

Cost Estimate of Election Campaign Proposal

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Short title: Veterans Disability Awards

Description: The policy allows automatic fast-tracking of disability award approval for applications (for conditions identified during second screening or any time during service prior to exit) that are deemed highly probable to be service related. In addition, the disability award is based on relevant level of severity and disability class. The proposed policy maintains medical screening during the member's (CAF) entry and exit from service.

The policy selects five medical conditions that already have high approval rates (>80%). These medical conditions and associated approval rates (for fiscal year 2017-18 are: Post Traumatic Stress Disorder (PTSD) (96%), arthritis and osteoarthritis (82%), depression disorders (90%), lumbar disc disease (86%) and cervical disc disease (84%).

Operating line(s): Operating and capital expenses

Data sources:	<u>Variable</u>	<u>Source</u>
	Medical conditions	VAC Facts and Figures various years
	Severity and disability class rating and costs	PBO Model based on data from VAC
	Accrual costs and Veteran profile based on actuarial information	PBO Model based on data from VAC

Estimation and projection method: VAC's annual facts and figures (for various years) were used to calculate historical averages for total number of applications, total number of medical cases and percentages of unfavourable decisions by selected medical cases. In addition, PBO's veteran's model and database was used to extract key demographic characteristics such as age and marital status of veterans as well as actuarial projections of new veteran applications. From these data sources, the number of medical cases per application as well as disability class percentages were derived.

The derived figure was then combined with the demographic characteristics to provide the accrual net present value of the policy change. The PBO model made allowances to the age profile and choice between lump sum and monthly payments (where the payment method favoured the applicant).

It is assumed that the program will start in fiscal year 2021-22.

Uncertainty
assessment:

The estimate has moderate uncertainty. However, behavioural changes were not incorporated in the cost estimate and the perception of automatic approval may increase take-up or application rate.

Cost of proposed measure

\$ millions	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Total cost	-	-	194	197	199	202	205	208	211	216

Supplementary information

\$ millions	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Post-Traumatic Stress Disorder (PTSD)	-	-	42	43	43	44	44	45	46	47
Depression disorders	-	-	53	54	55	55	56	57	58	60
Lumbar Disc Disease	-	-	24	24	25	25	25	26	26	27
Cervical Disc Disease	-	-	19	19	19	20	20	20	21	21
Osteoarthritis Hip	-	-	14	14	14	15	15	15	15	16
Osteoarthritis Knee	-	-	29	29	29	30	30	31	31	32
Osteoarthritis Lumbar Spine	-	-	13	13	14	14	14	14	14	15

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost

The program is assumed to take effect in 2021-22.