.

In this case we have made the assumption that the client will not benefit from vocational rehabilitation with the goal of returning to the workforce. His spouse may receive vocational assistance to restore the earnings capacity of the family to a reasonable extent given

her education, skills and experience. If there is a need related to the client's rehabilitation plan, the spouse and children may also receive psychosocial rehabilitation services.

It is expected that, as a result of these services, the family is benefiting from a better quality of life and increased household income in addition to the disability and financial benefits paid. However, from a purely financial perspective, the married client of this scenario was better off pre-NVC, while the single client would be better off with NVC benefits.

Pre-NVC			NVC		
	<i>Payment</i>	<i>Present Value</i>		<i>Payment</i>	<i>Present Value</i>
Disability Pension (98%)	\$2,397.83		Disability Award (98%)	\$276,079.70	
<i>Paid over 45 years</i>		\$1,432,319.81	<i>One time lump-sum</i>		\$276,079.70
Additional Pension for Spouse	599.46		Earnings Loss	3,497.25	
<i>Paid over 45 years</i>		358,088.95	<i>Paid over 37 years</i>		1,686,049.51
Attendance Allowance grade 3	952.02		Supplementary Retirement Benefit	29,502.80	
<i>Paid over 45 years</i>		568,691.55	<i>Paid at age 65</i>		17,319.58
Exceptional Incapacity Allowance grade 4	634.73		Permanent Impairment Allowance grade 3	536.40	
<i>Paid over 45 years</i>		379,157.57	<i>Paid over 44 years</i>		312,570.17
Survivor Pension	1,798.37		Rehabilitation – medical/psychosocial	9,620	
<i>Paid over 6 years in 45 years</i>		156,835.02	<i>44 years</i>		315,821.05
			Rehabilitation – vocational for spouse	3,462	
			<i>2 years</i>		6,874.52
<b>Total</b>		<b>\$ 2,895,122.90</b>			<b>\$2,614,714.53</b>

## **1b – 80% disability**

In this scenario, a CF client has assessed disabilities totaling 80%, which, subject to additional assessments, may entitle the client to additional benefits. As a CF member, the client's indexed monthly salary as of March 31, 2010, was \$4,663. This client is married and both he and his spouse are 40 years of age at the time the application for disability benefits and other programs is made. The life expectancy of the Veteran is 69 years and his spouse is 76 years. The Veteran has 19 years of service and is in receipt of Canadian Forces Superannuate.

### **Pre-NVC**

The purpose of the disability pension is to compensate for service-related disability or death . The monthly pension rate for a single pensioner at 80% is \$1,918.26. The present value of a pension paid over a 30 year period is \$738K (assuming life expectancy to age 69). The present value of additional pensions for the spouse amounts to \$184K. The present value of Attendance Allowance, paid at the grade four rate, amounts to an additional \$244K. The present value of the survivor pension paid for 6 years, beginning in year 45 amounts to \$150K. Prior to the NVC, the Rehabilitation Program was not available to assist the client and his family in adjusting to their new life circumstances.

### **NVC**

The lump sum disability award is paid to provide recognition and compensation for the non-economic effects of service related disability or death. The rate for an 80% disability award is \$220,863.76.

In addition to this payment, the Veteran may receive medical and psychosocial rehabilitation for life (determined to be \$8,599/year). Vocational rehabilitation services are available to the spouse, determined to be \$3,462/year for 2 years. Participation in the Rehabilitation Program opens the door to the Financial Benefits Program, which compensates for the economic impact a service-related injury has on the Veteran's ability to earn income. The present value of the Earnings Loss benefit paid over a 25-year period to age 65, amounts to an additional \$547K after which time a \$20K lump sum, the Supplementary Retirement Benefit, is paid. The present value of this benefit is \$14K. The Permanent Impairment Allowance is an economic benefit to compensate for lost opportunities resulting from a severe impairment. The present value of a Grade 3 allowance paid over a 29 year period is \$199K.

If it is determined that the client will not benefit from vocational rehabilitation with the goal of returning to the workforce, his spouse may receive vocational assistance to restore the earnings capacity of the family to a reasonable extent given her education, skills and experience. If there is a need related to the client's rehabilitation plan, the spouse and children may also receive psychosocial rehabilitation services.



It is expected that, as a result of these services, the family is benefiting from a better quality of life and increased household income in addition to the disability and financial benefits paid.

Pre-NVC			NVC		
	<i>Payment</i>	<i>Present Value</i>		<i>Payment</i>	<i>Present Value</i>
Disability Pension (80%) <i>Paid over 30 years</i>	\$1,918.26	\$737,806.54	Disability Award (80%) <i>One time lump-sum</i>	\$220,863.76	<b>\$220,863.76*</b>
Additional Pension for Spouse <i>Paid over 30 years</i>	479.57	184,453.56	Earnings Loss <i>Paid over 25 years</i>	1,725.31	546,667.04
Attendance Allowance (gr. 4) <i>Paid over 30 years</i>	634.73	244,131.63	Supplementary Retirement Benefit <i>Paid at age 65</i>	19,934.33	13,309.14
Survivor Pension <i>Paid over 6 years in 30 years</i>	1798.37	149,549.60	Permanent Impairment Allowance grade 3 <i>Paid over 30 years</i>	536.40	198,975.44
			Rehabilitation – medical/psychosocial <i>29 years</i>	9,620	205,334.91
			Rehabilitation – vocational for spouse <i>2 years</i>	3,462	6,874.52
<b>Total</b>		<b>\$ 1,315,941.33</b>			<b>\$ 1,192,624.80</b>

\*Total if client does not participate in Rehabilitation Program or Financial Benefits Program.

## **Case Scenario 2 – Mildly Disabled Client**

### **10% disability**

In this scenario, the CF client has assessed disabilities totaling 10%. As a CF member, the client's indexed monthly salary as of March 31, 2010, was \$4,663. This Veteran is married and both the Veteran and his spouse are 35 years of age at the time the application for disability benefits and other programs is made. The life expectancy of the Veteran is 72 years and the spouse 79 years. The Veteran released voluntarily from the CF and has been found to have a rehabilitation need that qualifies him for the Rehabilitation Program. He has 12 years of service and is in receipt of Canadian Forces Superannuate.

### **Pre-NVC**

The purpose of the disability pension is to compensate for service-related disability or death. The monthly pension rate for a single pensioner at 10% is \$239.78. The present value of a pension paid over a 38 year period is \$119K (assuming life expectancy to age 72). The present value of additional pensions for the spouse amounts to \$30K. The present value of the survivor pension paid to the spouse for 6 years after his death amounts to an additional \$13K. Prior to the NVC, no other benefits or services are available to assist the client and his family adjust to their new life circumstances.

### **NVC**

The lump sum disability award is paid to provide recognition and compensation for the non-economic effects of service related disability or death. The rate for a 10% disability award is \$27,607.97.

In addition to these payments, the Veteran receives medical, psychosocial and vocational rehabilitation services according to his rehabilitation plan. It is assumed this client participates in medical/psychosocial rehabilitation for 1 year (determined to be \$6851/year), both medical/psychosocial and vocational rehabilitation for 1 year and vocational rehabilitation only for 1 year (determined to be \$3452/year). Participation in the Rehabilitation Program also opens the door to the Financial Benefits Program, which compensates for the economic impact a service-related injury has on the Veteran's ability to earn income. Assuming his participation in the Rehabilitation Program lasts 3 years, the present value of the Earnings Loss benefit can amount to an additional \$86K. If the client spends a longer period of time in the Rehabilitation Program, his eligibility for the earnings loss benefit will continue. If there is a need related to the client's rehabilitation plan, the spouse and children may also receive psychosocial rehabilitation services.

It is expected that, as a result of these services, the family is benefiting from a better quality of life due to medical and psychosocial rehabilitation as well as increased household income, from the Veteran becoming gainfully employed, in addition to the disability and financial benefits paid. For a point in time comparison of financial expenditures pre-NVC and NVC for the duration that a client is in Rehabilitation, the client would receive \$11K in benefits pre-NVC and \$161K in NVC benefits.

Pre-NVC			NVC		
	<i>Payment</i>	<i>Present Value</i>		<i>Payment</i>	<i>Present Value</i>
Disability Pension (10%)	\$239.78		Disability Award (10%)	\$27,607.97	
<i>Paid over 38 years</i>		\$118,999.58	<i>One time lump-sum</i>		<b>\$27,607.97*</b>
Additional Pension for Spouse	59.95		Earnings Loss	2,378.13	
<i>Paid over 38 years</i>		29,752.38	<i>Paid over 3 years</i>		86,000.36
Survivor Pension	149.86		Rehabilitation		
<i>Paid over 6 years in 38 years</i>		12,911.27	<i>Medical/psychosocial and vocational – 3 years</i>		20,380.34
<b>Total</b>		<b>\$ 161,663.23</b>			<b>\$ 133,988.52</b>
<i>Three year point in Time Financial Expenditures</i>		<i>10,839.13</i>			<i>133,988.52</i>

\*Total if client does not participate in Rehabilitation Program or Financial Benefits Program.

## **Case Scenario 3 – Moderately Disabled Client**

### **40% disability**

In this scenario, the CF client has assessed disabilities totaling 40%. As a CF member, the client's indexed monthly salary as of March 31, 2010, was \$4,663. This Veteran is married and both the Veteran and his spouse are 35 years of age at the time the application for disability benefits and other programs is made. The life expectancy of the Veteran is 72 years and the spouse 79 years. The Veteran released voluntarily from the CF and has been found to have a rehabilitation need that qualifies him for the Rehabilitation Program. He has 12 years of service and is in receipt of Canadian Forces Superannuate.

### **Pre-NVC**

The purpose of the disability pension is to compensate for service-related disability or death. The monthly pension rate for a single pensioner at 40% is \$959.13. The present value of a pension paid over a 38 year period is \$476K (assuming life expectancy to age 72). The present value of additional pensions for the spouse amounts to \$119K. The present value of the survivor pension paid to the spouse for 6 years after his death amounts to an additional \$52K. Prior to the NVC, no other benefits or services are available to assist the client and his family adjust to their new life circumstances.

### **NVC**

The lump sum disability award is paid to provide recognition and compensation for the non-economic effects of service related disability or death. The rate for a 40% disability award is \$110,431.88.

In addition to these payments, the Veteran receives medical, psychosocial and vocational rehabilitation services according to his rehabilitation plan. It is assumed this client participates in medical/psychosocial rehabilitation for 1 year (determined to be \$5,619/year), both medical/psychosocial and vocational rehabilitation for 1 year, and vocational rehabilitation only for 1 year (determined to be \$3,452/year). Participation in the Rehabilitation Program also opens the door to the Financial Benefits Program, which compensates for the economic impact a service-related injury has on the Veteran's ability to earn income. Assuming his participation in the Rehabilitation Program lasts 3 years, the present value of the Earnings Loss benefit can amount to an additional \$86K. If the client spends a longer period of time in the Rehabilitation Program, his eligibility for the earnings loss benefit will continue. If there is a need related to the client's rehabilitation plan, the spouse and children may also receive psychosocial rehabilitation services.

It is expected that, as a result of these services, the family is benefiting from a better quality of life due to medical and psychosocial rehabilitation as well as increased household income in addition to the disability and financial benefits paid.

For a point in time comparison of financial expenditures pre-NVC and NVC for the duration that a client is in Rehabilitation, the client would receive \$43K in benefits pre-NVC and \$241K in NVC benefits.

Pre-NVC			NVC		
	<i>Payment</i>	<i>Present Value</i>		<i>Payment</i>	<i>Present Value</i>
Disability Pension (40%) <i>Paid over 38 years</i>	\$959.13	\$476,003.29	Disability Award (40%) <i>One time lump-sum</i>	\$110,431.88	\$110,431.88*
Additional Pension for Spouse <i>Paid over 38 years</i>	239.78	118,999.58	Earnings Loss <i>Paid over 3 years</i>	2,378.13	86,000.36
Survivor Pension <i>Paid over 6 years in 38 years</i>	599.46	51,646.81	Rehabilitation <i>Medical/psychosocial and vocational – 3 years</i>		20,380.34
<b>Total</b>		<b>\$ 646,649.68</b>			<b>\$ 214,366.09</b>
<i>Three year point in Time Financial Expenditures</i>		<i>43,356.13</i>			<i>214,366.09</i>

\*Total if client does not participate in Rehabilitation Program or Financial Benefits Program.

## **Case Scenario 4 – Client with Re-establishment Need but no Disability Benefit Entitlement**

In this scenario, the CF client has been found to be not entitled to a disability benefit. However, he is experiencing some barriers to re-establishment that qualify him for the Rehabilitation Program. As a CF member, the client's indexed monthly salary as of March 31, 2010, was \$4,663. The Veteran and spouse are both 35 years of age at the time the application for disability benefits and other programs is made. The Veteran has 12 years of service and is in receipt of Canadian Forces Superannuate.

### **Pre-NVC**

Since the Veteran has been found to be not entitled to a disability benefit, no pension is payable to the client. Moreover, despite the fact that they are experiencing some challenges to successful transition to civilian life, no other benefits or services are available to assist the Veteran and his family adjust to their new life circumstances.

### **NVC**

Since the Veteran has been found to be not entitled to a disability benefit, no disability award is payable.

However, since he has been found to have a rehabilitation need, the Veteran receives medical, psychosocial and vocational rehabilitation services according to his rehabilitation plan. Participation in the Rehabilitation Program opens the door to the Financial Benefits Program, which compensates for the economic impact a service-related injury has on the Veteran's ability to earn income. Assuming his participation in the Rehabilitation Program lasts 3 years, the present value of vocational rehabilitation services (determined to be \$3,462/year) is \$10K. The present value of the earnings loss benefit during this time amounts to \$86K. If the client spends a longer period of time in the Rehabilitation Program, his eligibility for the earnings loss benefit will continue. If there is a need related to the client's rehabilitation plan, the spouse and children may also receive psychosocial rehabilitation services.

It is expected that, as a result of these services, the family is benefiting from a better quality of life due to medical and psychosocial rehabilitation as well as increased household income in addition to the financial benefits paid.

<b>Pre-NVC</b>			<b>NVC</b>		
	<i>Payment</i>	<i>Present Value</i>		<i>Payment</i>	<i>Present Value</i>
Disability Pension (0%)	\$0	\$0	Disability Award (0%)	\$0	\$0
			Earnings Loss	2,378.13	
			<i>Paid over 3 years</i>		86,000.36
			Rehabilitation - vocational	3,462	
			<i>3 years</i>		20,380.34
<b>Total</b>		<b>\$ 0</b>			<b>\$ 96,238.52</b>

## **Case Scenario 5 - Death of CF Member During Service (less than 30 days after a Service-Related Injury)**

In this scenario, a CF member dies suddenly at the age of 32 of a service-related injury in a Special Duty Area. The member was earning a monthly military salary of \$4,663 as of March 31, 2010) and was married. The member and spouse were both 32 years of age. The life expectancy for the spouse is 79 years. The Veteran had 10 years of service and the survivor is in receipt of Canadian Forces Superannuate.

### **Pre-NVC**

When this CF member dies, the survivor is paid a benefit equivalent to a 100% disability pension. The monthly survivor benefit rate is \$1,798.37. The present value of this benefit paid over a 47 year period is \$1.12M (assuming life expectancy to age 79).

### **NVC**

#### *Death Benefit*

The purpose of the disability award/death benefit is to provide recognition and compensation for the non-economic effects of service-related disability or death. The economic components are found in the NVC's Financial Benefits Program. The lump-sum death benefit rate is \$276,079.70.

#### *Disability Awards*

In addition to the receiving death benefit, the survivor can retroactively claim for disabilities the CF member may have had prior to death, but which had not been previously claimed for, up to a maximum total assessment of 100%. This can amount to an additional lump sum of \$276,079.70.

#### *Financial Benefits*

The survivor and dependents are automatically entitled to the earnings loss benefit until the deceased member would have reached age 65. In this scenario, the present value of this benefit amount to \$1.1M.

At the time that the member would have reached age 65, the earnings loss benefit ceases and a lump sum supplementary retirement benefit (SRB) of \$26K is paid, the present value of this benefit is \$16K. In addition, the survivor is entitled to the Canadian Forces Income Support at age 65. Paid at the survivor rate for 14 years the present value of this benefit is \$226K.

#### *Rehabilitation Program*

The survivor can also receive vocational assistance services or may be eligible for medical, psychosocial and vocational rehabilitation services if those needs are identified and presenting barriers to the success of the vocational assistance plan. The aim of vocational

assistance is to restore the earnings capacity of the family to a reasonable extent given the survivor's education, skills, and experience. In this case we assume the survivor accesses vocational rehabilitation services for 2 years (determined to be \$3,462/year).

The present value of the benefits received over the course of the survivor's lifetime (to age 79) is \$1.6M (not including any additional disability awards).

Pre-NVC			NVC		
	<i>Payment</i>	<i>Present Value</i>		<i>Payment</i>	<i>Present Value</i>
Survivor Benefit	\$1,798.37		Death Benefit	\$276,079.70	
<i>Paid over 52 years</i>		\$1,127,253.30	<i>One time lump-sum</i>		\$276,079.70
			Earnings Loss	2,564.65	
			<i>Paid over 33 years</i>		1,092,605.72
			Supplementary Retirement Benefit	26,313.31	
			<i>Paid in 33 years</i>		16,362.81
			Canadian Forces Income Support	1,273.88	
			<i>Paid over 14 years (in 33 years)</i>		225,923.22
<b>Total</b>		<b>\$ 1,127,253.30</b>			<b>\$ 1,617,827.57</b>



## Appendix G – Disability Award Rate Table 2010

### Veterans Affairs Canada Disability Award Rate Table 2010

Effective Date	Rate Type	Percentage or Grade	Amount
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	1	774.19
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	2	1548.36
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	3	2322.57
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	4	3096.75
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	5	13803.99
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	10	27607.97
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	15	41411.96
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	20	55215.94
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	25	69019.93
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	30	82823.91
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	35	96627.90
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	40	110431.88
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	45	124235.87
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	50	138039.85
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	55	151843.84
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	60	165647.82
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	65	179451.81
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	70	193255.79
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	75	207059.78
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	80	220863.76
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	85	234667.75
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	90	248471.73
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	95	262275.72
2010/01/01	SCHEDULE 3 - DISABILITY AWARD	100	276079.70
2010/01/01	CLOTHING ALLOWANCE - DA	1	179.79
2010/01/01	CLOTHING ALLOWANCE	2	143.81
2010/01/01	CLOTHING ALLOWANCE	3	107.89
2010/01/01	CLOTHING ALLOWANCE	4	71.89
2010/01/01	CLOTHING ALLOWANCE	5	63.88
2010/01/01	CLOTHING ALLOWANCE	6	51.92
2010/01/01	CLOTHING ALLOWANCE	7	47.93
2010/01/01	CLOTHING ALLOWANCE	8	39.92
2010/01/01	CLOTHING ALLOWANCE	9	31.97
2010/01/01	CLOTHING ALLOWANCE	10	19.94
2010/01/01	DEATH BENEFIT		276079.70

Note: All rates shown above include a 3.2595% supplement effective January 1, 2010, based on Consumer Price Index, in accordance with section 75 of the *Pension Act*.

## Appendix H – Monthly Rates of Pensions for Disabilities

**VETERAN'S AFFAIRS CANADA / ANCIENS COMBATTANTS CANADA**  
**MONTHLY RATES OF PENSIONS FOR DISABILITIES BASED ON SCHEDULE "I" AND SECTION 75 OF THE PENSION ACT**  
**TAUX MENSUELS DES PENSIONS D'INVALIDITÉ EN VERTU DE L'ANNEXE « I » ET DE L'ARTICLE 75 DE LA LOI SUR LES PENSIONS**

TABLE / TABLEAU A

Effective January 1, 2010 / Entrée en vigueur le 1er janvier 2010

1	2	3	4	5	6	7	8	9	10	Class/Catégorie	11	12	13	14	15	16	17	18	19	20
90-100 100%	85-87 95%	80-82 90%	75-77 85%	70-72 80%	65-67 75%	60-62 70%	55-57 65%	50-52 60%	45-47 55%	Range / Échelle Percentage / Pourcentage	40-42 50%	35-37 45%	30-32 40%	25-27 35%	20-22 30%	15-17 25%	10-12 20%	5-7 15%	0-4 10%	0-3 5%
2397.83	2277.94	2156.05	2038.18	1918.26	1798.37	1678.48	1558.59	1438.70	1318.81	Single pensioner Pensionné(e) célibataire	1198.92	1079.02	959.13	839.24	719.35	599.46	479.57	359.67	239.78	119.89
2997.29	2847.43	2697.56	2547.70	2397.83	2247.96	2098.10	1948.24	1798.38	1648.51	Married pensioner Pensionné(e) marié(e)	1498.65	1348.78	1198.91	1049.05	899.19	749.33	599.46	449.59	299.73	149.86
3309.01	3143.56	2978.11	2812.66	2647.20	2481.75	2316.30	2150.86	1985.41	1819.96	Pensioner, spouse & 1 child Pensionné(e), conjoint(e) & 1 enfant	1654.51	1489.05	1323.60	1158.15	992.71	827.26	661.80	496.35	330.90	165.45
3536.80	3359.97	3183.12	3006.29	2829.44	2652.59	2475.75	2298.92	2122.09	1945.24	Pensioner, spouse & 2 children Pensionné(e), conjoint(e) & 2 enfants	1788.41	1591.56	1414.71	1237.86	1061.04	884.21	707.38	530.52	353.68	178.84
3716.64	3530.82	3344.97	3159.15	2973.31	2787.47	2601.65	2415.81	2229.99	2044.15	Pensioner, spouse & 3 children Pensionné(e), conjoint(e) & 3 enfants	1858.33	1672.49	1486.64	1300.82	1114.99	929.17	743.33	557.50	371.66	185.83
3896.48	3701.87	3506.82	3312.01	3117.18	2922.36	2727.54	2532.70	2337.89	2143.08	Pensioner, spouse & 4 children Pensionné(e), conjoint(e) & 4 enfants	1948.25	1753.42	1558.57	1363.76	1168.94	974.13	779.30	584.48	389.64	194.82
4076.32	3872.52	3658.87	3484.87	3261.05	3057.23	2853.43	2649.59	2445.79	2241.97	Pensioner, spouse & 5 children Pensionné(e), conjoint(e) & 5 enfants	2038.17	1834.35	1630.50	1426.70	1222.89	1019.09	815.27	611.46	407.62	203.81
4256.16	4043.37	3830.52	3617.73	3404.92	3192.11	2979.32	2766.48	2553.69	2340.88	Pensioner, spouse & 6 children Pensionné(e), conjoint(e) & 6 enfants	2128.09	1919.28	1702.43	1489.64	1278.84	1064.05	851.24	638.44	425.60	212.80
179.84	170.85	161.85	152.86	143.87	134.88	125.89	116.89	107.90	98.91	Each additional child Chaque enfant additionnel	89.92	80.93	71.93	62.94	53.95	44.96	35.97	26.98	17.98	8.99

**Rates of Additional Pension, spouse and children (or) / Taux de la pension supplémentaire, conjoint(e) et enfants (ou enfant)**

599.46	569.49	539.51	509.54	479.57	449.59	419.62	389.65	359.68	329.70	Spouse/conjoint(e)	289.73	269.76	249.78	229.81	179.84	149.87	119.89	89.92	59.95	29.97
311.72	296.13	280.55	264.98	249.37	233.79	218.20	202.62	187.03	171.45	First Child/Premier enfant	155.86	140.27	124.69	109.10	93.52	77.93	62.34	46.76	31.17	15.59
227.79	216.41	205.01	193.63	182.24	170.84	159.46	148.08	136.68	125.28	Second Child/Deuxième enfant	113.90	102.51	91.11	79.73	68.33	56.95	45.56	34.17	22.78	11.39
179.84	170.85	161.85	152.86	143.87	134.88	125.89	116.89	107.90	98.91	Each additional child Chaque enfant additionnel	89.92	80.93	71.93	62.94	53.95	44.96	35.97	26.98	17.98	8.99

**Class 21 Payment (less than 5 %) / Paiement à la catégorie 21 (moins de 5 %)**

4% -	3098.75	2% -	1548.38
3% -	2322.57	1% -	774.19

Note: All rates shown above include a 3.2595% supplement effective January 1, 2010, based on public servant labour groups, in accordance with Section 75 of the Pension Act.

## Appendix I – Monthly Rates of Pensions for Dependents

**VETERANS AFFAIRS CANADA / ANCIENS COMBATTANTS CANADA**  
**MONTHLY RATES OF PENSIONS FOR DEPENDANTS BASED ON SCHEDULE "II" AND SECTION 75 OF THE PENSION ACT**  
**TAUX MENSUELS DES PENSIONS DE PERSONNES À CHARGE EN VERTU DE L'ANNEXE « II » ET DE L'ARTICLE 75 DE LA LOI SUR LES PENSIONS**

Effective January 1, 2010 / Entrée en vigueur le 1er janvier 2010

TABLE/TABLEAU B

MAXIMUM RATES/ TAUX MAXIMUM	Class / Catégorie Range / Échelle Percentage / Pourcentage	PROPORTIONATE RATES / TAUX PROPORTIONNELS									
		12 43-47 45%	13 38-42 40%	14 33-37 35%	15 28-32 30%	16 23-27 25%	17 18-22 20%	18 13-17 15%	19 8-12 10%	20 5-7 5%	
1798.37	Widow Veuve	674.39	599.46	524.53	449.59	374.66	299.73	224.80	149.86	74.93	
2421.81	Widow and 1 child Veuve et 1 enfant	744.53	661.80	579.08	496.35	413.62	330.90	248.18	165.45	82.72	
2877.39	Widow and 2 children Veuve et 2 enfants	795.78	707.36	618.94	530.52	442.10	353.68	265.26	176.84	88.42	
3237.06	Widow and 3 children Veuve et 3 enfants	836.24	743.33	650.41	557.50	464.58	371.66	278.75	185.83	92.92	
3596.73	Widow and 4 children Veuve et 4 enfants	876.70	779.30	681.88	584.48	487.06	389.64	292.24	194.82	97.42	
3956.40	Widow and 5 children Veuve et 5 enfants	917.16	815.27	713.35	611.46	509.54	407.62	305.73	203.81	101.92	
4316.07	Widow and 6 children Veuve et 6 enfants	957.62	851.24	744.82	638.44	532.02	425.60	319.22	212.80	106.42	
359.67	Each Additional Child Chaque enfant additionnel	40.46	35.97	31.47	26.98	22.48	17.98	13.49	8.99	4.50	
ORPHAN RATES/TAUX D'ORPHELIN (E)											
623.44	First Child Premier enfant	70.14	62.34	54.55	46.76	38.96	31.17	23.38	15.59	7.79	
455.58	Second Child Deuxième enfant	51.25	45.56	39.86	34.17	28.48	22.78	17.08	11.39	5.70	
359.67	Each Additional Child Chaque enfant additionnel	40.46	35.97	31.47	26.98	22.48	17.98	13.49	8.99	4.50	

Dependent parent maximum = 50% of basic pension = 1198.92  
 Taux maximum pour parent à charge = 50 % de la pension de base = 1198.92

NOTE: All rates shown above include a 3.2595% supplement effective January 1, 2010, based on Consumer Price Index, in accordance with section 75 of the Pension Act.  
 The word "widow" applies equally to "widower".