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Prepared Statement of
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INTRODUCTION

Mr. Chairman and committee members, thank you for the opportunity to be here today and thank you for the legislation which created traumatic injury insurance coverage for members of the Uniformed Services. It is my privilege to discuss the Traumatic Servicemembers' Group Life Insurance (TSGLI) program.

TSGLI is an extraordinary insurance program for people in uniform. While the program applies equally to all branches of the Uniformed Services, those of the Department of Defense represent the vast majority of persons affected, making DoD the principal program client. And it is in that context that we view this program -- where the Department, as an employer client, obtains a product for our people.

PRIMARY ASPECTS OF THE PROGRAM

Let me emphasize that, in the Department's view, the program is working very well, and the Department of Defense is a satisfied customer. In the following paragraphs, I address several aspects of the program.

Availability

The TSGLI benefit is provided retroactively for members who incurred severe losses as a result of traumatic injury between October 7, 2001 and November 30, 2005, if the loss was the direct result of a traumatic injury incurred in the theater of operations during Operation Enduring Freedom or Operation Iraqi Freedom (OEF/OIF). Beginning December 1, 2005, every member who has Servicemembers' Group Life Insurance (SGLI) also has TSGLI. TSGLI coverage applies to active duty members, drilling reservists, and reservists performing funeral honors duty or one-day muster duty.

There are several fundamental benefits associated with the linkage of SGLI and TSGLI coverage.

First, coverage under SGLI is automatic and includes TSGLI coverage. No member is without SGLI coverage unless he or she specifically chooses that condition.

Second, additional coverage for traumatic injuries is included in SGLI life insurance coverage for an additional cost of only \$1.00. If the member finds the coverage under SGLI is greater than they desire, they can make adjustments to the SGLI coverage amount without affecting their TSGLI coverage.

Third, the DoD is an employer client for both SGLI and TSGLI, obtaining a benefit for our people from the Department of Veterans Affairs (VA). The VA, in turn, contracts with an insurance provider to manage the benefits. This insurance provider underwrites the broader risks of the program. This structure is an important aspect of the program that makes it particularly robust. We have a great working relationship with the VA Insurance Center staff and have always found them to be most responsive to our needs.

Outreach for Retroactive Claims

The Services identified potential claimants for the retroactive portion of TSGLI by reviewing casualty lists to ensure the injury occurred during the covered period and in qualified locations. Members listed as seriously wounded, very seriously wounded or temporarily or permanently disabled were flagged as potential beneficiaries. A letter was mailed to this group stating that the member had been identified as a potential beneficiary and directing them to the appropriate points of contact to begin the application process. In addition, those members who had died after a period of seven or more days in a treatment facility were identified as potential beneficiaries and letters were mailed to their survivors.

The National Policy Director for the Wounded Warrior Project, a group that assists men and women of our armed forces who have been severely injured during the conflicts in Iraq, Afghanistan, and other locations around the world, provided a list of significantly wounded Service members to DoD. Although not all members on this list qualified for payment under the retroactive portion of the law, the list was a good cross check of recipients.

Prospective Outreach

We in the DoD personnel community have worked hard to ensure that members are made aware of the TSGLI benefit. All Services have created a web site for dissemination of program information and application procedures for members. In addition, each Service provides a 1-800 number for members to call for information regarding any aspect of the program. These resources are available for active duty, reserve members, members who have transitioned from a military Service, and surviving spouses.

In November, 2005, members were alerted to the new TSGLI program through a statement on the Leave and Earnings Statement. The statement was tailored to each Service, but stated essentially that, effective December 1, 2005 the SGLI deduction would increase \$1.00 per month for traumatic injury protection (TSGLI). The statement then directed them to the VA insurance website for additional information.

In addition to DoD press releases announcing important program aspects, articles have appeared in various media including Military Times Newspapers, Army Families Online, the Association of the United States Army, The American Legion, and the National Guard Association of the United States, which highlighted the benefits for members of the reserve.

The Application Process

The application process for a TSGLI benefit involves a series of steps which allows for rapid payment of benefits to members who qualify, with checks inserted to prevent errors. A member in a military treatment facility will learn about the program from a patient advocate or medical personnel who will help them obtain a TSGLI certification form. Those members, who have suffered a loss due to a traumatic event, submit a certification form as soon as they are able or the guardian or attorney in fact may submit the application on their behalf. A physician, either in a military treatment facility or civilian hospital documents the extent of the injuries. The certification form is then forwarded to the respective military Service via fax or e-mail for certification. Each Service certification officer will typically use DCIPS ? the Defense Casualty Information Processing System to confirm the dates, type, and extent of the injury. Once certified, the form is sent to the Office of Servicemembers' Group Life Insurance (OSGLI) to verify SGLI coverage and make payment.

Cost

The Department of Defense bears the administrative cost of collecting premiums and tracking coverage. DoD sent initial funding to the VA in the amount of \$28 million, broken down by the estimated cost per Service for program startup costs. Because the program had not begun to collect premiums from members, this amount was needed to provide payment for prospective cases that were expected in the first year. In addition, a \$5.7 million monthly payment was sent to VA for the Services' share of TSGLI extra hazard reimbursements, the additional amount, over and above the amount collected through premiums from members due to the increased injuries from conflict. This monthly payment was temporarily suspended in April 2006 because the amount on hand is sufficient to pay current TSGLI claims.

Delivery of Benefits

The Service member is the beneficiary of TSGLI. Although the member may not name someone other than himself or herself as the TSGLI beneficiary, if the member is legally incapacitated, the benefit is paid to his or her guardian or attorney-in-fact. The member may choose the method of payment from three choices: (1) Electronic Funds Transfer (EFT), in which the TSGLI payment is electronically credited to the bank account specified by the Service member, (2) An interest-bearing checking account, in which the Service member receives a checkbook that gives the member ready access to the money, or (3) A Check, in which the Service member's guardian or attorney-in-fact receives a single check on behalf of the Service member for the full TSGLI benefit payable. This option is available only to the Service member's guardian or attorney-in-fact, if one is needed. The Department is extremely pleased with the responsiveness of OSGLI, which typically pays certified claims within 48 hours of receipt.

The Appeals Process

Each Service is tasked with providing policy and implementation guidance for the appeals process. Although each Service maintains a unique structure for resolving appeals, the process is similar. A member who has received a letter from OSGLI indicating that their claim has been denied is provided contact information for the appeals process. The letter will indicate the reasons for denial and the method in which to appeal the decision. It is the member's responsibility to compile the documentation for an appeal. The Service board for appeals makes a final determination and notifies each recipient of the outcome. Each Service uses an existing board to act on appeals. The Army for example uses the same board that is used for combat-related special compensation determinations.

Uniform Application

One of the most significant goals was ensuring uniform application of standards in the TSGLI eligibility certification process. That is, if a member of the Air Force receives a benefit under TSGLI for an incurred traumatic injury, a member of the Army experiencing a similar injury should receive the same benefit. To ensure this uniformity of application, VA, OSGLI and DoD established a joint working group to resolve rules for application of the standards for the schedule of payments for traumatic losses. This group has continued to hold weekly conference calls to discuss needed improvements to the program. Additionally, VA and OSGLI have provided training, most recently sponsored by the Army on July 25, 2006 for all Service certification officers. Regular communication among the Service certification officials, Office of the Secretary of Defense, OSGLI, and VA has helped ensure a uniform certification outcome among the Services.

Numbers of Claims

Estimates of retroactive claimants from OEF/OIF were approximately 2,100 members. This estimate was derived by examining the total number of casualties during the period (approximately 6,300) and estimating a high percentage of recipients among members who were victims of explosives or burns, or listed as amputees. A total of 2,261 retroactive claims have been approved as of August 25, 2006. Estimates for prospective claimants were approximately 1,000 members per year, which was based on the total number of casualties reported on an annual basis. A total of 403 claims under the prospective program have been paid as of late August, 2006, versus our estimate of 1000.

Payment Timelines

The most significant factor in determining the amount of time that payment takes to reach an individual member is the type of injury sustained. Whereas injuries that result in amputation may be submitted, certified, and paid within seven days or less, injuries that document loss of Activities of Daily Living (ADL) may take up to 45 days or more because these injuries require observation over a period of time before a physician can verify the extent of the injury. Many claims, especially those for loss of ADLs, typically include several pages of documentation. Service personnel who certify the claims diligently examine each claim to ensure that potential recipients are correctly paid.

Outstanding Issues ? Activities of Daily Living Claims

At the inception of the program, VA, DoD, and OSGLI worked to define the standards for payment of TSGLI benefits based on loss involving the inability to carry out the activities of daily living. Besides members who remained in a coma or suffered a traumatic brain injury, some members, after suffering a traumatic event, remained hospitalized without the ability to take care of daily basic functions. Using a term understood within the medical profession, we worked to define the limits for the loss of activities of daily living to address members who may have suffered no visible external injuries, yet were unable to care for themselves, losing the ability to perform two of six typical functions: bathing, eating, toileting, transferring, dressing, or continence.

This category of loss continues to lead all others in number of claims and compensation amounts. It is also the most difficult in which to find evidentiary support for the retroactive cases. Further, because this category was not anticipated when care was given, many treatment records do not contain the necessary documentation to support the claims. In cases where there is little or no evidence to support the claim for the loss of Activities of Daily Living for an extended period, medical personnel must examine treatment records and estimate the length of ADL loss for claim certification making these cases more manpower intensive.

CONCLUSION

All in all, the TSGLI has proven to be a beneficial program. The structure of the program provides strength and agility. The Department of Defense, as the employer client, relies on VA as the Government provider, to keep the program operationally sound. The contractor consistently brings to the program the most modern and attractive features available to the insurance industry. This makes for a progressive benefit that keeps getting better without increasing the insurance premium our troops pay. Overall, the TSGLI program structure has proven to be one of exceptional strength that keeps the program among the best in the business.

We are very appreciative of the traumatic injury insurance provided for our Service men and women in uniform by Congress. Thank you for the opportunity to discuss this critical program that is so important to our dedicated young men and women in uniform today.