



**Outcome 1**  
**Compensation and Support**





## **OUTCOME ONE Compensation and Support**

Eligible persons (including veterans, serving and former defence force members, war widows and widowers, certain Australian Federal Police personnel with overseas service) and dependants have access to appropriate income support and compensation in recognition of the effects of war and defence service.

During the First World War, the Australian government introduced repatriation benefits to compensate veterans and their dependants for war-caused disability or death. The system was extended to include income support with the introduction of the service pension in 1936.

The combination of compensation and income support, in conjunction with appropriate and comprehensive health and rehabilitation services, is today the basis of Australia's repatriation and military compensation systems. DVA works with the veteran and defence force communities to ensure that information about entitlements and benefits is available and that veterans, serving and former Australian Defence Force members and their dependants are supported in the claims process. The department works to improve the efficiency of the claims and review processes to ensure entitlements and benefits are delivered as accurately and efficiently as possible.

### **Budget Initiatives**

#### **Disability pension increases**

In July 2007 veterans receiving the Special Rate and Intermediate Rate pensions had their fortnightly payments boosted by \$50 and \$25 respectively under a \$162.8 million over four years 2007 Budget allocation. The measure aims to improve the standard of living of around 29,000 veterans, and was made in recognition of the increasing cost of living and its particular impact on those with limited capacity to work.

#### **Funeral benefits**

The maximum amount of funeral benefit paid under the *Veterans' Entitlements Act 1986* doubled from \$1000 to \$2000 from 1 July 2007. The benefit is a one-off payment to assist with the funeral expenses of a deceased eligible veteran or their dependant. It was increased to provide a more reasonable contribution towards the costs of a funeral.

#### **War widows pension**

Effective 1 July 2007, the backdating period for a war widow's pension was extended from three months to six months to allow bereaved partners more time to lodge claims without being disadvantaged.

## Major projects

### Veterans' support package

In September 2007 the previous Government introduced, with the Opposition's support, legislation to increase payments to disability pensioners and war widows pensioners and to apply more beneficial indexation methods to their pensions.

Effective 20 March 2008, all veterans' affairs disability pensions are now indexed with reference to both the Consumer Price Index (CPI) and Male Total Average Weekly Earnings (MTAWE), rather than the CPI alone.

In addition, more than 13,500 veterans who receive the Extreme Disablement Adjustment (EDA) received an one-off increase of \$15 per fortnight to the Above General Rate component of their disability pension.

The entire General Rate Table was also increased by 5 per cent from March 2008, providing all disability pensioners, including EDA veterans, a fortnightly increase of up to \$20 from 20 March 2008.

War widows and widowers also received a \$10 per fortnight increase to the non-indexed component of their pensions from March 2008, taking it to \$35 per fortnight. This payment is now also indexed with reference to both the CPI and MTAWE.

Wholly dependent partner's death benefit and Special Rate Disability Pension under the *Military Rehabilitation and Compensation Act 2004* have also increased in line with the latest increases under the VEA.

### British nuclear tests Medallion

The Australian Government commissioned a medallion in October 2007 to commemorate the 50<sup>th</sup> anniversary of the end of the British Nuclear Testing Program in Australia. The Medallion is granted to Australians who participated in or provided support to test programs at the three test sites of the Monte Bello Islands in Western Australia, and Maralinga and Emu Field in South Australia. So far 1274 Medallions have been granted.

### Non Liability Health Treatment for British Nuclear Test Participants

The department continued to provide non-liability health care treatment for Australian participants in the British Nuclear Tests in Australia. Treatment is provided for malignant neoplasia (cancers).

### Prisoners of War (Europe)

Ex gratia payments of \$25,000 continued to be made available in recognition of the hardship and suffering of those who were taken Prisoner of War by Germany, Italy or their European allies during the Second World War. The payment can be granted where the Prisoner of War or their widow was alive on or after 1 January 2007.

## DID YOU KNOW?

The first active United Nations peacekeepers were four Australians who arrived in Indonesia in September 1947 as part of a multinational group of 'military assistants' enlisted by the UN Consular commission to monitor a ceasefire between Dutch colonialists and Indonesian Republicans. The Australians were Brigadier LGH Dyke (Army), Major DL Campbell (Army), Commander HS Chesterman (RAN) and Squadron Leader LT Spence (RAAF).

### Family Study Program

DVA established the Family Study Program after the Australian Government provided the department \$13.6 million over eight years from August 2007 to research the health and welfare of the families of veterans and defence force personnel. The research program—expected to take eight years to complete—will examine the effects of military service on the families of deployed military personnel, including veterans of the Vietnam war and subsequent deployments such as East Timor. Results will be progressively released over the course of the program.

The quantitative and qualitative research program will assess the physical, mental and social health of veterans and their families, taking a holistic approach to measuring the effects of military service on the family unit and its functions.

### Records retrieval

The Single Access Mechanism (SAM), a joint DVA and Defence records retrieval system, was upgraded during the year with the introduction in August 2007 of Doctracker, facilitating electronic processing and management of requests for Defence data and documents.

**Table 6 Outcome 1 resources summary**

	(1) Budget* 2007–08 \$'000	(2) Actual 2007–08 \$'000	(1)–(2) Variation 2007–08 \$'000	Budget** 2008–09 \$'000
<b>Administered Expenses</b> (including third party outputs) Total Administered Expenses	6 098 247	6 177 475	-79 228	6 339 970
<b>Price of departmental outputs***</b>	44 744	58 192	-13 448	55 145
Output 1.1—Deliver a means-tested income support pension and other allowances to veterans and dependants under the VEA and related legislation.				
Output 1.2—Deliver compensation pensions, allowances and special purpose assistance to eligible veterans and war widows and widowers under the VEA and related legislation.	44 855	43 588	1 267	41 418
Output 1.3—Independent merits review by the Veterans' Review Board (VRB) of certain primary decisions made by delegates of the Repatriation Commission on claims for pension under the VEA and related legislation.	9 208	11 366	-2 158	9 045
Output 1.4—Provide financial assistance through the Defence Service Home Loans Scheme.	1 988	2 569	-581	1 464
Output 1.5—Provide incapacity payments, non-economic loss lump sums for injuries resulting in permanent impairment and payments to dependants of deceased employees through the Military Compensation and Rehabilitation Service (MCRS).	9 821	7 792	2 029	9 223
Output 1.6—Administer Individual Merit Reviews of MCRS decisions.	2 717	961	1 756	1 147
Output 1.7—Provide incapacity payments, non-economic loss lump sums for injuries resulting in permanent impairment and payments to dependants of deceased employees under the <i>Military Rehabilitation and Compensation Act 2004</i> (MRCA) and related legislation.	1 163	5 009	-3 846	4 478
Output 1.8—Administer Individual Merit Reviews of decisions made under the MRCA and related legislation.	418	379	39	413
Attribution of Output Group 6	20 023	21 561	-1 538	18 446
<b>Total Price of Departmental Outputs</b>	<b>134 937</b>	<b>151 417</b>	<b>-16 480</b>	<b>140 779</b>
Revenue from Government (Appropriation) for departmental outputs	134 317	148 506	-14 189	140 128
Revenue from other sources	620	2 911	-2 291	651
<b>Total Price of Departmental Outputs</b> (Total revenue from Government and other sources)	<b>134 937</b>	<b>151 417</b>	<b>-16 480</b>	<b>140 779</b>
<b>TOTAL FOR OUTCOME 1</b> (Total Price of Outputs and Administered Expenses)	<b>6 233 184</b>	<b>6 328 892</b>	<b>-95 708</b>	<b>6 480 749</b>
<b>Average staffing level</b>	1 061	1 031	30	987

\* Full-year budget as reported in additional estimates

\*\*Budget prior to additional estimates inclusive of Other Revenue

\*\*\*The price of departmental outputs excludes Defence Service Homes Insurance Scheme

## Output 1.1 Income support under the VEA

### Objective

To deliver means tested income support pensions and other allowances to veterans and dependants under the *Veterans' Entitlements Act 1986* and related legislation.

There are five forms of income support paid under Output 1.1:

- ▶ age service pension and invalidity service pension, similar to age pension and disability support pension paid by Centrelink;
- ▶ partner service pension;
- ▶ income support supplement, paid to eligible war widows and widowers;
- ▶ social security age pension paid to eligible disability pensioners and their partners, paid by DVA as an agent of the Department of Families, Housing, Community Services and Indigenous Affairs; and
- ▶ Defence Force Income Support Allowance.

All income support pensions are subject to income and assets tests, except those granted to people who are permanently blind in both eyes. Income support pensioners also may be eligible for other benefits provided by the Australian Government, including health care.

A number of supplementary allowances are also available to income support pensioners and holders of the Commonwealth Seniors Health Card.

For income support pensioners these include:

- ▶ rent assistance;
- ▶ telephone allowance;
- ▶ remote area allowance;
- ▶ utilities allowance;
- ▶ bereavement payment;
- ▶ pharmaceutical allowance; and
- ▶ access to concessional prices for pharmaceuticals under the Pharmaceutical Benefits Scheme.

For Commonwealth Seniors Health Card holders these include:

- ▶ telephone allowance;
- ▶ seniors concession allowance; and
- ▶ access to concessional prices for pharmaceuticals under the Pharmaceutical Benefits Scheme.

## Business activity

### Older Australians' Bonus

More than 300,000 veterans, partners and war widows and widowers received the \$500 Senior Australians Bonus, paid in recognition of the costs they face and their contribution to Australia's prosperity.

The payments were automatically made to DVA pensioners who were eligible on 13 May 2008 for age, invalidity or partner service pension (over pension age), Commonwealth Seniors Health Card holders and Gold Card holders (over pension age).

### Carers bonus

The 2008 Federal Budget included bonus payments to carers:

- ▶ \$600 paid to anyone receiving the carer's allowance;
- ▶ \$1000 to those who receive the carer's payment or carer's service pension; and
- ▶ \$1600 bonuses to those who get both the carer's allowance and the partner service pension or the carer's service pension. Centrelink paid all carer bonuses, including payments to 17,153 DVA partner service pensioners and carer's service pensioners.

### Quality assurance program

The income support quality assurance program has helped to standardise quality assurance work practices with a nationally consistent approach to the checking and accreditation of overpayment cases.

Validation exercises were conducted on the income support QA sample cases and also on the income support Integrated payment system cases. The outcomes of a trends analysis exercise included the convening of focus groups with income support staff on 'Getting it Right'. The objective of these focus groups was to develop strategies to improve QA results.

### Data matching

The department's regular program of cyclical data matching with the Australian Taxation Office and Centrelink identified 24 overpayments during the year, totalling \$449,004. Full details of this program are contained in the department's annual data matching report to Parliament.

Fact of Death matching continued throughout the year, resulting in the cancellation of 531 payments. Total overpayments from this program were \$994,349.

### *You and Your Pension*

The 2007 edition of *You and Your Pension* was distributed following consultation with ex-service organisations. The booklet contains comprehensive information about the benefits, rights and obligations of income support pensioners. It also contains information about a range of DVA services and references to various fact sheets. The booklet is available in hard copy, on the internet, on compact disc, and can be downloaded in MP3 format.

## Performance information for Output 1.1—Income support under the VEA

*Table 7 Performance information for Output 1.1*

<i>Measure</i>	<i>Portfolio Budget Statement</i>	<i>Portfolio Additional Estimates Statement</i>	<i>2007–08 Outcome</i>
<b>Quantity</b> (total number of income support beneficiaries)	321 000	326 500	317 655
<b>Timeliness</b> (days to process a new claim)	32	32	43
<b>Timeliness</b> (days to process a pensioner initiated review)	14	14	24
<b>Price</b> (per income support beneficiary)	\$137	\$137	\$183
<b>Quality</b> (critical error rate)	Less than 5%	Less than 5%	4.1%

The income support pensioner population at 30 June 2008 was 317,655 (a 3.2 per cent decrease on 2007).

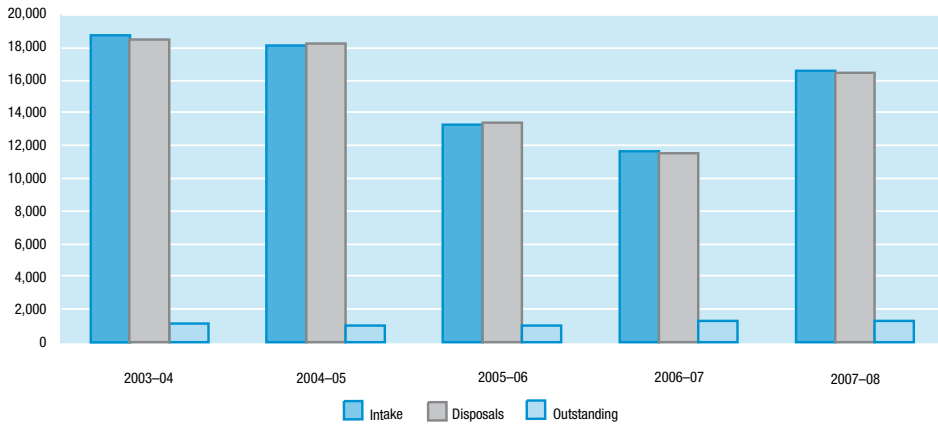
*Table 8 Income support beneficiary populations*

<i>Pensioner Group</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
Service pension veterans	138 740	130 719	122 458	113 698	108 580
Service pension partners	114 011	108 598	103 110	96 864	93 959
Income support supplement recipients	88 269	88 493	87 003	84 471	82 550
Age pensioners	6 663	6 526	6 385	6 068	5 896
Commonwealth Seniors Health Card holders	7 992	9 975	10 685	11 086	9 279
Defence Force Income Support Allowance	0	17 148	16 266	16 061	17 391
<b>Total</b>	<b>355 675</b>	<b>361 459</b>	<b>345 907</b>	<b>328 248</b>	<b>317 655</b>

### Measure: Number of new income support claims

New claim intake rose by 41.8 per cent from 11,678 in 2006–07 to 16,564 this year. This increase is attributed to the implementation of various new policy proposals (in particular the initiative relating to changes to the assets test taper rate). This initiative generated an additional 4,800 plus claims over a relatively short period of time with workloads only returning to pre-1 July 2007 levels early in 2008–09.

**Figure 5 Number of new income support claims**

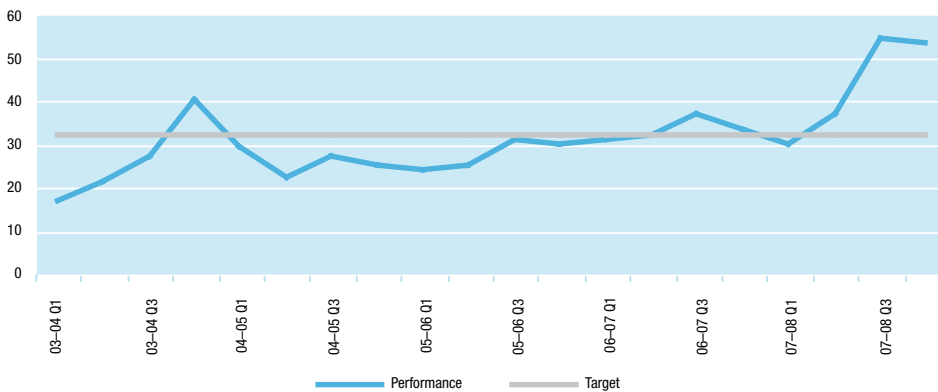


**Measure: Mean time to process new claims**

The department's benchmark for the average time taken to process new claims is 32 days. This target was set in 1998-99 and was based on the national historical average, less an allowance for increased productivity.

New claims were processed in an average of 43 days during 2007-08, which is a 10-day increase on last year's performance of 33 days and can be attributed to the delays in the processing of around 4800 additional claims that were received in respect of the changes to the assets test taper rate. Times for new claim processing are expected to return to pre-1 July 2007 levels over the first half of 2008-09.

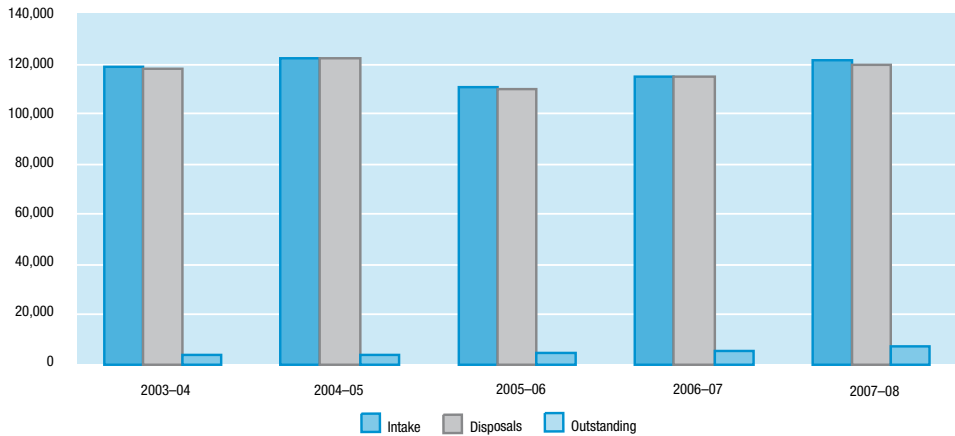
**Figure 6 Mean time to process new claims (days)**



**Measure: Number of pensioner initiated reviews**

Pensioner initiated reviews (PIRs) are reviews conducted on a client's income support pension or allowance as a result of correspondence initiated by the client. PIR numbers have remained relatively static over the past five years with 2007–08's intake increasing by 5.8 per cent on 2006–07. This is due to the additional workload generated by change to the assets test tape rate.

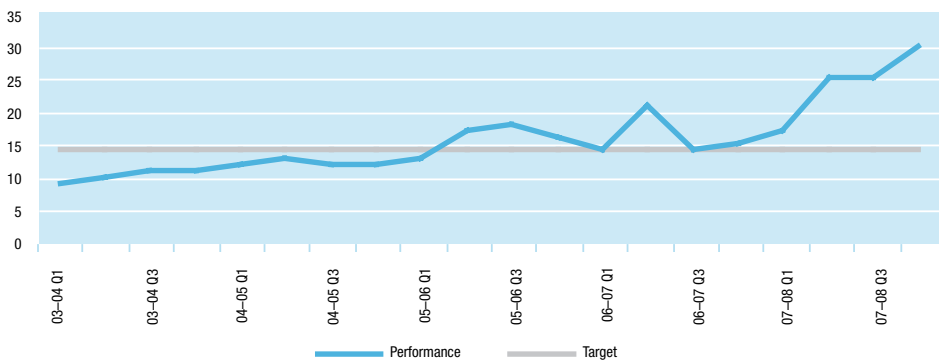
*Figure 7 Number of pensioner initiated reviews*



**Measure: Mean time to process a pensioner initiated review**

The benchmark for the average time taken to process a PIR is 14 days; during 2007–08 PIRs were processed in an average of 24 days. Again, this is due to changes to the assets test tape rate. PIR processing times are expected to return to pre-1 July 2007 levels by December 2008.

*Figure 8 Mean time to process a pensioner initiated review (days)*



**Measure: Average cost per income support pensioner**

This measure seeks to quantify the average cost of conducting income support business per income support client. Departmental expenditure on Output 1.1 averaged \$183 per client during 2007–08.

**Measure: Critical error rates**

Critical error rates measure work standards. The department's target of an error rate of 5 per cent or less is an accepted industry standard for quality assurance.

The critical error rate for income support processing during 2007–08 was 4.1 per cent—down from 4.7 per cent in the previous year.

*Table 9 Income support critical error rates*

Year	Critical Error Rate
2003–04	3.1%
2004–05	3.5%
2005–06	4.5%
2006–07	4.7%
2007–08	4.1%

## Output 1.2 Compensation under the VEA

### Objective

To deliver compensation pensions, allowances and special purpose assistance to eligible veterans and war widows and widowers under the VEA and related legislation.

The department provides compensation to eligible veterans (including Australian merchant mariners) and their dependants for the tangible effects of war or defence service. Eligible people receive disability pensions, war widow's or war widower's pensions, and ancillary benefits.

### Business activity

#### Repatriation Medical Authority

At 30 June 2008, Statements of Principles (SoPs) covered 291 conditions [a SoP may cover more than one diagnosis]. During the year, the Repatriation Medical Authority (RMA) determined SoPs for two conditions not previously covered; re-determined SoPs for 36 conditions; and amended SoPs concerning eight conditions. More information about SoPs can be found at the RMA's website, [www.rma.gov.au](http://www.rma.gov.au), or in the RMA Annual Report.

#### Specialist Medical Review Council

The independent Specialist Medical Review Council (SMRC) reviews the RMA's decisions.

The Minister for Veterans' Affairs has appointed 10 part-time members, nine of whom were selected for their expertise relevant to a specific SoP. The council's Convener, Associate Professor Jonathan Phillips, was re-appointed until 30 June 2010.

At 30 June 2008, nine reviews were before the SMRC: haemorrhoids; neoplasm of the pituitary gland; malignant neoplasm of the small intestine; chronic lymphoid leukaemia; malignant neoplasm of the prostate; lumbar spondylosis; cervical spondylosis; systemic lupus erythematosus; and post traumatic stress disorder.

During 2007–08, the council received two applications for review of SoPs: systemic lupus erythematosus and post traumatic stress disorder. In July 2007 it promulgated its decision in the hypertension review.

#### Data matching

In July 2007, following a pilot exercise in the previous financial year, the department implemented a new data match program, which matches veterans in receipt of disability pension at the special rate with declarations of salary or wages made to the Australian Tax Office. The years 2003–04 through 2006–07 were reviewed and overpayments in 22 cases where special rate should not have been paid recovered more than \$1.7 million.

## Performance information for Output 1.2—Compensation under the VEA

Table 10 Performance information for Output 1.2

Measure	Portfolio Budget Statements	Portfolio Additional Estimates Statements	2007–08 Outcome
<b>Quantity</b> (number of disability, war widows/widowers and other dependant pensions)	273 850	267 900	268 125
<b>Timeliness</b> (days to process a primary claim)	75	75	75
<b>Timeliness</b> (days to process a section 31 review)	40	40	28
<b>Price</b> (cost per pensioner)	\$162	\$167	\$162
<b>Quality</b> (critical error rate)	<5%	<5%	1.5%

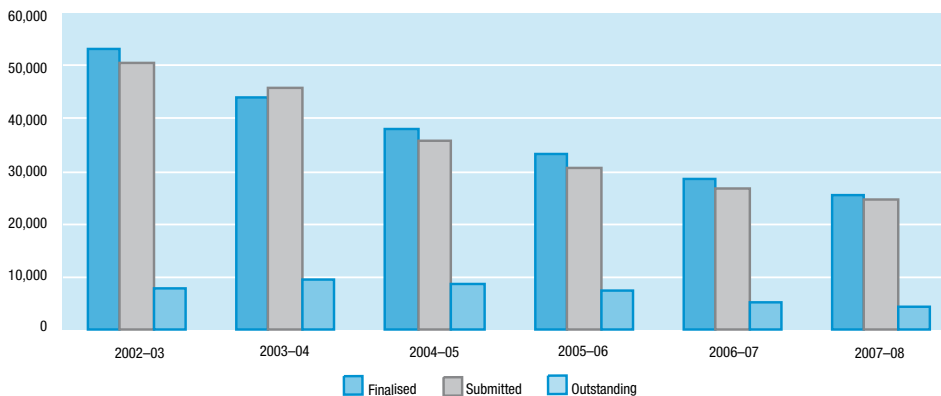
### Measure: Number of primary claims

Primary claims submitted fell by 1984 or 7.5 per cent to 24,474 (14).<sup>\*</sup> Finalised primary claims totalled 25,483 (32), 2498 or 8.9 per cent less than 2006–07.

Outstanding primary claims stood at 4301 (2) at 30 June 2008, a decrease of 1013 or 19 per cent on 2006–07. The department's focus on older cases and resourcing of the compensation processing area were the prime factors in this reduction.

<sup>\*</sup>Deseal/Reseal claims have been excluded from final totals due to their very low rates. The numbers in brackets indicate Deseal/Reseal cases.

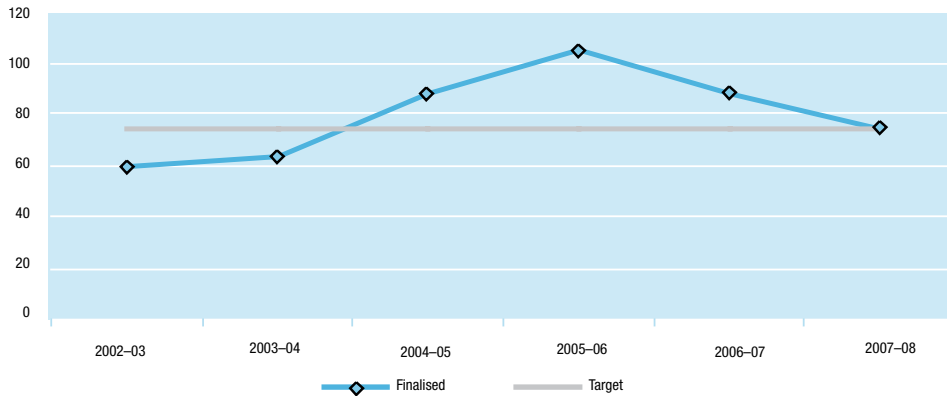
Figure 9 Primary claims processing



### Measure: Average time taken to process primary claims

The average time taken to process primary claims decreased from 89 days in 2006–07 to 75 days, the department's benchmark; 61 per cent of primary claims were completed within the standard. This is due to the department's focus on older cases and its commitment to balance workloads with available resources across all locations.

**Figure 10 Target of 75 days to process primary claims**

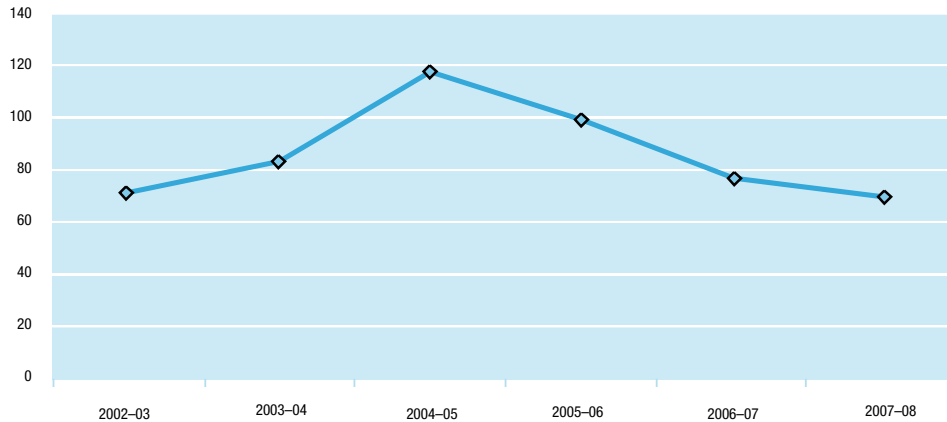


The average times taken to process has improved about 16 per cent each year since 2005-06.

**Measure: Average age of primary claims on hand**

The focus on older cases reduced the average age of primary claims on hand from 99 days at 30 June 2006 to 77 at 30 June 2007 and 70 days at 30 June 2008.

**Figure 11 Average age of primary claims on hand**



**Measure: Performance standard for primary claims (less than 5 per cent)**

A random selection (5 per cent) of primary cases across the compensation claims classification types of Disability, Death, Application for Increase and Disability Pension Assessments had quality assurance checks. Nationally, the performance standard was met at 1.5 per cent

**Measure: Average cost per pensioner**

The average cost per pensioner increased marginally from \$159 in 2006–07 to \$162 in 2007–08.

**Measure: Average cost per primary claim**

The average processing cost per primary claim increased from \$1123 in 2006–07 to \$1257 in 2007–08. This 12 per cent increase is due to the department's commitment to resourcing compensation claims processing and its focus on older, more complex cases.

**Measure: Number of review activities**

Disposed review activities for 2007–08 fell to 6256, down 843 or 12 per cent on last year's figures. Disposed review activity refers to the number of disposed s31 VEA (internal) reviews, s137 VEA reports prepared for the Veterans' Review Board and, finally, reports prepared by the department for the Administrative Appeals Tribunal.

**Measure: Average time taken to process a section 31 review**

The average time taken to process a section 31 review decreased from 32 days in 2006–07 to 28 days in 2007–08, well within the target of 40 days.

**Measure: Percentage of section 137 reports disposed within 42 days**

In 2007–08, 92 per cent of VRB reports were prepared within 42 days, an improvement on the 82 per cent recorded last year.

**Measure: Percentage of section 37 reports disposed of within 28 days**

In 2007–08, 85 per cent of Administrative Appeals Tribunal reports were prepared within 28 days—a fall on last year's 93 per cent—largely because of data for some cases not being collected and recorded at the appropriate times. This problem has been fixed.

**Measure: Average cost per review and appeal activity**

The average cost per review activity in 2007–08 was \$1829, an increase of \$98 or 6 per cent on 2006–07. This is due to general pay increases, and a lag between workload reduction and corresponding staff reduction.

**Table 11 Acceptance rate for disabilities by state**

	NSW	Vic	Qld	SA	WA	Tas	Australia
Number of disabilities determined	11 786	7 474	8 215	2 071	1 920	821	32 287
Disabilities accepted (%)	60%	57%	66%	59%	65%	65%	61%

*Note: This year's annual report includes conditions determined as "No Incapacity Found" (NIF) in the number of disabilities determined, unlike previous reports. Consequently, acceptance rates appear to have declined on 64 per cent recorded last year, but the national rate for 2007–08 would have been 66 per cent without the NIF determinations.*

**Table 12 Top 15 most frequently claimed disabilities covered by SoPs and determined at the primary level under the VEA**

<i>SoP title</i>	<i>No. of disabilities accepted using RMA SoPs</i>	<i>Acceptance rate (%)</i>	<i>No. of disabilities rejected using RMA SoPs</i>	<i>Disabilities accepted and rejected using RMA SoPs</i>
1. Osteoarthritis	1924	68	892	2 816
2. Sensori-Neural Hearing Loss	2 622	99	28	2 650
3. Tinnitus	1 987	96	73	2 060
4. Lumbar Spondylosis	1 463	80	356	1 819
5. Solar Keratosis	1 075	97	36	1 111
6. Non-Melanotic Malignant Neoplasm of the Skin	1 056	97	33	1 089
7. Ischaemic Heart Disease	675	65	366	1 041
8. Acquired Cataract	884	93	62	946
9. Post Traumatic Stress Disorder	706	80	176	882
10. Hypertension	257	31	575	832
11. Chronic Bronchitis and/or Emphysema	628	83	132	760
12. Alcohol Dependence or Alcohol Abuse	379	60	251	630
13. Depressive Disorders	332	56	256	588
14. Cerebrovascular Accident	360	76	111	471
15. Gastro-Oesophageal Reflux Disease	231	51	221	452
<b>Total</b>	<b>14 579</b>	<b>80</b>	<b>3 568</b>	<b>18 147</b>

**Table 13 Top 15 accepted disabilities covered by SoPs and determined at the primary level under the VEA**

	<i>SoP title</i>	<i>No. of disabilities accepted using RMA SoPs</i>	<i>Acceptance rate (%)</i>	<i>No. of disabilities rejected using RMA SoPs</i>	<i>Disabilities accepted and rejected using RMA SoPs</i>
1.	Sensori-Neural Hearing Loss	2 622	99	28	2 650
2.	Tinnitus	1 987	96	73	2 060
3.	Osteoarthritis	1 924	68	892	2 816
4.	Lumbar Spondylosis	1 463	80	356	1 819
5.	Solar Keratosis	1 075	97	36	1 111
6.	Non-Melanotic Malignant Neoplasm of the Skin	1 056	97	29	1 085
7.	Acquired Cataract	884	93	62	946
8.	Post Traumatic Stress Disorder	706	80	176	882
9.	Ischaemic Heart Disease	675	65	366	1 041
10.	Chronic Bronchitis and/or Emphysema	628	83	132	760
11.	Alcohol Dependence or Alcohol Abuse	379	60	251	630
12.	Cerebrovascular Accident	360	76	111	471
13.	Depressive Disorders	332	56	256	588
14.	Erectile Dysfunction	297	80	74	371
15.	Hypertension	257	31	575	832
	<b>Total</b>	<b>14 645</b>	<b>81</b>	<b>3 417</b>	<b>18 062</b>

## War widows/widowers pension claim outcomes

*Table 14 Acceptance rate for war widows/widowers pension claims*

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>Tas</i>	<i>Australia</i>
Number of primary level claims determined	1 294	892	774	415	318	114	3 807
Percentage of claims accepted	55	53	61	56	62	54	57

## Applications for increase

*Table 15 Percentage acceptance rate for applications for increase of disability pension rate*

<i>Year</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>Tas</i>	<i>Australia</i>
2005–06	54.5	57.1	57.5	57.1	54.3	58.5	56.3
2006–07	55.3	57.0	55.5	61.4	51.7	64.9	56.4
2007–08	53.8	55.7	58.7	60.2	54.0	53.8	56.3

## Output 1.3 Merit reviews under the VEA

### Objective

To undertake independent merit reviews by Veterans' Review Board of certain primary decisions made by delegates of the Repatriation Commission on claims for pension under the VEA and related legislation.

Information about merit reviews under the VEA is available in the annual report of the Veterans' Review Board, which is tabled separately.

## Output 1.4 Housing support

### Objective

To provide financial assistance through the Defence Service Homes (DSH) Scheme.

The Defence Service Homes Scheme provides benefits in recognition of the contribution of the men and women who have served Australia in either wartime or peacetime. These are available to eligible persons whose first Defence service began before 15 May 1985 and include housing loan interest subsidies and comprehensive home-owners' insurance cover at competitive rates.

Building insurance is available through the DSH Insurance Scheme to veterans (including their widows/widowers) with warlike or certain peacetime service as defined in the *Defence Service Homes Act 1918* and in the *Veterans' Entitlements Act 1986*. Insurance is also available to those who are assisted under the *Defence Force (Home Loans Assistance) Act 1990* (Defence HomeOwner Scheme). On 1 July 2008 responsibility for administering the Defence HomeOwner Scheme was transferred from Defence Housing Australia to the Department of Veterans' Affairs. DSH contents insurance, underwritten by QBE Insurance (Australia) Limited, is also available.

### Business activity

#### Defence Service Homes Insurance Scheme

An external review of the Defence Service Homes Insurance Scheme concluded that the scheme should continue to provide insurance benefits to veterans, but was clear that its business must adapt to the ongoing decline in policy holders. The department has begun to implement the review's recommendations, including the establishment of an Advisory Board. Most of the changes, however, will occur during 2008–09.

At 30 June 2008, the DSHIS held 82,993 building policies, a decline of 4.5 per cent on the 86,938 held last year. It had 39,574 under the arrangement with QBE Insurance (Australia) Limited, compared to 40,059 for 2006–07. More than 1400 veterans were assisted as a result of the large weather events in New South Wales and Queensland.

The operating result for the year was a loss of \$2.819 million compared to a profit of \$2.368 million in 2006–07. The loss was due mainly to an increase in claims due to extreme weather events. Despite the fall in the number of building insurance policies, income from premiums increased to \$24.533 million from \$24.430 million in 2006–07, reflecting rising building costs.

## FEATURE



### **DSHS supports storm clients**

When storms in the Hunter Valley damaged hundreds of homes staff in Defence Service Homes Insurance Scheme worked tirelessly to ensure clients received prompt support.

They arranged for clients' property damage to be assessed quickly and ensured remedial work was carried out as soon as possible. They processed around 700 claims for damages totalling up to \$5 million in the first weeks after the storms.

DSHI staffers Ray Millard and Michael Holden travelled to the affected area to visit elderly clients.

"We wanted to see they had help with alternative accommodation and other services and that they could cope with the clean-up and repair process," Mr Millard said.

Robert Hamon, a director in the Parliamentary and Communication group and a volunteer in the ACT State Emergency Services, also travelled to Newcastle to assist in the big clean up.

### **Veterans' Home Maintenance Line and HomeFront**

The Veterans' Home Maintenance Line and HomeFront programs aim to assist members of the veteran community to remain living independently in their own homes for as long as possible.

The Veterans' Home Maintenance Line is a toll-free telephone service that provides property maintenance advice and referrals to reputable tradespeople.

HomeFront aims to prevent falls and accidents in and around the home with an annual home assessment and a subsidy for aids and minor home modifications. Gold and White Card holders are eligible for the indexed subsidy (\$196 in 2007) and may have their homes assessed each year for potential danger points. HomeFront assessors will also identify home or community support services to assist veterans and war widows remain in their homes.

Expenditure for the Veterans' Home Maintenance Line and HomeFront programs was \$300,000 and \$4.2 million respectively. During the year 9305 members of the veteran community used the Veterans' Home Maintenance Line service compared with 7346 in the previous year, an increase of 27 per cent. The number of veterans and war widows and widowers using HomeFront increased 36 per cent from 10,158 in 2006–07 to 13,778 in 2007–08.

## Performance information for Output 1.4—Housing support

Table 16 Performance information for Output 1.4

Measure	Portfolio Budget Statements	Portfolio Additional Estimates Statements	Outcome
<b>Quantity</b> (number of housing loans)	32 450	28 000	28 900
<b>Price</b> (cost per loan)	\$62	\$71	\$89
<b>Timeliness</b> (percentage of certificates of entitlements issued within 21 days)	95%	95%	97%
<b>Quality</b> (critical error rate)	Less than 5%	Less than 5%	Less than 5%

### Defence Service Homes Insurance Scheme

DSHIS aims to settle 80 per cent of claims within three months and 95 per cent within six months. The scheme fell just short of its processing targets this year with returns of 75 per cent and 91 per cent respectively. This was caused by a shortage of tradespeople to repair properties damaged by large weather events in New South Wales and Queensland.

DSHIS undertakes regular surveys of settled claims for quality assurance and fraud control purposes, reviewing about 1200 claims in 2007–08. DSHIS maintained its high service standards, with its client feedback and retention survey indicating that 98 per cent of clients surveyed were satisfied with the way in which their claim had been handled.

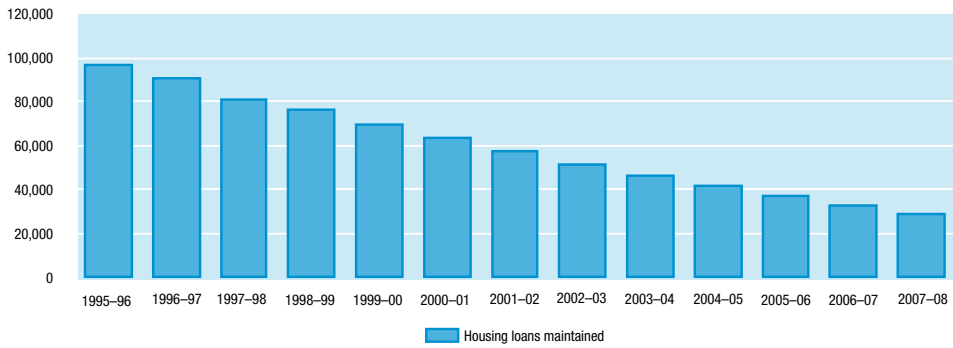
### Defence Service Homes loans

Expenditure on the interest subsidy expense was \$6.305 million, slightly more than the budgeted amount of \$6.235 million, due to increases in the benchmark interest rate during the year in line with the general increase in interest rates.

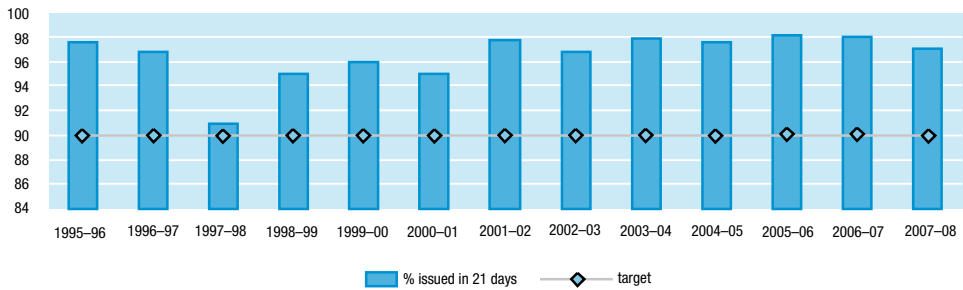
The number of DSH loan accounts fell to 28,900, a decrease of 11.9 per cent on the previous year. This was anticipated due to an ongoing declining client base as long-term loans are paid out faster than the take up rate, although the reduction did slow towards the end of the year.

During the year 1319 people applied for Certificates of Entitlement to obtain DSH interest-subsidised loans, a 12 per cent decrease on last year. Some 1148 certificates were issued, of which 90 were for additional advances which provide loans for home repairs and maintenance to existing borrowers who have not borrowed the maximum loan amount. Home Support Loans for any housing-related purposes that encourage independent living accounted for 198 and the remainder were for other forms of assistance offered including essential repairs and instalment relief.

**Figure 12 Number of housing loans maintained as at 30 June 2008**



**Figure 13 Percentage of Certificates of Entitlement issued within 21 days**



## Output 1.5 Incapacity and impairment payments under the SRCA

### Objective

To provide incapacity payments, non-economic loss lump sums for injuries resulting in permanent impairment and payments to dependants of deceased employees under the *Safety, Rehabilitation and Compensation Act 1988*.

The department provides compensation payments to ADF members and former members under the SRCA for injuries resulting in incapacity for work and permanent impairment and to dependants of seriously injured or deceased members.

### Business activity

#### Initial liability claims

Claims for injuries to ADF personnel since 1 July 2004 are covered by MRCA, and therefore any new SRCA claim will necessarily lengthen the average time from date of injury to date of claim. The ADF has dedicated more resources to rehabilitation which may help to reduce the lag between injury and claim but the greatest impact of this will be seen in claims under the MRCA.

#### New claims received

In 2007–08 new claims for initial liability increased by 6 per cent. While the number of new claims under SRCA will continue to decline, the rate of decrease is not as great as originally projected. This pattern of decline should hold for several more years before levelling out.

*Table 17 SRCA activity*

	2005–06	2006–07	2007–08
New initial liability claims received	3 492	3 130	3 327
Number of incapacity payees (including dependent children)	3 241	2 982	2 749
New permanent impairment claims received	3 827	3 571	3 326
New rehabilitation referrals received	894	659	530
Total accounts paid (including medical, household services and attendant care)	110 273	107 782	100 769
New reconsideration requests received	1 271	1 101	869
New applications made to AAT	343	279	190

## Performance information for Output 1.5—Incapacity and impairment payments under SRCA

*Table 18 Performance information for Output 1.5*

<i>Measure</i>	<i>Portfolio Budget Statement</i>	<i>Portfolio Additional Estimates Statement</i>	<i>Outcome</i>
<b>Quantity</b> (total number of incapacity payees, lump sum payments and payments to dependants)	4 100	3 925	4 338
<b>Price</b> (per payee)	\$2 406	\$2 502	\$1 796
<b>Quality</b> (critical error rate)	Less than 5%	Less than 5%	23.8%

As a result of an external consultant's extensive review of the Military Rehabilitation and Compensation Group's (MRCG) internal controls and quality assurance (QA), a new and more vigorous QA program was introduced in September 2007. The program is designed in accordance with the objectives of the DVA Quality Policy and QA Framework with systemic and tactical priorities to ensure improvement in the overall quality of MRCG business outcomes, while Quality Assurance will be a focus throughout 2008–09.

### **Measure: Mean time taken to process initial liability claims**

The time taken to process liability claims decreased significantly over the year due to the completion of the F111 Deseal/Reseal project (which had increased the time taken by 53 days) and a strategy to identify and process some very old and complex claims. Additionally, the increased age of SRCA means there are fewer claims able to be processed with little or no investigation required, such as claims for soft tissue injuries, with clearly documented medical records, causing a loss of allowances. Importantly, the age of the cases on hand now is considerably lower than it has been since the introduction of the MRCA, which should result in the time taken to process initial liability claims being within target by the end of 2008–09.

*Table 19 Mean time taken to process initial liability claims*

	<i>2005–06</i>	<i>2006–07</i>	<i>2007–08</i>
Average processing time	181 days	234 days	158 days

**Table 20 Initial liability SRCA claims on hand by age**

Age	30 June 2006	Percentage of total	30 June 2007	Percentage of total	30 June 2008	Percentage of total
≤ 4 months	671	44	755	60	868	68
4–6 months	218	15	209	17	185	14
6–12 months	335	22	232	19	213	17
>12 months	286	19	46	4	8	1
<b>Total</b>	<b>1510</b>	<b>100</b>	<b>1242</b>	<b>100</b>	<b>1274</b>	<b>100</b>

**Measure: Time taken to process new permanent impairment claims**

Although still within target, the time taken to process permanent impairment claims continued to increase, due partly to the increasing complexity of such claims and the interplay with clients eligible under VEA and MRCA and also to the effect of the Full Federal Court judgement in the case of *Comcare v Canute* [2005] (*Canute*) on the processing of such claims.

**Table 21 Time taken to process new permanent impairment claims**

	2005–06	2006–07	2007–08
New permanent impairment timeliness	92 days	113 days	119 days

## Output 1.6 Merit reviews under the SRCA

### Objective

To administer Individual Merit Reviews of decisions under SRCA and related legislation.

### Business activity

A client may ask for a reconsideration of a reviewable decision by an officer not involved in the original decision.

Where the client is not satisfied with a reconsideration decision, the Administrative Appeals Tribunal is the next avenue of review.

## Performance information for Output 1.6 Merit reviews of decisions under the SRCA

Table 22 Performance information for Output 1.6

Measure	Portfolio Budget Statement	Portfolio Additional Estimates Statement	Outcome
Quantity (total number of applications)	950	820	869
Price (per application)	\$2 874	\$3 313	\$1 106
Quality (critical error rate)	Less than 5%	Less than 5%	1.3%

The number of requests for reconsideration under the SRCA continues to decline. Most were for benefits such as permanent impairment or incapacity payments rather than initial liability.

Table 23 Results of reconsiderations and appeals

Result	2005–06	2006–07	2007–08
Requests for reconsideration received	1 271	1 101	811
Requests for reconsideration decided	1 328	1 141	350
Decisions affirmed at reconsideration	1 046	869	253
Applications to the AAT	343	279	205
AAT applications decided	335	278	238
Decisions affirmed by the AAT	160	170	128

## Output 1.7 Incapacity and impairment payments under the MRCA

### Objective

To provide incapacity payments, non-economic loss lump sums for injuries resulting in permanent impairment and payments to dependants of deceased employees through the MRCA and related legislation.

### Business activity

There was a significant increase in MRCA incapacity payees. The majority, however, were not longterm cases as they involved permanent forces members claiming for lost allowances due to early return from overseas deployment or due to changes in posting as a result of service injury or disease.

During the year DVA simplified payment of MRCA household services, attendant care, medical and other accounts, streamlining account payment process for MRCA clients without treatment cards.

*Table 24 MRCA activity*

	2005–06	2006–07	2007–08
New initial liability claims received	1 516	2 113	2 450
Number of incapacity payees	256	405	731
New permanent impairment claims received	146	906	1 481
New rehabilitation referrals received	59	272	345
Total accounts paid (including medical, household services and attendant care)	N/A	12 534	9 179
New reconsideration requests received	57	185	248
New applications made to AAT	1	2	73

*Table 25 Top 15 most frequently claimed conditions covered by SoPs and determined at the initial liability level under the MRCA*

SoP title	No. of disabilities accepted using RMA SoPs	Acceptance rate (%)	No. of disabilities rejected using RMA SoPs	Disabilities accepted and rejected using RMA SoPs
1. Acute sprain and acute strain	568	89	68	636
2. Fracture	303	89	39	342
3. Internal derangement of the knee	195	78	56	251
4. Osteoarthritis	126	69	57	183
5. Lumbar Spondylosis	140	77	43	183
6. Chondromalacia Patellae	105	59	73	178
7. Intervertebral disc prolapse	150	85	27	177
8. Sensorineural hearing loss	100	61	65	165

	<i>SoP title</i>	<i>No. of disabilities accepted using RMA SoPs</i>	<i>Acceptance rate (%)</i>	<i>No. of disabilities rejected using RMA SoPs</i>	<i>Disabilities accepted and rejected using RMA SoPs</i>
9.	Tinnitus	112	84	22	134
10.	Rotator cuff Syndrome	114	88	15	129
11.	Dislocation	104	89	13	117
12.	Depressive Disorder	74	64	41	115
13.	Shin splints	105	94	7	112
14.	Physical Injury due to Munitions Discharge, Cut, Stab, Abrasion and Laceration	74	77	22	96
15.	Posttraumatic Stress Disorder	56	77	17	73
	<b>Total</b>	<b>2326</b>		<b>565</b>	<b>2891</b>

*Table 26 Top 15 accepted conditions covered by SoPs and determined at the primary level under the MRCA*

	<i>SoP title</i>	<i>No. of disabilities accepted using RMA SoPs</i>	<i>Acceptance rate (%)</i>	<i>No. of disabilities rejected using RMA SoPs</i>	<i>Disabilities accepted and rejected using RMA SoPs</i>
1.	Acute sprain and acute strain	568	89	68	636
2.	Fracture	303	89	39	342
3.	Internal derangement of the knee	195	78	56	251
4.	Intervertebral disc prolapse	150	85	27	177
5.	Lumbar Spondylosis	140	77	43	183
6.	Osteoarthritis	126	69	57	183
7.	Rotator cuff Syndrome	114	88	15	129
8.	Tinnitus	112	84	22	134
9.	Chondromalacia Patellae	105	59	73	178
10.	Shin splints	105	94	7	112
11.	Dislocation	104	89	13	117
12.	Sensorineural hearing loss	100	61	65	165
13.	Depressive Disorder	74	64	41	115
14.	Physical Injury due to Munitions Discharge, Cut, Stab, Abrasion and Laceration	74	77	22	96
15.	Posttraumatic Stress Disorder	56	77	17	73

## Performance information for Output 1.7—Incapacity and impairment payments under MRCA

*Table 27 Performance information for Output 1.7*

Measure	Portfolio Budget Statement	Portfolio Additional Estimates Statement	Outcome
Quantity (total number of lump sums and incapacity payees)	440	800	1 009
Price (per payee)	\$2 159	\$1 454	\$4 964
Quality (critical error rate)	Less than 5%	Less than 5%	13.1%

### Measure: Mean time taken to process initial liability claims

A concerted effort to reduce the number of older cases caused a significant decrease in the number of very old cases still on hand, such that the completion rate of new claims was greatly improved. It is expected that in the coming year the time taken to process new claims will be within target.

*Table 28 Time taken to process initial liability claims*

	2005–06	2006–07	2007–08
Time taken to process claims	146 Days	188 days	153 days

*Table 29 Initial liability MRCA claims on hand by age*

Age	30 June 2006	Percentage of total	30 June 2007	Percentage of total	30 June 2008	Percentage of total
≤ 4 months	428	48	527	51	617	64
4–6 months	161	18	164	16	146	15
6–12 months	272	30	296	28	174	18
>12 months	32	4	52	5	25	3
Total	893	100	1039	100	962	100

### Measure: Time taken to process new permanent impairment claims

During the year, the number of new permanent impairment compensation claims increased by more than 60 per cent. They were assessed in several locations, by relatively inexperienced delegates, causing an increase in time taken to process. Next year, this work will be done in only two sites.

*Table 30 Time taken to process new permanent impairment claims*

	2005–06	2006–07	2007–08
Time taken to process claims	130 days	103 days	130 days

## Output 1.8 Merit reviews under the MRCA

### Objective

To administer Individual Merit Reviews of decisions made under the MRCA and related legislation.

The MRCA provides two paths for review of certain determinations. The claimant may request a review by another delegate of the MRCC (reconsideration) or that the VRB review the determination.

When requested, the department undertakes reviews of primary decisions made under the MRCA. These reviews are undertaken by a delegate of the MRCC who was not involved in the initial decision-making process.

Where a review by the VRB is requested, it is carried out by the Board. Information about merit reviews through the VRB is contained in its annual report, which is tabled separately.

### Business activity

While the clearance rate of Administrative Appeals Tribunal (AAT) cases remained low, the output numbers were primarily determined by the overall AAT workload throughout the jurisdiction and were therefore not within DVA's control. The number of cases set aside at hearing remained low.

## Performance information for Output 1.8—Merit reviews under the MRCA

*Table 31 Performance information for Output 1.8*

Measure	Portfolio Budget Statement	Portfolio Additional Estimates Statement	Outcome
Quantity (total number of applications)	250	280	248
Price (per application)	\$1 680	\$1 493	\$1 528
Quality (critical error rate)	Less than 5%	Less than 5%	NIL

*Table 32 Results of reconsiderations and appeals*

Result	2005–06	2006–07	2007–08
Requests for reconsideration received	57	185	370
Requests for reconsideration decided	31	155	307
Decisions affirmed at reconsideration	22	113	205
Applications to the AAT	1	2	34
AAT applications decided	0	2	24
Decisions affirmed by the AAT	0	2	16
Applications to the VRB	N/A	N/A	89
VRB applications decided	N/A	N/A	36
Decisions affirmed by the VRB	N/A	N/A	20