



Veterans Affairs
Canada

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EVALUATION OF THE FINANCIAL BENEFITS PROGRAM

September 2016

Audit and Evaluation Division

Canada 

Acknowledgements

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Table of Contents

EXECUTIVE SUMMARY	i
1.0 INTRODUCTION	1
1.1 Program Overview.....	1
1.2 Program Eligibility.....	3
1.3 Program Delivery.....	3
2.0 SCOPE AND METHODOLOGY	5
2.1 Evaluation Scope and Duration.....	5
2.2 Multiple Lines of Evidence.....	6
2.3 Evaluation Limitations	7
3.0 RELEVANCE.....	8
3.1 Continued Need for the Program	8
3.2 Alignment with Government Priorities	13
3.3 Alignment with Federal Roles and Responsibilities	13
4.0 PERFORMANCE (EFFECTIVENESS / EFFICIENCY AND ECONOMY).....	15
4.1 Performance Tools and Measures	15
4.2 Achievement of Expected Outcomes	16
4.3 Demonstration of Efficiency and Economy.....	25
5.0 CONCLUSIONS AND RECOMMENDATION SUMMARY	30
APPENDIX A - ACRONYMS	1
APPENDIX B – ELIGIBILITY FOR VAC FINANCIAL BENEFITS.....	2
APPENDIX C – COMPARISON OF REHABILITATION PROGRAMS AND/OR FINANCIAL BENEFITS BETWEEN VAC AND ALLIED COUNTRIES	5

Executive Summary

The evaluation of the Financial Benefits Program was conducted in accordance with the Veterans Affairs Canada Multi-Year Risk-Based Evaluation Plan 2014-19. The program was last evaluated as part of an overall New Veterans Charter Evaluation in 2010-11.

The Financial Benefits Program was established in 2006 under the authority of the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*, with subsequent amendments expanding eligibility and adding programs. It provides economic support to eligible Canadian Armed Forces Veterans, survivors, and dependents in recognition of the economic impact that a career ending and/or service-related injury or death can have on a Veteran's ability to earn income, advance in a career or save for retirement.

As per Treasury Board Secretariat policy requirements and guidance, this evaluation examined the Program's relevance and performance. The evaluation findings and conclusions are based on the analysis of multiple lines of qualitative and quantitative evidence.

Overall Results

Relevance

Increasing uptake, enhancements, similar programs in Allied countries and a lack of duplication/overlap all point to a continued need for the Financial Benefits program.

The Program aligns with federal government priorities as well as the Department's mandate and strategic outcomes.

Performance

A Performance Measurement Strategy¹ is in place and is being used; however, some modifications are suggested to improve Program measurement.

Overall, the delivery of the Program was found to be efficient and economical. The evaluation found that, generally, the immediate, intermediate and ultimate program outcomes are being achieved.

There are opportunities to improve the effectiveness of the Program. A monitoring system should be implemented to ensure recipients receive the benefits to which they are entitled, as they approach age 65. The rates for the Canadian Forces Income Support benefit should be adjusted, as there are discrepancies with comparative rates identified by Statistics Canada. The relationship between Financial Benefits and the Rehabilitation Program completion rates should be reviewed and addressed. Quality

¹ Supports effective program management through the provision of performance measurement data.

assurance activities should be implemented to ensure that the recently modified Permanent Impairment Allowance processing procedures are followed. Also, the evaluation team suggested some modifications to technology used and communications with Veterans and recipients.

Recommendations

- 1. It is recommended that the Director General, Service Delivery and Program Management, implement a monitoring system for Financial Benefit Program recipients likely to be deemed totally and permanently incapacitated to determine TPI eligibility before they turn 65.**
- 2. It is recommended that the Director General, Policy and Research propose adjustments to the rates for the Canadian Forces Income Support so that they are sufficient to meet a person's basic needs.**
- 3. It is recommended that the Director General, Policy and Research review the relationship between Financial Benefits and the Rehabilitation Program completion rates and propose adjustments which support the Veteran outcomes.**
- 4. It is recommended that the Director, Health Care, Rehabilitation and Income Support Programs, conduct quality assurance review/activities regarding the Permanent Impairment Allowance process to ensure the new procedures are being followed and are achieving the desired result.**
- 5. It is recommended that the Director General, Service Delivery and Program Management, in collaboration with the Director General, Information Technology, Information Management and Administration, incorporate Supplementary Retirement Benefit and Canadian Forces Income Support processing into the Client Service Delivery Network.**
- 6. It is recommended that the Director General, Service Delivery and Program Management, further review letters, attachments and application forms sent to Veterans in regards to the Program.**

1.0 Introduction

The evaluation of the Financial Benefits (FB) Program, hereinafter referred to as the “Program,” was conducted in accordance with the Veterans Affairs Canada (VAC) Multi-Year Risk-Based Evaluation Plan 2014-19. The program was last evaluated as part of an overall New Veterans Charter (NVC) Evaluation in 2010-11. As per Treasury Board Secretariat (TBS) policy requirements and guidance, this evaluation examined the Program’s relevance and performance.

1.1 Program Overview

The Financial Benefits Program is a main component of the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*, commonly referred to as the New Veterans Charter. The Program provides economic support to eligible Canadian Armed Forces (CAF) Veterans, survivors, and dependent children in recognition of the economic impact that a career ending and/or service-related injury or death can have on a Veteran’s ability to earn income, advance in a career or save for retirement.

When enacted in 2006, the NVC featured four Financial Benefits: Earnings Loss Benefit (ELB), Supplementary Retirement Benefit (SRB), Canadian Forces Income Support (CFIS), and Permanent Impairment Allowance (PIA). Later, in 2011, an increase to the PIA payable, commonly known as the PIA Supplement (PIAS) was introduced. Finally, in July 2015, the Retirement Income Support Benefit (RISB) was introduced. Table 1 describes the purpose of each benefit.

Table 1 – Financial Benefits

Benefit	Purpose
Earnings Loss Benefit	<p>A taxable monthly benefit payable in recognition of the economic impact a military career ending or service related disability may have on the Veteran's ability to earn income following release from the CAF.² The ELB provides a Veteran with an income of 75% of their gross pre-release salary to ensure an annual pre-tax income of at least \$42,426.</p> <p>There are two types of ELB³:</p> <ol style="list-style-type: none"> 1. Temporary Earnings Loss (TEL) – is paid while a Veteran is participating in an active Rehabilitation Plan. 2. Extended Earnings Loss (EEL) – is paid to the Veteran until age 65, when it is determined that the Veteran is unable to engage in suitable gainful employment⁴ due to being totally and permanently incapacitated⁵ (TPI).
Supplementary Retirement Benefit	A taxable, lump-sum benefit provided at age 65 to Veterans to recognize the decreased ability of disabled Veterans or their survivors to save for retirement.
Canadian Forces Income Support	A tax-free monthly benefit available to ensure Veterans who are no longer eligible for the ELB (i.e., completed the Rehabilitation Program), but are unable to find employment have a level of income to meet basic needs which they are engaged in a job search. Survivors and orphans may also be eligible for the benefit.
Permanent Impairment Allowance	A taxable, monthly allowance payable to eligible Veterans to compensate for the impact that a permanent and severe impairment has on employment potential and career progression.
Permanent Impairment Allowance Supplement	A taxable, monthly benefit payable to those in receipt of the PIA who, due to the level of their disability, are not capable of suitable gainful employment.
Retirement Income Security Benefit	<p>A taxable financial benefit that is paid monthly and provides life-long financial stability to eligible Veterans beginning at age 65.</p> <p>The benefit recognizes that Veterans who are TPI may have a reduced capacity to plan sufficiently for a post-age 65 income and may become reliant on monthly financial benefits they receive.</p> <p><i>Note: Introduced in 2015, this benefit was implemented after the evaluation framework and therefore is out of scope.</i></p>

² VAC Earnings Loss Benefit Policy.

³ Although Temporary Earnings Loss (TEL) and Extended Earnings Loss (EEL) are not defined terms in VAC Legislation, the terms are used in internal VAC Business Processes.

⁴ Suitable Gainful Employment ("employability") means employment for which the Veteran is reasonably qualified by reason of education, training and experience and that provides a monthly rate of pay equal to at least 66 2/3 per cent of the imputed income of the Veteran. Imputed Income means the income amount of the Veteran used to calculate the Earnings Loss Benefit for the eligible Veteran. See the Earnings Loss Benefit - Determination of the Monthly Imputed Income and Variable "A" (75% of the Monthly Imputed Income) policy.

⁵ Totally and Permanently Incapacitated ("TPI") means that the Veteran is incapacitated by a permanent physical or mental health problem that prevents the Veteran from performing any occupation that would be considered suitable gainful employment.

1.2 Program Eligibility

Program recipients include those who have been approved for the Rehabilitation Program⁶, have completed the Rehabilitation Program but are not yet employed, were eligible for the Rehabilitation Program but unable to participate due to a permanent and severe impairment⁷, or have received a Disability Benefit⁸ for a physical or mental condition causing a permanent and severe impairment for which Rehabilitation services have been approved. Recipients can also include the survivors and dependent children of Veterans who die as a result of an injury related to, or aggravated by, their service. Eligibility requirements are described more fully in Appendix B.

1.3 Program Delivery

The Service Delivery Branch manages the Program. Processing of Program benefits involves a number of VAC staff in the field and at Head Office. Program application(s) are provided to potential recipients upon request at the National Contact Centre Network⁹, Integrated Personnel Support Centres (IPSCs)¹⁰ or Area Offices (AOs).

Applications and subsequent follow up for ELB, SRB and the CFIS are all processed by the Centralized Processing Centre (CPC)¹¹. Those receiving either ELB or CFIS are required to report income changes to VAC as soon as they occur. Changes to income may result in a recalculation of the ELB and CFIS payment amounts. An Annual Income Verification (AIV) process, also conducted by the CPC, ensures the ELB payment remains accurate. The AIV process consists of ELB recipients self-declaring and providing evidence of their income. A secondary verification process is then administered which compares the recipients' declarations with income tax data held by the Canada Revenue Agency.

Case Managers¹² counsel applicants on the Program and compile information about the Veteran to complete the PIA application. The application is then processed by disability adjudicators, with the amount payable depending on the extent of impairment.

⁶ Provides eligible Veteran recipients and their spouse/survivor(s) with one or more of the following types of rehabilitation services: medical, psycho-social, or vocational.

⁷ "Permanent and severe impairment" means the member or Veteran permanently requires supervision, is severely and permanently limited in mobility or self-care, has conditions such as a particular amputation or a total and permanent loss of vision or hearing or speech, or a severe and permanent psychiatric condition.

⁸ The Disability Benefits program consists of both the Disability Pension (DP) and the Disability Award (DA).

The DP is a tax-free monthly payment, with the amount of the payment based on the extent of the Veteran's diagnosed medical disability related to their service. The DA provides injured members and Veterans with a tax-free cash award for an injury or illness resulting from military service.

⁹ The National Contact Centre Network is VAC's national network of call centres, which accepts calls to VAC's toll-free phone number.

¹⁰ Veterans Affairs Canada and the Department of National Defence work together through the IPSCs to help Canadian Armed Forces personnel (Regular and Reserve), Veterans and their families. Core services offered by the IPSC include Return to Duty coordination, Transition Planning Assistance, Casualty Tracking, Outreach, Leadership and supervision, Advocacy Services, Designated Assistant disengagement and support to families.

¹¹ The Centralized Processing Centre is a unit located in Head Office responsible for the processing of applications and payment of the Earnings Loss Benefit and Supplementary Retirement Benefits as well as processing the payments for approved Permanent Impairment Allowance and Permanent Impairment Allowance Supplement applications.

¹² Case Managers assist former members, Veterans, RCMP and their families who may be finding it difficult to navigate a transition or change in their lives.

Eligibility for EEL, PIAS and SRB is tied to the applicant being deemed TPI. A TPI designation also grants Earnings Loss Eligibility to age 65, regardless of participation in VAC's Rehabilitation Program. TPI designation decisions are made by delegated VAC decision makers (i.e., the Case Manager) based on evidence available or collected from health and vocational rehabilitation professionals.

All Program payments are processed by VAC's Finance Division.

2.0 Scope and Methodology

The evaluation, conducted in accordance with the TBS *2009 Policy on Evaluation*, examined Program relevance and performance. Methodologies were selected to ensure a thorough evaluation and recommendations to improve services for program recipients.

2.1 Evaluation Scope and Duration

Conducted between April 2015 and March 2016, the evaluation covered program activities for the period of April 2010 to March 2015, and assessed processes in place during the fieldwork phase (June 2015 to December 2015).

The evaluation was summative in nature and relied on a mix of qualitative and quantitative data sources to obtain a broad perspective and mitigate risks with data collection. As per the TBS *Policy on Evaluation*, five core issues were examined with the results intended to assist VAC senior management in making decisions regarding the design and delivery of the Program. The evaluation will focus on the core evaluation issues as outlined in Table 2:

Table 2 – Five Core Evaluation Issues

TBS Requirements	Financial Benefit Evaluation Objectives
1. Continued Need for the Program	Assess the extent to which the Program continues to address a demonstrable need
2. Alignment with Government Priorities	Assess the linkages between the objectives of the Program and (i) federal government priorities and (ii) departmental strategic initiatives
3. Alignment with Federal Roles and Responsibilities	Assess VAC's roles and responsibilities with regards to delivering the Program
4. Achievement of Expected Outcomes	Assess progress towards expected outcomes
5. Demonstration of Efficiency and Economy	Assess the Program's resource utilization in relation to the production of outputs and progress toward expected outcomes

The evaluation was calibrated¹³ by placing more emphasis on areas of higher risk; i.e., ELB, PIA and PIAS, which represented 99% of all Program recipients at March 31, 2015. The introduction of the RISB in 2015 and the announcement of

¹³ Calibration refers to the process of adjusting how evaluations are conducted, based on a number of different factors, in ways that produce quality evaluations cost-effectively. Source: Treasury Board Secretariat—<http://www.tbs-sct.gc.ca/hqw-cgf/oversight-surveillance/ae-ve/cee/wcce-cefc-eng.asp>

increasing the ELB from 75% to 90% of a Veteran’s monthly military salary as part of Budget 2016, were not included in the evaluation scope.

2.2 Multiple Lines of Evidence

The evaluation assessed both relevance and performance using multiple lines of evidence.

The evaluation methodology is outlined in Table 3.

Table 3 – List of Methodologies

Methodology	Source
Documentation Review	<ul style="list-style-type: none"> • Departmental Acts and Regulations • VAC reports, policies, processes, strategies and planning documents • Previous VAC audits and evaluations • Parliamentary reports • Pre-existing recipient survey results (e.g. Rehabilitation Intake and Program Completion Survey Results)
Review of Research Studies	<ul style="list-style-type: none"> • Studies conducted by VAC Research Directorate <ul style="list-style-type: none"> ○ Income Adequacy and Employment Outcomes of the New Veterans Charter ○ Compensating for Permanent Losses: Totally and Permanently Incapacitated ○ Low Income Lines and Financial Security in Retirement ○ Labour-Market Outcomes of Veterans ○ Economic Loss: Is it related to age or disability rating? ○ Income Recovery after Participation in the Rehabilitation Program
File Review	<ul style="list-style-type: none"> • A sample of 309 Veteran files were reviewed <ul style="list-style-type: none"> ○ 164 ELB recipients ○ 36 CFIS recipients ○ 42 SRB recipients ○ 67 PIA/PIAS recipients
Key Informant Interviews	<ul style="list-style-type: none"> • A total of 69 (44 Area Office and 25 Head Office) in-person interviews with and questionnaire responses from VAC staff and departmental subject matter experts.
Direct Observation	<ul style="list-style-type: none"> • Information Technology systems, as well as business processes and practices, were observed at VAC Head Office.
Statistical/Program Data	<ul style="list-style-type: none"> • Analysis of statistical data obtained from <ul style="list-style-type: none"> ○ VAC Finance Division ○ Service Delivery Branch

2.3 Evaluation Limitations

The following limitations and analytical challenges were identified during the evaluation:

1. The evaluation team did not speak directly to Program participants. To mitigate this limitation, the team used the existing Rehabilitation Intake and Program Completion Survey Results as well as internal and external studies to assess sufficiency of benefits. As well, interviews with VAC staff who speak directly with Program recipients helped gauge their needs and views.
2. Existing research and economic measures were used to assess appropriateness of benefit levels as professional expertise in measurement and management of risk were not available to the evaluation team.

These limitations should be considered when reviewing the evaluation findings.

3.0 Relevance

Three core issues were examined to determine ongoing relevance of the Program: continued need for the program, alignment with Government of Canada priorities, and alignment with federal roles and responsibilities. The evaluation assessed the relevance of the overall Program as well as its sub-components.

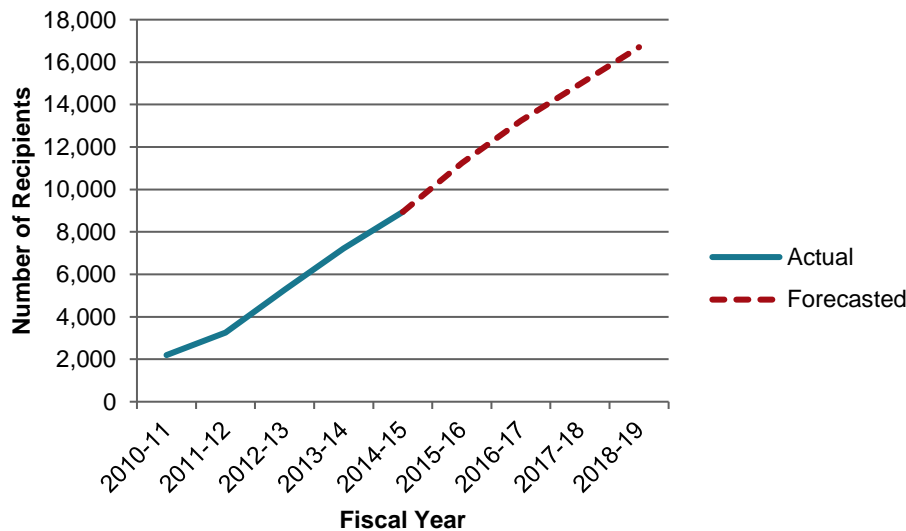
3.1 Continued Need for the Program

There is a continued need for the Financial Benefits program.

Uptake and Expenditures

Program uptake and expenditures indicate continued need. Overall, the Program recipients and expenditures have increased and that growth is forecasted to continue. As shown in Chart 1, between 2010-11 and 2014-15, the number of recipients increased by 307% (from 2,196 to 8,935) and is forecasted to increase by 49% from 2015-16 to 2018-19 (from 11,245 to 16,705, respectively).

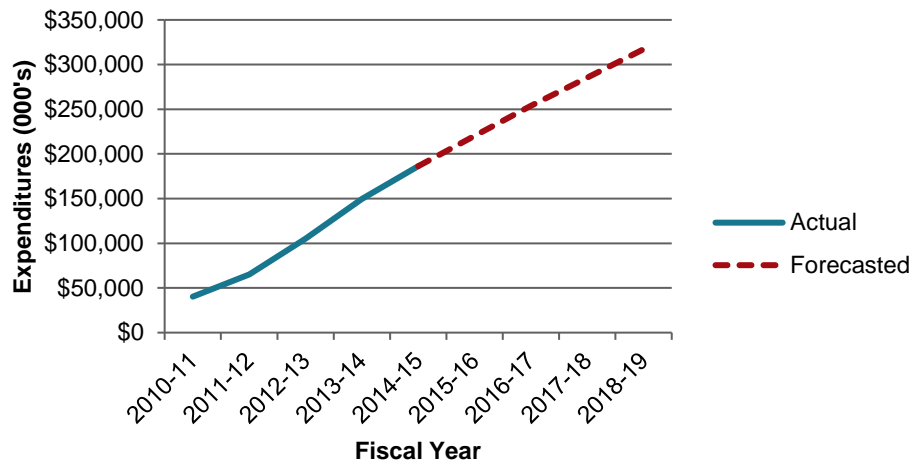
Chart 1 - Financial Benefits Recipients, 2010-11 to 2018-19



Source: VAC Finance Division. It should be noted that the total number of recipients includes the number of recipients of each of the Financial Benefits Programs. An individual may be receiving multiple Financial Benefits, therefore, would be counted multiple times based on the number of benefits received.

Expenditures followed a similar growth trend. As illustrated in Chart 2, expenditures increased 363% in the five-year period ending 2014-15 (from \$40M to \$186M¹⁴). A further increase of 44% is forecasted from 2015-16 to 2018-19 (\$220M to \$317M, respectively).

Chart 2 - Financial Benefit Expenditures, 2010-11 to 2018-19



Source: VAC Finance Division.

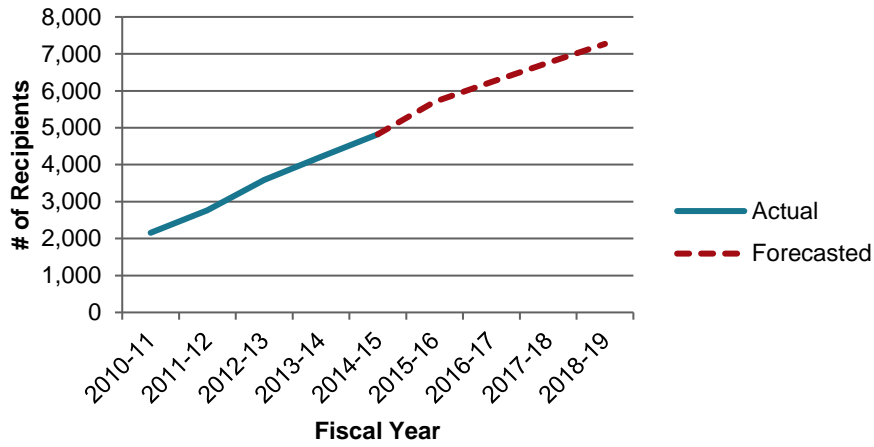
To further examine need, the evaluation team assessed program uptake and/or expenditures relating to Program components.

Earnings Loss Benefit

ELB has also seen a growth. As presented in Chart 3, ELB recipients have increased 124%, from 2,156 in 2010-11 to 4,823 in 2014-15.

¹⁴ In 2014-15, there were \$5 million in retroactive Financial Benefits payments relating to Disability Pension offsets. It should be noted that this amount is not included in the 2014-15 figures.

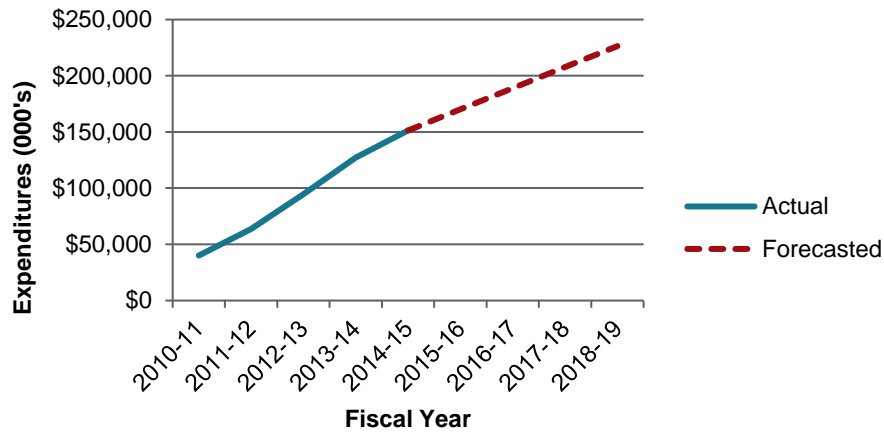
Chart 3 - Earnings Loss Benefit Recipients, 2010-11 to 2018-19



Source: VAC Finance Division.

Chart 4 illustrates an expenditure increase of 278%, from \$40M in 2010-11 to \$151M in 2014-15. The forecast reflects future increased demand.

Chart 4 - Earnings Loss Benefit Expenditures, 2010-11 to 2018-19

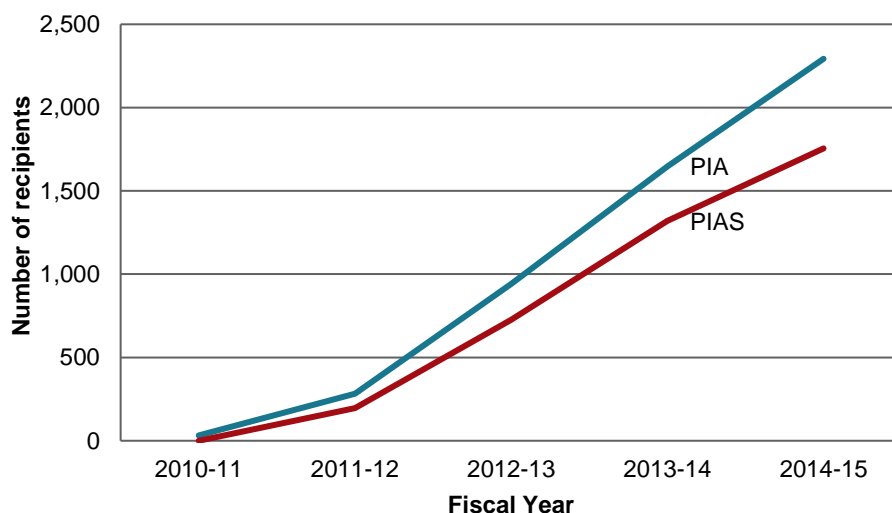


Source: VAC Finance Division.

Permanent Impairment Allowance and Supplement

PIA has increased from 32 recipients in 2010-11 to 2,293 recipients in 2014-15. Moreover, PIA grew by 781% in 2011-12, the year PIAS was introduced, and 713% from 2011-12 to 2014-15. PIAS has also increased, from 196 recipients in its first year in 2011-12 to 1,755 in 2014-15. Demand for the benefit is forecasted to continue in the future. Chart 5 illustrates the growth of both components.

Chart 5 - PIA and PIAS Recipients, 2010-11 to 2014-15



Source: VAC Finance Division.

Canadian Forces Income Support

Though the number of recipients benefiting from CFIS is relatively low (representing 0.6% of all program recipients), the program is growing. In 2014-15, there were 43 CFIS program recipients (up from five in 2010-11). Participant numbers are expected to increase to 105 in 2018-19.

Supplementary Retirement Benefit

The number of SRB recipients increased from three in 2010-11 to 21 in 2014-15, with approximately \$2,400 being the median¹⁵ amount paid. As explained in Subsection 3.1, eligibility for SRB is tied to the applicant being deemed TPI.

Program uptake is expected to increase in the future as more Veterans join the Rehabilitation Program, as more Rehabilitation participants are deemed TPI, and as those deemed TPI age. At March 31, 2015, the median age of Rehabilitation Program participants was 49 years old, the median age of participants being deemed TPI was 52 years, and 22% of all program recipients were TPI. The

¹⁵ Median is the middle value in a series of values arranged from smallest to largest.

number of Rehabilitation participants deemed TPI annually and the cumulative number of TPI Veterans have both more than tripled over the last two years.

Program Enhancements

Program enhancements also point to continued need. A number of these enhancements, as follows, were implemented in response to feedback from the House of Commons Standing Committee on Veterans Affairs (ACVA)¹⁶, from Veterans, and other key stakeholders.

- Increase in the minimum amount paid under the ELB;
- Expand PIA to “seriously disabled” Veterans who receive both a Disability Award and a pension under the *Pension Act*. These Veterans were previously excluded due to an administrative deficiency that affected both the PIA and the Exceptional Incapacity Allowance provided for under the *Pension Act*; and
- Implementing an increase to the PIA, known as the PIA Supplement.

Further, as the result of a Regulatory amendment in 2011, VAC no longer deducts Disability Pension amounts from the monthly ELB.

Financial benefits programs in Allied countries

Other countries have also recognized the need to provide financial benefits to Veterans. Some jurisdictions compensate for earnings loss by recognizing varying degrees of work capacity and are designed to encourage labour market participation. Both Australia and the United Kingdom (UK) have programs similar to VAC’s. In Australia, Veterans can choose between loss of earnings capacity compensation or impairment-based compensation. As in Canada, the earnings loss benefits end at age 65. UK benefits are adjusted for age and severity of disability with earnings loss benefits continuing for life. These alternate approaches to program delivery will be assessed as part of an upcoming NVC Rehabilitation and Financial Benefits Evaluation slated to begin in 2018-19. Appendix C compares VAC financial benefits with those from Australia and the UK.

Overlap/duplication

The Program does not duplicate or overlap with other programs. Though numerous income replacement and support programs, delivered by other organizations, exist – e.g., Service Income Security Insurance Plan Long-term Disability Insurance, Provincial Workers Compensation and Employment Insurance Regular Benefits – VAC deducts all relevant sources of income received through these programs from the amount of ELB payable. Therefore, while these programs have similarities, financial benefits offered by VAC are designed to enhance, not duplicate, various services found elsewhere for Veterans.

¹⁶ ACVA is the Standing House of Commons Committee on Veterans Affairs.

3.2 Alignment with Government Priorities

The Financial Benefits Program is aligned with government priorities.

The Program is aligned with Government of Canada priorities. The 2015 Speech from the Throne noted that “the Government will do more to support them [Veterans] and their families.” Priorities relating to the Program were also reflected in the 2015 Budget; i.e., implementing RISB, expanding access to PIA, and modifying ELB for part-time Reserve Force Veterans.

The Program recognizes and compensates for the economic impact that a career-ending and/or service-related disability may have on a Veteran’s ability to earn income following release from the CAF. Thus, it aligns with the Department’s strategic outcome of “Financial, physical and mental well-being of eligible Veterans.”¹⁷

3.3 Alignment with Federal Roles and Responsibilities

The Financial Benefits Program is aligned with federal roles and responsibilities.

The Program is aligned with VAC’s mandate, as defined in legislation and regulations. Most significantly, the Program fulfills the legislative requirement as per the *Department of Veterans Affairs Act*, Section 4(a)(i), to provide for:

“the care, treatment or re-establishment in civil 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; and

the care of the dependants or survivors of any person referred to in subparagraph (i).”

The Program was designed to recognize and compensate for the economic impacts of any injury or illness which resulted primarily from service or leading to a medical release. As such, it contributes to reestablishment in civilian life.

¹⁷ Veterans Affairs Canada, 2015–16 Report on Plans and Priorities.

VAC's Five-Year Strategic Plan – Care, Compassion and Respect – lays out a new direction that will significantly change and improve how the Department serves and cares for Veterans.¹⁸ The plan has three core objectives, Veteran Centric¹⁹, Seamless Transition and Service Excellence, which were considered in the evaluation of the Program.

¹⁸ Veterans Affairs Canada: Agenda for Action 2015-2016, January 2016.

¹⁹ "Veteran Centric" means responding quickly and compassionately to the emerging needs of Veterans, ensuring they have all the benefits and services for which they are eligible. "Seamless Transition" means barriers to success are addressed before the Veteran releases from the military, and VAC services are more closely aligned with those provided by the CAF. "Service Excellence" means the needs of eligible Veterans, especially those with service-related needs are anticipated and fully met in a timely manner, Veterans are always treated with care, compassion, and respect, and their outcomes are maximized through policies, practices and processes.

4.0 Performance (effectiveness / efficiency and economy)

To assess performance, the evaluation team examined the Performance Measurement Strategy (PMS), the achievement of outcomes, and Program efficiency and economy.

4.1 Performance Tools and Measures

There is a Performance Measurement Strategy in place for the Financial Benefits Program and performance targets are defined; however, some modifications are suggested to strengthen measurement.

Data was being reported against many, but not all, of the indicators identified in the PMS. The unreported data was subsequently provided to the evaluation team.

The evaluation team noted some data limitations in the original PMS. For example, the reported numbers of ELB applications received, pending and adjudicated were misstated. This discrepancy is being investigated.

With respect to PIA, the evaluation identified inconsistent practices among Area Office staff when entering the receipt of applications in the Client Service Delivery Network (CSDN)²⁰. This inconsistency leads to inaccurate reporting of processing times and additional administration. Further, inconsistent tracking of application documentation could lead to misplaced applications. In January 2016, PIA processing procedures were revised to address this issue.

The evaluation team suggests the PMS be updated to add performance measures; i.e., Program cost per unit, cost per unit trends as compared to other programs (cost of inputs/number of outputs), and reporting on TPI decisions and reviews.

The PMS and Performance Measurement Plan (PMP)²¹ was updated in July 2015, however, given this revision was completed outside the evaluation scope period, it was not assessed.

²⁰ Applications are tracked through CSDN as they move through the adjudication process. The tracking process may be delayed if there are delays in entering an application into CSDN.

²¹ The Performance Measurement Plan provides the specific measures used to report on the Performance Measurement Strategy.

4.2 Achievement of Expected Outcomes

Outcomes – described as immediate, intermediate or ultimate – are the changes or differences that result from the program outputs. The following sections address each outcome in turn.

Immediate Outcome: **Eligible Veterans and other Program recipients have access to income replacement or income support.**

Access to income replacement and income support benefits is provided to eligible Veterans and other eligible Program recipients.

Program use has been increasing annually. The ELB is accessed the most, followed by PIA, including the PIAS. The favourable decision rates for ELB and PIA are high, indicating that most Veterans who apply are able to access the Program. Table 4 shows the number of decisions and favourable decision rates for the ELB, PIA and PIAS benefits in 2014-15.

Table 4 - ELB, PIA and PIAS Decisions and Favourable Decision Rates, 2014-15

Benefit	Decisions	Favourable Decision Rates
Earnings Loss Benefit	2,009	98%
Permanent Impairment Allowance	768	82%
Permanent Impairment Allowance Supplement	704	61%

Source: VAC Finance Division.

The lower favourable rate for PIAS, as shown in Table 4, may be due to the application form, which is also used for PIA. Because an applicant need only check a box on the form to apply for the Supplement, most do so even if they clearly do not meet the eligibility criteria (out of a sample of 67 applications, 84% applied for both benefits at the same time and 49% of these were denied).

In 2014-15, VAC made 42 SRB decisions, of which 50% (21) were denials, largely due to lack of approval for the Rehabilitation Program (and therefore, eligibility for ELB), not being deemed TPI, or being under 65 years of age. This high denial rate could indicate that applicants are not fully aware of the requirements for SRB, and eligibility criteria are not clearly outlined on the application form. Improvements to communications including application forms are further discussed in Subsection 4.3.

Veterans must be deemed TPI prior to age 65 to be eligible for SRB. In an analysis of 34 files, 10 Veterans were deemed TPI after age 65 (median age at which they were deemed TPI as 65.4 years), and therefore not eligible for SRB, although they were

participating in Rehabilitation prior to age 65. The average SRB amount to which they would have been entitled, if they had been deemed TPI earlier, was \$1,183.

Recommendation 1

It is recommended that the Director General, Service Delivery and Program Management, implement a monitoring system for Financial Benefit Program recipients likely to be deemed totally and permanently incapacitated to determine TPI eligibility before they turn 65.

Management Response

Management agrees with this recommendation. A CSDN system change will be required in order to ensure that Veterans participating in the Rehabilitation Program who are soon to turn 65 years of age can be proactively identified.

Management Action Plan

Corrective action to be taken	OPI (Office of Primary Interest)	Target Date
1.1 Submit Request for Change form to National Information Technology Service Desk seeking implementation of functionality of a CSDN system-generated work item that will be sent to the relevant AO to request consideration of a TPI designation when a Veteran participating in Rehabilitation Program turns 64 years of age.	Health Care, Rehabilitation and Income Support Programs Directorate	April 2016 - Completed
1.2 Given current obligations and expected future commitments, the Information Technology, Information Management and Administration groups expect that they can fully implement the above functionality by April 2017.		April 2017

The timeliness of decisions also impacts the immediate outcome. The time from the date a *complete and signed*²² application is received by VAC to the date of the decision falls within the service standards for ELB and PIA. The overall turnaround time (i.e., the turnaround time from the Veteran’s perspective) is the period from the first day the Veteran submits an application to the date a decision is rendered, including delays incurred while VAC waits for supporting documentation to be submitted. The overall

²² VAC considers an application to be complete when the Veteran has filled out all required information on the application form and has submitted all of the required supporting documentation needed to make a decision on the application. Follow-up with the Veteran is required if the application form is not filled out in entirety or supporting documentation is not provided.

turnaround time exceeds the standards. Table 5 shows the timeliness of decisions as determined from a file review.

Table 5 –Timeliness of ELB, PIA and PIAS Decisions Rendered, 2014-15

Benefit	Service Standard ²³	Completed Application to Decision Time	Initial Application to Decision Time ²⁴
Earnings Loss Benefit	28 days	21 days	76 days
Permanent Impairment Allowance	84 days	72 days	132 days
Permanent Impairment Allowance Supplement	None	69 days	107 days

Source: VAC Performance Measurement Plan and VAC Audit and Evaluation Division.

Although high program recipient rates indicate that the immediate outcome is being met, shortened decision timelines would improve access. Efficiency is discussed more fully in Section 4.3.

Intermediate Outcome: Eligible Veterans and other eligible Program recipients are able to fund basic needs.

Eligible Veterans and other Financial Benefits Program recipients, especially those with smaller household sizes, are generally able to fund basic needs.

The ELB ensures that participants in the Rehabilitation Program receive a minimum income of \$42,426 (in 2015). In addition to ELB, Program recipients may qualify for additional assistance, such as PIA and PIAS.

A file review of 130 ELB applicants in 2014-15 indicates that their monthly military salary ranged from \$2,700 to \$21,072. Their median salary upon release was \$59,040 annually. Applying the 75% ELB rate to that amount equates to approximately \$45,000 which exceeds the guaranteed ELB minimum annual amount of \$42,426.

One method of determining the adequacy of Program benefits is to compare them to Canadian median income by family type, keeping in mind that ELB, PIA and the PIAS are individually based and are unrelated to family type.

The minimum ELB payable falls below the average total income for all census families²⁵ and couple families²⁶ and exceeds the average total income for lone parent families²⁷

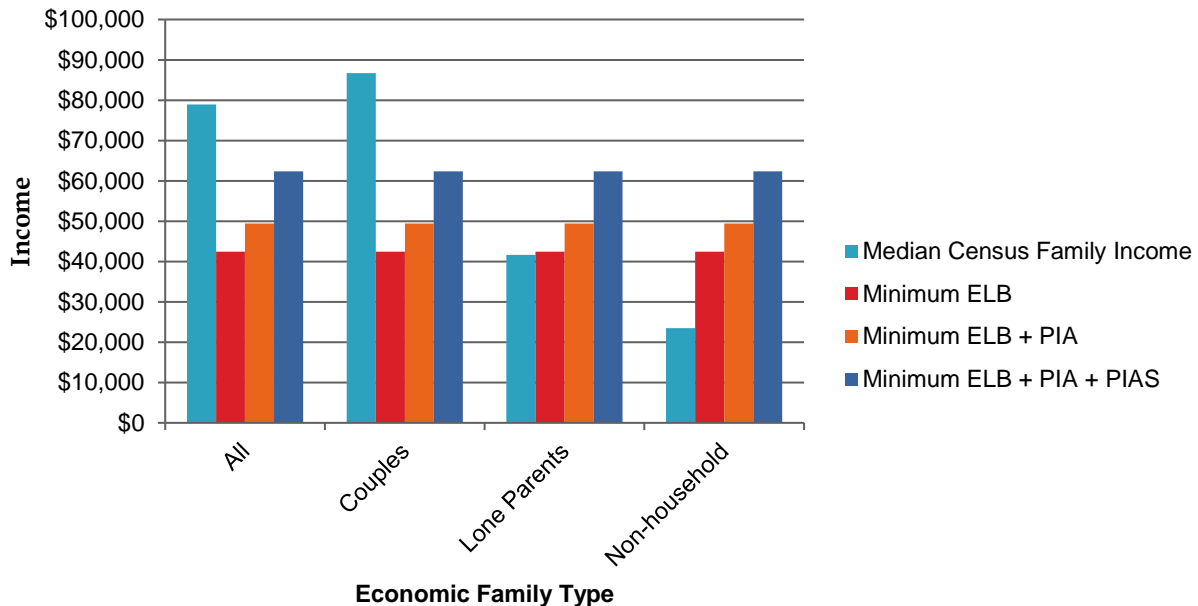
²³ Treasury Board defines a service standard as a public commitment to a measurable level of performance [that] Program recipients can expect under normal circumstances. Calendar days were used when calculating the number of days.

²⁴ Calendar days were used when calculating the number of days.

²⁵ 'All census families' refers to a married/common-law couple and the children, if any, of either or both spouses.

and non-household census families.²⁸ This trend continues for those in receipt of minimum ELB and PIA and those in receipt of minimum ELB, PIA and PIAS, with the gap getting smaller with respect to all census families and couple families and getting larger with respect to lone parent and non-household census families. Chart 6 illustrates the comparison.

Chart 6 – Median Total Annual Income by Census Family Type Compared to Minimum Annual Financial Benefits Amounts, 2015



* Note: The amounts of financial benefits (ELB, PIA, and/or PIAS) provided in Chart 6 above do not reflect additional income potentially earned by the household²⁹.
Source: Statistics Canada and VAC Audit and Evaluation Division.

While studying the trend, it is important to note that, in 2014-15, 21% of those who received a payment for ELB were also in receipt of PIA while 17% of them were in receipt of PIAS. The majority (79%) of individuals in receipt of ELB were not receiving payment for another financial benefit in 2014-15.

Another measure of benefit adequacy is a comparison with low income measures. Statistics Canada measures of low income in Canada: Low Income Measure (LIM)³⁰, Low Income Cut-offs (LICOs), and the Market Basket Measure (MBM)³¹. The LIM, used

²⁶ 'Couple families' refers to a married/common-law couple and the children, if any, of either or both spouses; a lone parent of any marital status with at least one child living in the same dwelling and that child or children.
²⁷ 'Lone-parents' refers to a family with only one parent, male or female, and with at least one child.
²⁸ 'Non-household census families' are individuals who are not part of a census family - couple family or lone-parent family. These persons may live with their married children or with their children who have children of their own. They may be living with a family to whom they are related or unrelated. They may also be living alone or with other persons not in census families.
²⁹ 34% of total household income one year post release was comprised of spousal and other family income.
³⁰ LIM is 50% of median adjusted household income, ("adjusted" indicates that household needs are taken into account) to reflect the fact that a household's needs increase as the number of members increases.
³¹ A measure of low income based on the cost of a specified basket of goods and services representing a modest, basic standard of living (HRSDC).

in VAC’s Life after Service Studies (LASS)³², is slightly higher than the other two. As with the annual income levels by census type discussed above, LIM reflects family size, not individual income as elaborated on in the note below Chart 6.

The minimum ELB payable is higher than LIM for smaller families (less than four members) and lower than LIM for larger families (four or more members). According to the 2011 Census, the average number of children at home per family is 1.1; therefore, it is expected that most program recipients would have a household size of 2 to 3, meaning that the ELB payable exceeds the LIM for most. Table 6 compares LIM and ELB payable.

Table 6 – Comparing LIM (adjusted to 2015) to ELB minimum payable (2015)

Measure	Before Tax, by Household Size			
	1	2	3	4
ELB (minimum 2015)	\$42,426	\$42,426	\$42,426	\$42,426
LIM (adjusted to 2015 ³³)	\$24,140	\$34,139	\$41,813	\$48,281
Difference between ELB and LIM	\$18,286	\$8,287	\$613	(\$5,855)

Source: VAC Research Directorate and VAC Audit and Evaluation Division.

One of the performance measures identified in the PMP specifies that those in receipt of ELB will not have an individual total annual income more than 5% lower than LIM; however, since ELB is based on individual income and LIM on household income, using LIM as a measure may need to be reviewed.

VAC processed 40 CFIS applications during 2014-15. Thirty-five percent (35%) of the decisions (14 out of 40) were denials due to the applicant’s household income exceeding the allowable ceiling. CFIS rates are below LIM for all household sizes, with before-tax amounts ranging from \$6,646 (household size of 1) to \$13,573 (household size of 4). Table 7 compares LIM to CFIS amounts (after tax) payable.

³² The Life After Service Studies (LASS) program of research is designed to further understand the transition from military to civilian life and ultimately improve the health of Veterans in Canada.

³³ The LIM was adjusted from 2012 to 2015 amounts using the Consumer Price Index (CPI). The annual percentage change in CPI is used as a measure of inflation. The 2012 before tax LIM amounts were for household size: 1 - \$23,129, 2 - \$32,709, 3 - \$40,061, 4 - \$46,258.

Table 7 – Comparing LIM (adjusted to 2015) to CFIS payable (2015)

Measure	After Tax, by Household Size			
	1	2	3	4
CFIS (2015)	\$17,494	\$26,533	\$30,621	\$34,708
LIM adjusted to 2015 ³⁴	\$20,992	\$29,687	\$36,359	\$41,983
Difference between CFIS and LIM	(\$3,498)	(\$3,154)	(\$5,738)	(\$7,275)

Source: VAC Audit and Evaluation Division.

At the current level, the amount of CFIS payable does not appear to be sufficient to meet basic needs (food, shelter, clothing, health care and transportation) of program recipients. Since 35% of applicants for CFIS are denied, mostly due to having income in excess of the allowable amount, the rates should be reviewed to determine if they should be increased. This statement is consistent with research which notes that VAC should consider the rates of CFIS as they are below the social adequacy of benefits.³⁵

Recommendation 2

It is recommended that the Director General, Policy and Research propose adjustments to the rates for the Canadian Forces Income Support so that they are sufficient to meet a person’s basic needs.

Management Response

Management agrees with this recommendation.

³⁴ The LIM was adjusted from 2012 to 2015 amounts using the Consumer Price Index (CPI). The annual percentage change in CPI is used as a measure of inflation. The 2012 after tax LIM amounts were for household size: 1 - \$20,289, 2 - \$28,693, 3 - \$35,141, 4 - \$40,577. The 2015 adjusted after-tax LIM amounts would be for household size: 1 - \$20,992, 2 - \$29,687, 3 - \$36,359, 4 - \$41,983

³⁵ MacLean MB, Pound T, Dalziel C and MacIntosh S. Low Income Lines and Financial Well-being Among Seniors. Research Directorate, Veterans Affairs Canada, Charlottetown. 14 November, 2014: p. 9.

Management Action Plan

Corrective action to be taken	OPI (Office of Primary Interest)	Target Date
<p>The Department is always striving to find ways to improve programs and services. Over the past year, the focus has been on implementing the changes recommended by the parliamentary committee focused on Veterans' issues.</p> <p>The Department recognizes the importance of financial supports for Veterans. As such, a comprehensive analysis of existing financial benefits is about to begin. The issue of the adequacy of the Canadian Forces Income Support rate will be considered as part of that analysis.</p>	Policy and Research Division	December 2016

Ultimate Outcome: Basic needs of eligible Veterans and other eligible Program recipients are met.

The basic needs of eligible Veterans and other eligible recipients are generally met by the Financial Benefits Program.

To determine achievement of the Program's ultimate outcome, the evaluation team used a combination of survey data and interviews.

A review of data from the Rehabilitation Intake and Program Completion Survey Results of those completing the Rehabilitation Program indicates a high level of satisfaction that their income was sufficient to meet their basic living expenses or better. These results are illustrated in Table 8.

Table 8 – Rehabilitation Participants who Report Income Sufficient to Meet Their Basic Living Expenses or Better, 2010-11 to 2013-14

Time Period	2010-11	2011-12	2012-13	2013-14
Number of respondents entering program	421	368	334	107
Income reported sufficient at Rehabilitation Program entry	84%	82%	89%	82%
Number of respondents completed the program	147	329	308	273
Income reported sufficient at Rehabilitation program completion	94%	88%	90%	92%
Income reported sufficient during Rehabilitation Program, for those recently completed	83%	87%	88%	94%

Source: VAC Performance Measurement Plan.

Interestingly, survey results do not support the previously-noted findings that financial benefits are insufficient for certain family types. This discrepancy could be because interviewees were responding based on all financial benefits, not each benefit individually.

Despite the positive response, it is important to note the survey participation rate of 33% (697 out of 2,110), is considered below adequate³⁶ and may not be representative of the population. In addition, the survey does not take into consideration those that are still participating in the Rehabilitation Program.

Interviews with Case Managers and Veteran Service Team Managers who have direct interaction with Program recipients also indicate that financial needs are being met. Of the 33 interviewees, 30 (91%) agreed that the financial benefits (ELB, PIA, PIAS) were sufficient to meet the needs of individuals participating in the Rehabilitation Program. The three interviewees who answered “no” assessed the benefits individually; i.e., ELB alone is not enough, CFIS alone is not enough.

Unintended Outcome

Veterans who complete the Rehabilitation Program and are able to earn a minimum of 66 2/3 percent of their pre-release salary are considered “suitably and gainfully employed”. However, a Veteran who remains in the Rehabilitation Program continues to be eligible for an ELB, which is 75% of their pre-release salary³⁷. Therefore, the discrepancy between the income of what a Veteran might receive after completing the Rehabilitation Program and what he or she is guaranteed while in Rehabilitation, not to

³⁶ Response rates approximating 60% should be the goal for most research, Response Rates and Responsiveness for Surveys, Standards, and the Journal, American Journal of Pharmaceutical Education, 2008.

³⁷ ELB is 75% of pre-release salary before deductions and/or offsets, which include employment earnings while in the Rehabilitation Program.

mention potential eligibility for additional benefits (i.e., PIAS, EEL, SRB), can cause a disincentive to work and an incentive to stay in the program.

The majority (91%) of the 36 Case Managers and Veteran Service Team Managers interviewed identified that the Financial Benefits Program can be a disincentive to complete the Rehabilitation Program.

Research shows a fine balance between incenting and disincenting a person to return to work, arising from the amount of wage replacement benefit received. A 2014 literature review³⁸, conducted by VAC's Research Directorate, revealed the following:

- Eight out of 11 studies reported that benefit levels had a significant negative association with employment.³⁹
- The likelihood of employment was reduced only at payment levels of more than \$800 per month.⁴⁰
- The most robust study had a small but significant negative association. While there was evidence indicating that benefit level was negatively associated with employment, there was insignificant evidence of a high enough quality to determine the extent of that effect.⁴¹
- High, but not all, levels of disability compensation from the United States Veterans Affairs create disincentives for employment.⁴²
- Participants who were receiving disability benefits worked fewer hours in compensated work therapy each week, earned less income, had a higher vocational rehabilitation dropout rate, and were less likely to be competitively employed at discharge.⁴³

Because the implications, from both a material aspect and a social aspect, are great if the Program is acting as a disincentive for Veterans to get well or return to work, it is recommended that VAC review and address the unintended impact that Financial Benefits is having on the Rehabilitation Program completion rates.

³⁸ MacLean MB and Campbell L. Income Adequacy and Employment Outcomes of the New Veterans Charter. Research Directorate, Veterans Affairs Canada, Charlottetown, 2014.

³⁹ Barr B, Clayton S, Whitehead M, Thielen K, Burstrom B, Nylén L and Dahl E. (2010). To What Extent Have Relaxed Eligibility Requirements and Increased Generosity of Disability Benefits Acted as Disincentives for Employment? A Systematic Review of Evidence from Countries with Well-Developed Welfare Systems. *J Epidemiol Community Health*, 2010, 64, 1106-1114.

⁴⁰ Greenberg GA and Rosenheck RA. (2007). Compensation of Veterans with Psychiatric or Substance Abuse Disorders and Employment and Earnings. *Military Medicine*, 2007, 172(2): 162-168.

⁴¹ Barr B, Clayton S, Whitehead M, Thielen K, Burstrom B, Nylén L and Dahl E. (2010). To What Extent Have Relaxed Eligibility Requirements and Increased Generosity of Disability Benefits Acted as Disincentives for Employment? A Systematic Review of Evidence from Countries with Well-Developed Welfare Systems. *J Epidemiol Community Health*, 2010, 64, 1106-1114.

⁴² Tsai J and Rosenheck RA. (2013). Examination of Veterans Affairs Disability Compensation as a Disincentive for Employment in a Population Based Sample of Veterans Under age 65. *J Occup Rehabil*, January 29, 2013.

⁴³ Drew D, Drebing CE, Van Ormer A, Losardo M, Krebs C, Penk W, Rosenheck, RA (2001). Effects of Disability Compensation on Participation in and Outcomes of Vocational Rehabilitation, 2001, 52(11), 1479-1484.

Recommendation 3

It is recommended that the Director General, Policy and Research review the relationship between Financial Benefits and the Rehabilitation Program completion rates and propose adjustments which support the Veteran outcomes.

Management Response

Management agrees with this recommendation.

Management Action Plan

Corrective action to be taken	OPI (Office of Primary Interest)	Target Date
<p>The Department is always striving to find ways to improve programs and services. Over the past year, the focus has been on implementing the changes recommended by the parliamentary committee focused on Veterans' issues.</p> <p>The Department recognizes the importance of financial supports for Veterans. As such, a comprehensive analysis of existing financial benefits is about to begin. The financial benefits associated with the Rehabilitation Program will be considered as part of that analysis.</p>	Policy and Research Division	December 2016

4.3 Demonstration of Efficiency and Economy

Overall, the Program is administered in an efficient and economical manner; however, there are opportunities for improvement.

Ratio of administrative costs to program costs

One indication of a program's efficiency and economy is the ratio of administrative costs to program costs. VAC's Finance Division provided the administrative costs which are based on an attribution model developed by the program areas and the Finance Division. From 2012-13 to 2014-15, Program costs increased while administrative costs decreased, resulting in a decreasing ratio and higher efficiency. Program cost increases are due to changes implemented since 2011 (as described in Section 3.1) as well as the year-over-year increase in Program recipients. Administrative costs decreased due to reduced VAC Departmental budgetary commitments. Table 9 shows administrative and program costs for fiscal years 2012-13 to 2014-15.

Table 9 – Financial Benefits Program Administrative and Program Costs, 2012-13 to 2014-15

	2012-13	2013-14	2014-15
Administrative Costs (000s)	\$4,268	\$4,071	\$3,740
Program Costs (000s)	\$105,328	\$149,714	\$186,254
Administrative to Program Cost ratio	4%	3%	2%

Source: VAC Finance Division and Audit and Evaluation Division.

PIA processing

The evaluation team found PIA-related processes to be inefficient. At the time of the evaluation, such processes involved several areas within the Department. Case Managers in Area Offices submitted PIA applications, after gathering supporting medical data and creating a docket in CSDN. In 2013-14, there were 208 Case Managers, each of which could be involved in gathering information and submitting PIA applications. With 768 PIA decisions made in 2014-15, and assuming the number of Case Managers remains at 208, each Case Manager would have been involved in approximately four applications, which does not allow them to become proficient in preparing applications. Through observation and file review, the evaluation team noted that varied business practices were being used in the AOs, indicating uncertainty among Case Managers with respect to PIA application process requirements. Case Managers themselves indicated that the PIA application process was confusing and called it a “paper exercise.” Twenty-seven out of 30 (90%) key informant interviewees cited bottlenecks and issues with the timeliness of PIA decisions, primarily due to large caseloads but also because of the time required to gather supporting information.

Since the evaluation period, some of the PIA processing procedures have been moved from the AOs to HO. This change was too recent for the evaluation team to gauge the effectiveness and consistency in preparation and processing of the PIA applications. The situation should be monitored to ensure there is compliance with the procedures and that the change has achieved its desired result: less administration for Case Managers and more efficient processing of PIA.

Recommendation 4

It is recommended that the Director, Health Care, Rehabilitation and Income Support Programs, conduct quality assurance review/activities regarding the Permanent Impairment Allowance process to ensure the new procedures are being followed and are achieving the desired result.

Management Response

Management agrees with this recommendation. The Performance Measurement Strategy for the Program includes the regular measurement of compliance performance through file review, with review topics identified by Program Management. A Program Level Compliance Review of the PIA is planned for the 2017-2018 fiscal year. This will allow sufficient time for stabilization of the PIA following the recent expansion of the PIA, effective 01 April 2015, as well as changes to business process, effective 18 January 2016.

Management Action Plan

Corrective action to be taken	OPI (Office of Primary Interest)	Target Date
4.1 Create a Terms of Reference for a Program Level Compliance Review	Health Care, Rehabilitation and Income Support Program Directorate	31 March 2017
4.2 Complete the Compliance Review Report		31 March 2018
4.3 Implement Corrective Action Plan, if any.		31 October 2018

CFIS and SRB processing

CSDN has not been updated to allow for automated processing of SRB and CFIS applications. Rather, the Centralized Processing Centre uses spreadsheets to manually calculate payable amounts for both programs. Desktop procedures and business processes have not been documented for CFIS application processing; therefore, decisions are made on a case-by-case basis leading to potential inconsistencies in decisions. Applications are tracked and paid through CSDN using the functionality established for War Veterans Allowance⁴⁴ applications, but analysts must use workarounds within CSDN to ensure proper payments are issued (i.e., they must use a test environment to ensure calculations will work in production). SRB applications are tracked in CSDN but payment requests are not incorporated into the system and are sent to Finance for payment. The turnaround times reported for both SRB and CFIS are generated from CSDN but have to be manually verified and corrected.

The manual processes for these benefits are labour intensive and open to human error. Further, as CSDN is the Department's system of record, all information relating to the Program should be included in it.

⁴⁴ The War Veterans Allowance (WVA) provides monthly financial assistance to help low-income Veterans or their survivors meet their basic needs.

Recommendation 5

It is recommended that the Director General, Service Delivery and Program Management, in collaboration with the Director General, Information Technology, Information Management and Administration, incorporate Supplementary Retirement Benefit and Canadian Forces Income Support processing into the Client Service Delivery Network.

Management Response

Management agrees with this recommendation.

Management Action Plan

Corrective action to be taken	OPI (Office of Primary Interest)	Target Date
Given current obligations and expected future commitments, the Information Technology, Management and Administration groups expect that they can fully integrate SRB and CFIS processing into the CSDN by 30 April 2018.	Health Care, Rehabilitation and Income Support Programs Directorate	30 April 2018

Communication

With respect to communication with Veterans, the evaluation team found that in some cases, letters were not clear, attachments were not readable and application forms did not provide appropriate guidance for completion. The VAC Veteran-Centric Communications Task Force⁴⁵, in consultation with stakeholders, is reviewing how VAC communicates with Veterans through letters, forms and applications. Each and every form and letter used to communicate with Veterans must be understandable, relevant to the process, and used with the appropriate frequency. The task force is also analyzing the amount of assistance required by the Veteran/family to complete forms as well as the time given to the Veterans return the forms.

Recommendation 6

It is recommended that the Director General, Service Delivery and Program Management, further review letters, attachments and application forms sent to Veterans in regards to the Program.

⁴⁵ The goal of the Task Force is to let our Veterans and their families focus on rehabilitation and living their lives. Communication with Veterans Affairs should be easy for Veterans to understand and clearly demonstrate that our focus is to serve the Veterans as clients and to promote their overall wellness.

Management Response

Management agrees with this recommendation.

The VAC Veteran-Centric Communications Task Force has conducted a review of frequently used forms and applications, including some of those associated with the Financial Benefits Program. They will be continuing with a review of letters and other correspondence in 2016, and making recommendations for improvement. Further, as the Program letters are converted into Adobe LiveCycle format, they are reviewed by program analysts within the Directorate to ensure they meet plain language requirements and are Veteran-centric. The Directorate also liaises on an ongoing basis with other Program areas and Service Delivery staff to identify communications needing improvement.

Management Action Plan

Corrective action to be taken	OPI (Office of Primary Interest)	Target Date
As part of these ongoing processes, the Directorate will: 6.1 Identify the ten Financial Benefits communication documents most frequently sent to potential and present program recipients and consult with users in CPC and Disability Adjudication to identify other documents requiring review.	Health Care, Rehabilitation and Income Support Programs Directorate; and Information Technology, Information Management and Administration Directorate	September 2016
6.2 Review each document in order to assess adherence to plain language requirements and adjust wording as necessary. Request that any modified communication documents be added to CSDN build.		December 2017

5.0 Conclusions and Recommendation Summary

This evaluation assessed the relevance and performance of the Financial Benefits Program. The evaluation covered program activities from April 2010 to March 2015. Therefore, recent program changes such as introducing the RISB and the announcements of Budget 2016, such as increasing the ELB amount to 90%, were outside of the evaluation scope.

The evaluation found that increasing uptake and expenditures; recent program enhancements; similar types programs offered by Allied countries; and a lack of direct duplication/overlap all point to a continued need for the Program. The Program aligns with federal government priorities as well as VAC's mandate and strategic outcomes.

As part of this evaluation, the performance and effectiveness of the program was assessed. The evaluation found that some eligible Veterans were not deemed TPI until after age 65, thus impacting their eligibility to receive other benefits, such as SRB. The evaluation is recommending that a monitoring system be built in the CSDN so that these individuals can be proactively identified. As well, the evaluation found that the immediate outcome of the program, eligible Veterans and other Program recipients have access to income replacement or income support, was met. The intermediate outcome, eligible Veterans and other Program recipients are able to fund basic needs, was generally met although the evaluation has recommended that CFIS rates be adjusted to meet comparative income measures used Statistics Canada. The ultimate outcome, basic needs of eligible Veterans and other eligible program recipients are met, was generally achieved. As an unintended outcome, the evaluation identified that Financial Benefits are having a negative impact on Rehabilitation Program completion rates. This relationship between Financial Benefits and the Rehabilitation Program should be reviewed.

In general, the Program is administered in an efficient and economical manner, although there are opportunities for improvement. The evaluation identified that PIA processes were found to be inefficient. These processes have recently been revised and it is of the evaluation team's opinion that quality assurance activities be completed to ensure these new processes are performing as intended. As well, the evaluation found that the processing of applications for SRB and CFIS is a manual process and that the process be incorporated into the CSDN. Finally, the evaluation identified that certain letters, attachments, and application forms provided to Veterans were unclear and/or did not provide the necessary level of guidance or instruction. The evaluation is recommending that these documents be reviewed and adjusted to be more Veteran centric.

In addition to this evaluation, VAC has been conducting a comprehensive analysis of the Program. It is of the evaluation team's opinion that the findings of this evaluation should be reflected in any future changes to the Program.

Recommendations:

- 1. It is recommended that the Director General, Service Delivery and Program Management, implement a monitoring system for Financial Benefit Program recipients likely to be deemed totally and permanently incapacitated to determine TPI eligibility before they turn 65.**
- 2. It is recommended that the Director General, Policy and Research propose adjustments to the rates for the Canadian Forces Income Support so that they are sufficient to meet a person's basic needs.**
- 3. It is recommended that the Director General, Policy and Research review the relationship between Financial Benefits and the Rehabilitation Program completion rates and propose adjustments which support the Veteran outcomes.**
- 4. It is recommended that the Director, Health Care, Rehabilitation and Income Support Programs, conduct quality assurance review/activities regarding the Permanent Impairment Allowance process to ensure the new procedures are being followed and are achieving the desired result.**
- 5. It is recommended that the Director General, Service Delivery and Program Management, in collaboration with the Director General, Information Technology, Information Management and Administration, incorporate Supplementary Retirement Benefit and Canadian Forces Income Support processing into the Client Service Delivery Network.**
- 6. It is recommended that the Director General, Service Delivery and Program Management, further review letters, attachments and application forms sent to Veterans in regards to the Program.**

Appendix A - Acronyms

ACVA – House of Commons Standing Committee on Veterans Affairs
AED – Audit and Evaluation Division
AIV – Annual Income Verification
AO – Area Office
CAF – Canadian Armed Forces
CFIS – Canadian Forces Income Support
CPC – Centralized Processing Centre
EEL – Extended Earnings Loss
ELB – Earnings Loss Benefit
FB – Financial Benefits
FTE – Full Time Equivalent
IPSC – Integrated Personnel Support Centre
LASS – Life After Service Studies
LICO – Low Income Cut-off
LIM – Low Income Measure
MBM – Market Basket Measure
NCCN – National Client Centre Network
NVC – New Veterans Charter
PIA – Permanent Impairment Allowance
PIAS – Permanent Impairment Allowance Supplement
PMS – Performance Measurement Strategy
RISB – Retirement Income Security Benefit
SRB – Supplementary Retirement Benefit
TBS – Treasury Board Secretariat
TEL – Temporary Earnings Loss
TPI – Totally and Permanently Incapacitated
UK – United Kingdom
VAC – Veterans Affairs Canada

Appendix B – Eligibility for VAC Financial Benefits

This report addresses four financial benefits administered under the Financial Benefits Program which have different eligibility requirements. Eligibility is assessed after VAC receives a complete and signed application form for the benefit.

Earnings Loss Benefit

Veterans

Veterans who are determined to require a rehabilitation plan or a vocational assistance plan under the Rehabilitation Program are eligible for the Earnings Loss Benefit.

Survivors and Orphans

If a member or Veteran dies as the result of a service related injury or disease, or a non-service related injury or disease that was aggravated by service, and whose death occurred on or after April 1, 2006, their survivors or orphans are eligible for this benefit. The Earnings Loss Benefit is apportioned between survivors and orphans.

Permanent Impairment Allowance

A Veteran is eligible for the Permanent Impairment Allowance Benefit if they have one or more physical or mental health problems that are creating a permanent and severe impairment⁴⁶, and the Veteran has, in respect of each of those health problems,

- a. had an application for rehabilitation services approved; and
- b. received a disability award or a disability pension, or would have received an award or pension but has not as the sum of the Veteran's assessments and deemed assessments exceeds 100%, or has not received a disability award as the disability has not yet stabilized.

A Veteran who has received or is receiving an exceptional incapacity allowance under the *Pension Act* is not eligible to be paid a Permanent Impairment Allowance Benefit.

Permanent Impairment Allowance Supplement

A Veteran is eligible for the Permanent Impairment Allowance Supplement if they are in receipt of PIA and have been determined to be "totally and permanently incapacitated".

⁴⁶ The member or Veteran permanently requires supervision, is severely and permanently limited in mobility or self-care, has conditions such as an amputation or a total and permanent loss of vision or hearing or speech, or a severe and permanent psychiatric condition.

Canadian Forces Income Support

Veterans

A Veteran must meet 6 criteria in order to be eligible for the Canadian Forces Income Support

1. Is no longer entitled to the Earnings Loss Benefit⁴⁷.
2. Applies within 6 months from the termination of their Earnings Loss Benefit.
3. The household income does not exceed the applicable CFIS rate.
4. Served in the Canadian Forces during non-wartime periods.
5. Is a resident of Canada.
6. If under age 65, is actively searching for employment and is willing to accept employment that is available in the local labour market for which they are reasonably qualified by reason of their education or is participating in a career transition service program approved by the Minister. Those over 65 are not required to actively seek employment or participate in career transition services.

Survivors

Survivors, who are residents of Canada, of Veterans whose death is not the result of an injury or disease related to, or aggravated by, service, and whose death occurred on or after April 1, 2006, are eligible for CFIS if the Veteran had been in receipt of CFIS at the time of their death, and the survivor meets criteria 3 and 6 above as identified for Veterans. The survivor must apply for CFIS within 6 months of the Veteran's death unless the survivor is able to provide a reasonable explanation for the delay.

Survivors, who are residents of Canada, of Veterans whose death is the result of an injury or disease related to, or aggravated by, service, and whose death occurred on or after April 1, 2006, are eligible for CFIS when the survivor is no longer eligible to receive a benefit. (i.e., the member or Veteran, if alive, would be at least 65 years of age). The survivor is not subject to time limitations when applying for the CFIS benefit and is not subject to the Employment and Career Transition Criteria.

Orphans

Orphans, who are residents of Canada, of Veterans whose death is not the result of an injury or disease related to, or aggravated by, service, and whose death occurred on or after April 1, 2006, are eligible for CFIS if the Veteran had been in receipt of CFIS at the time of their death. The orphan is not subject to time limitations when applying for the CFIS benefit and is not subject to the Employment and Career Transition Criteria.

Orphans, who are residents of Canada, of Veterans whose death is the result of an injury or disease related to, or aggravated by, service, and whose death occurred on or after April 1, 2006, are eligible for CFIS when the orphan is no longer eligible to receive

⁴⁷ The Veteran has successfully completed the Rehabilitation Program or has reached the age of 65 while in receipt of the Earnings Loss Benefit.

an ELB (i.e., the member or Veteran, if alive, would be at least 65 years of age). The orphan must be residing in Canada but is not subject to time limitations when applying for the CFIS benefit and is not subject to the Employment and Career Transition Criteria.

Supplementary Retirement Benefit

Veterans who had been deemed TPI and who are no longer entitled to the ELB because they have either reached the age of 65, or are no longer deemed to be totally and permanently incapacitated (have recovered to a point of being able to be gainfully employable), are eligible for the Supplementary Retirement Benefit.

Survivors of Veterans whose death was caused or aggravated by service are eligible for the Supplementary Retirement Benefit when their Earnings Loss Benefits come to an end.

Appendix C – Comparison of Rehabilitation Programs and/or Financial Benefits between VAC and Allied Countries⁴⁸

Comparison Country	Program Similarities	Program Differences	
		Comparison Country	VAC
Australia	<ul style="list-style-type: none"> ▪ Internally and externally resourced ▪ Recently modernized disability compensation systems ▪ Earnings Loss Benefits stop at 65 ▪ Rising program costs ▪ Similar medical, psycho-social, and vocational rehabilitation services 	<ul style="list-style-type: none"> ▪ Participants can choose between choice of loss-of-earnings capacity or impairment based 	<ul style="list-style-type: none"> ▪ Participants do not have the choice of earnings loss replacement methods
		<ul style="list-style-type: none"> ▪ Participants are not able to choose service provider 	<ul style="list-style-type: none"> ▪ Participants are able to choose service provider
		<ul style="list-style-type: none"> ▪ Case Managers approve but do not create the rehabilitation plan 	<ul style="list-style-type: none"> ▪ Case Managers create rehabilitation plans
United Kingdom	<ul style="list-style-type: none"> ▪ Recently modernized disability compensation systems 	<ul style="list-style-type: none"> ▪ Longer length in service equates to more benefits 	<ul style="list-style-type: none"> ▪ Length in service does not equate to more benefits
		<ul style="list-style-type: none"> ▪ The earnings loss benefits⁴⁹ continues for life 	<ul style="list-style-type: none"> ▪ Earnings Loss Benefit stops at age 65
		<ul style="list-style-type: none"> ▪ The earnings loss benefit is based on: <ul style="list-style-type: none"> - salary at the time of release; - adjusted for age at the time of release (the younger the person, the higher the factor); and - paid in full for the most serious conditions. For less serious injuries, a proportion of the benefit is awarded. 	<ul style="list-style-type: none"> ▪ The Earnings Loss Benefit is based on: <ul style="list-style-type: none"> - salary at the time of release - age is not taken into consideration - paid at 75% regardless of severity of the injury
		<ul style="list-style-type: none"> ▪ Externally resourced 	<ul style="list-style-type: none"> ▪ Internally and externally resourced
United States	<ul style="list-style-type: none"> ▪ Prevalence of chronic pain and Post Traumatic Stress Disorder amongst Veterans in Program ▪ Rising program costs 	<ul style="list-style-type: none"> ▪ Internally resourced ▪ Focuses mainly on vocational rehabilitation 	<ul style="list-style-type: none"> ▪ Internally and externally resourced ▪ Focuses on medical, psycho-social, and vocational rehabilitation

⁴⁸ 'Rehabilitation Services Evaluation (Final – September 2014)' Appendix C – Program Comparisons with other Countries

⁴⁹ Known as the Guaranteed Income Payment (GIP), and is payable where the individual's ability to earn income beyond their service career is detrimentally affected by their injury. Paid in addition to a lump sum compensation for injury.