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VETERANS' AFFAIRS

STATEMENT OF
RONALD R. AUMENT
DEPUTY UNDER SECRETARY FOR BENEFITS,
BEFORE THE
SENATE COMMITTEE ON VETERANS' AFFAIRS

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Mr. Chairman and Members of the Committee, thank you for the opportunity to testify today on S. 57, a bill that would deem certain service in the organized military forces of the Government of the Commonwealth of the Philippines and the Philippine Scouts to have been active service for purposes of benefits under programs administered by the Department of Veterans Affairs (VA). VA does not support enactment of the bill.

Regular, or "Old," Philippine Scouts are currently eligible for VA benefits in the same manner as veterans of the U.S. Army. Therefore, the bill would not affect this group. However, S. 57 would extend full eligibility for VA benefits to veterans of the Philippine Commonwealth Army, including those with recognized guerrilla service, and to veterans of the New Philippine Scouts. In my testimony today, I refer only to the groups affected by the proposed bill as "Filipino veterans" and do not refer to Regular Philippine Scouts.

Section 107 of title 38, United States Code, generally limits the VA benefits to which Filipino veterans and their survivors are eligible to certain contracts of National Service Life Insurance, disability compensation,

dependency and indemnity compensation (DIC), and monetary burial benefits. Furthermore, unless those veterans or survivors live in the United States and are U.S. citizens or are lawfully admitted for permanent residence in the United States, those veterans or survivors receive their disability compensation or DIC at the rate of fifty cents per U.S. dollar, which is commonly referred to as payment at a "half-dollar rate." Payment of monetary burial benefits at more than the half-dollar rate requires, in addition to the legal residency requirement, that the veteran at the time of death be receiving disability compensation or be entitled to receive a disability pension but for the active-service requirement. Eligibility for burial in a national cemetery and for hospital and nursing home care and medical services is limited to Filipino veterans living here in the United States who are either U.S. citizens or lawful residents. Filipino veterans and their survivors are not eligible for any other VA benefit with the exception of education benefits available under chapter 35 of title 38 to certain children of these veterans.

We do not support the bill because it would disproportionately favor Filipino veterans over U.S. veterans. Mr. Chairman, in 2003 the average annual family income in the Philippines in U.S. dollars was approximately \$2,864. In contrast, in 2006 the maximum annual pension rate for a veteran with no dependent was \$10,929 U.S. dollars per year; the annual rate for a veteran with one dependent was \$14,313; and the annual rate for a surviving spouse with no dependent was \$7,329. Thus, Filipino veterans and their survivors receiving full-rate VA pensions while living

in the Philippines would enjoy a much higher standard of living relative to the general population in the Philippines. At the same time, VA benefits paid to beneficiaries living in the United States, such as U.S. veterans, do not enable those beneficiaries to enjoy a standard of living higher than the general U.S. population. In fact, even when paid at the half-dollar rate, Filipino veterans and their survivors are receiving relatively higher rates of disability compensation, DIC, and burial benefits compared to beneficiaries receiving the full-dollar rate in the United States.

As a direct result of S. 57, VA would have to double the monthly payments currently provided to the more than 7,000 Filipino veterans and their survivors who now receive disability compensation or DIC at the half-dollar rate. In addition, we expect newly eligible veterans or their survivors to apply for pension benefits. Although precise numbers are not available, we have based our cost estimates on an estimate that more than 20,000 Filipino veterans reside outside the United States. We derived this figure by applying mortality rates for World War II veterans to an estimate of the Filipino veteran population that was calculated in 2000. The resulting 20,000 figure is in line with an estimate used by the Congressional Research Service in 2006. Since it is very difficult to develop a firm estimate for the size of this population, we believe that that 20,000 figure is as reliable as we can establish at this date. Based on this figure, we estimate compensation, pension, and DIC costs in the first year will exceed \$491 million. Enactment of S. 57 may also likely require VA to provide to Filipino veterans memorial benefits such as interment, perpetual care of gravesites, government-furnished headstones or markers, and Presidential Memorial Certificates.

S. 57 also would significantly affect VA's health care system. Currently, the VA Outpatient Clinic in Manila, Philippines, provides a wide range of ambulatory care services for U.S. veterans living in the Philippines as well as Compensation-and-Pension examinations for both U.S. and Filipino veterans. The Clinic has an annual operating budget of approximately \$6.3 million and, in FY 2006, served 3,799 U.S. veterans. Under S. 57, all Filipino veterans in the Philippines with VA-adjudicated service-connected disabilities would become eligible for VA health care in the Philippines. As of February 2007, the VA Manila Regional Office provided compensation for service-connected disabilities to 3,441 Philippine Service veterans, of which 2,726 resided in the Philippines. Based on the expected increase in the number of veterans eligible for care and an increase in the number of Compensation-and-Pension examination requests, we estimate an almost 100-percent increase in overall operating costs in the Philippines if the bill is enacted. We estimate a total additional expense of over \$5 million in the first year. Moreover, this cost estimate does not fully account for the expected impact of S. 57. It is expected that the newly eligible Filipino veterans also would require a significant increase in the costs at the Manila Clinic for pharmacy, beneficiary travel, specialty exams, and fee basis costs.

The bill would also impact VA's construction costs in the Philippines. Public Law 106-113 requires the Department of State (State) to locate diplomatic and other U.S. government offices to secure embassy grounds when it builds a new or replaces an existing embassy. State is replacing its embassy in Manila. In December 2006, Secretary Nicholson approved a recommendation to relocate the Manila VA Outpatient Clinic from its current leased site to U.S. Embassy property. State is planning to co-locate the Manila regional office and the Outpatient Clinic on embassy property at its Seafront compound. The facilities will be built and funded through a State major construction appropriation, and the new VA facilities are planned to be

completed in 2010. VA will reimburse State for this project through Capital Security Cost-Sharing (CSCS) charges over a period of several years. VA's costs under that program are based on staffing levels. Any additional space and staffing required for this project due to the enactment of S. 57 will significantly increase VA's costs.

Additional health-care costs would have to be paid with existing health-care funds. Filipino veterans now residing outside the United States would be eligible for and could obtain health care in the United States by traveling to the United States to receive it. They would not, as now, have to reside in the United States and become U.S. citizens or permanent residents. We estimate that, if 10 percent of these newly eligible veterans (i.e., approximately 2,000 of the estimated 20,000 population of veterans) obtain health care in the United States, it will cost over \$13 million in the first year.

We estimate additional benefit costs (including medical benefits and memorial benefits) of approximately \$510 million in the first year and more than \$4 billion over ten years. Our cost estimate includes only expenses related to the three most significant monetary benefits, which are disability compensation, pension, and DIC, in our total estimate of benefit costs.

Administrative costs are estimated at \$8.8 million in the first year and \$27 million over ten years. These estimates of administrative costs do not include the CSCS costs or administrative costs related to the provision of health care, and, as with the benefit costs, include administrative costs related to disability compensation, pension, and DIC, and not costs related to the administration of other monetary benefits.

This concludes my statement, Mr. Chairman. I would be happy to entertain any questions you or the other Members of the Committee may have.