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VETERANS AFFAIRS CANADA

# Evaluation of the Income Replacement Benefit and Rehabilitation Services

## Final Report

April 2024

V32-462/2025E-PDF  
978-0-660-73989-2



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## Executive summary

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### Program profile

#### Rehabilitation Program

Veterans Affairs Canada (VAC) defines rehabilitation as a process to restore a client's physical, psychological, social and vocational abilities to an optimal level that will result in a Veteran's ability to integrate and actively participate in their community.<sup>1</sup> It is intended to be an intense, time limited intervention as close to the injury or onset of symptoms as possible. The outcome of rehabilitation is an improvement, as opposed to the outcome of treatment which centers on stabilization.

The intent of the Rehabilitation Program is to focus on the reasonable restoration of functioning for eligible recipients in five major areas:

- mental and physical functioning;
- social adjustment;
- family relationships;
- financial security, employment, and personal productivity; and
- community participation.

VAC does not directly provide rehabilitation services to Veterans. VAC covers the cost for Veterans to receive medical or psycho-social rehabilitation from professional service providers in an inpatient or outpatient setting. Since program inception in 2006, vocational rehabilitation services have been provided to Veterans through a national service provider<sup>2</sup> contract.

In June 2021, VAC announced a new national contractor to deliver rehabilitation services to Veterans. The new contractor, Partners in Canadian Veterans Rehabilitation Services (PCVRS), began providing medical, psycho-social, and vocational assistance services to Veterans and their families in November 2022.<sup>3</sup>

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<sup>1</sup> [Definitions for VAC Rehabilitation and Vocational Services and Related Compensation Benefits](#)

<sup>2</sup> Several companies have provided vocational rehabilitation on VAC's behalf since 2006 including Canadian Veterans Vocational Rehabilitation Services (CVVRS), CanVet and, as of November 2022, Partners In Canadian Veterans Rehabilitation Services (PCVRS).

<sup>3</sup> The transition to PCVRS began to be phased in starting in November 2022. Clients accessing vocational rehabilitation and all new clients were introduced to the model first, while other groups of Veterans continue to be added.

## Income Replacement Benefit

The Income Replacement Benefit (IRB) was introduced on April 1, 2019, when VAC's programs were redesigned under the [Veterans Well-being Act](#) and VAC's Pension for Life initiative. The IRB incorporates elements of several former programs including the Earnings Loss Benefit, the Retirement Income Security Benefit, the Supplementary Retirement Benefit, the Career Impact Allowance, and the Career Impact Allowance Supplement. The intent of the IRB is to:

...recognize and compensate veterans, and in some cases, survivors and orphans, for the economic impacts that health problem(s) resulting primarily from service have on a veteran's ability to earn income and save for retirement. The objective is to provide the veteran with replacement income to relieve financial pressures and allow for the veteran to successfully complete rehabilitation and return to work.<sup>4</sup>

The IRB is a taxable monthly benefit designed to provide income support to Veterans who are experiencing barriers to re-establishment in post-service life due to a health problem resulting primarily from service. It is payable at 90% of the Veteran's pre-release income while they are engaged in the Rehabilitation Program, or until the age of 65 if it is determined through a diminished earnings capacity (DEC) assessment that they cannot be gainfully employed.<sup>5 6</sup> An additional annual 1% Career Progression Factor may be added to the calculation of the IRB for Veterans who meet DEC criteria to recognize their loss of career progression.<sup>7</sup> Post-age 65, Veterans who have been found to have a DEC will continue to receive an IRB payment for life reduced to 70% of the pre-age 65 monthly amount.<sup>8</sup>

The IRB allows Veterans to earn up to \$20,000 a year in employment or self-employment income without offset (deduction) to their IRB. Any employment or self-employment income above the \$20,000 is offset dollar-for-dollar from their IRB.

Survivors and/or orphans may also be eligible for the IRB if they meet the eligibility criteria.

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<sup>4</sup> Canada Gazette Part II, Vol. 152, No. 18, pg. 3194. September 5, 2018, SOR/DORS /2018-1772018-09-05 [PFL RIAS]

<sup>5</sup> The ability to be gainfully employed is defined as having the ability to earn 66 2/3% of pre-release income.

<sup>6</sup> The DEC decision must be made before the Veterans reaches age 65.

<sup>7</sup> The 1% career progression factor is added annually until the Veteran reaches what would have been 20 years of military service or age 60, whichever comes first.

<sup>8</sup> The 70% IRB rate post-age 65 is consistent with the top pension rate under the *Canadian Forces Superannuation Act*, and the *Public Service Superannuation Act*.

## Evaluation purpose and background

The evaluation was conducted from September 2022 to September 2023 and covered the period from April 1, 2019 to September 1, 2022 (though more current information and statistics are presented in this report when possible). The evaluation was conducted in accordance with VAC's 2022-23 to 2026-27 Departmental Evaluation Plan, which was developed to align with Treasury Board of Canada Secretariat's (TBS's) [Policy on Results](#).

The Rehabilitation Program and the IRB were evaluated together as the two are closely linked. The evaluation focused on program intent, performance, relevance, effectiveness, and economy.

## Evaluation findings

The evaluation finds there is a continued need and ongoing demand for the VAC Rehabilitation Program. However, there are Veterans that are being admitted to the program without a barrier to re-establishment or with conditions that cannot be improved through rehabilitation.

Both the Rehabilitation Program and the IRB align with the Government of Canada priorities and departmental roles and responsibilities. There is some overlap with benefits (vocational services) Veterans receive through the Canadian Armed Forces Long Term Disability Program, and in particular, the Canadian Armed Forces Vocational Rehabilitation Program.

In the 2022 National Client Satisfaction Survey, Veterans reported they were satisfied with the rehabilitation and vocational services they receive from VAC. Despite that, data shows that less than half of Veterans' established goals are being met and that few Veterans report a positive change in their barriers to re-establishment. The data also reveals that few Veterans progress through the Rehabilitation Program and successfully complete the vocational component. A combination of Veterans' severe disability, prolonged periods between injury and rehabilitation, and high IRB payments pose barriers to a successful program completion.

There is a need for some form of income replacement for Veterans participating in the Rehabilitation Program. Financial security is an important aspect in successfully transitioning from military to civilian life. VAC's IRB is easily accessible and effective at ensuring Veterans have an annual income in excess of the median income for single Canadians under the age of 65.

Currently, when it is determined that a Veteran does not have the capacity to earn 66 2/3% of their pre-release income, they are said to have diminished earning capacity and will receive IRB benefits for life. The effectiveness of this calculation is impacted by military salaries being higher than civilian salaries. Further research and data collection

is required to determine if alternative methods for measuring earnings capacity are a better fit for VAC's rehabilitation and income support model.

The Career Progression factor (CPF) is working as designed and can provide significant financial benefit over a Veteran's lifetime. The effectiveness of the CPF as a recognition benefit can be viewed differently by Veterans based on their individual circumstances.

The \$20,000 IRB income exemption has had little impact on Veteran engagement in the workforce. However, it has provided Veterans who work with increased net income, especially for those that meet DEC criteria. Analysis shows that Veterans who receive IRB and work, report higher earnings than Veterans under the previous Earnings Loss benefit.

Rehabilitation Program and IRB expenditures are rising and will continue to rise into the foreseeable future. The length of time Veterans are spending in rehabilitation and high DEC rates are driving expenditures. IRB is now a \$1 billion program and will soon be the largest VAC program by expenditure.

The design of the IRB leads to some Veterans receiving more benefits than others based on how their military pension is paid out. Veterans receiving a military pension as a stream of payments have their pension earnings deducted (offset) from their IRB payment while Veterans who have the option to receive their pension in a lump sum and choose to do so have no offset against future IRB. This may present an inequity.

The evaluation team makes the following recommendations based on the findings from the evaluation:

### **Recommendation #1a**

That the Director General Policy and Research develop options for consideration and approval as required which will ensure Veterans entering the Rehabilitation Program have a requirement for rehabilitation interventions to overcome a barrier to participating in civilian life. This could include assessing Veterans before program eligibility is granted to determine rehabilitation need and whether barriers to transitioning to civilian life exist; and if the barrier could reasonably be expected to be addressed through active participation in the program.

### **Recommendation #1b**

That the Director General Policy and Research develop policy options for consideration and approval as required to ensure the financial security of Veterans whose service-related health problems would prohibit return to work in any capacity and where rehabilitation is not a suitable intervention for the Veteran.

## **Recommendation #2**

That the Director General, Service Delivery and Program Management, in collaboration with the Director General, Field Operations, review the recent increase in Category 5 DEC referrals and address as appropriate.

## **Recommendation #3**

That the Director General Policy and Research develop evidence-based options for consideration and approval where necessary to more accurately assess Veteran earning capacity upon completion of the Rehabilitation Program. In doing so, the Director General should consider:

- alternative measures for determining Veteran earning capacity, the effectiveness of earning capacity assessments in other Canadian income replacement programs and the effectiveness of how Veteran earning capacity is measured in other allied countries;
- the potential impact that military salaries may have on a Veteran's ability to meet the current 66 2/3% threshold of suitable gainful employment within the civilian workforce;
- working with other branches to identify and collect information on Veteran earning capacity to determine how close Veterans are currently coming to meeting the 66 2/3% threshold of suitable gainful employment within the civilian workforce;
- exploring options for incentivizing workforce participation and;
- whether the current single earnings capacity threshold is the most appropriate way to determine eligibility for long term income replacement or whether differences between military and civilian salaries and the Veteran's residual earnings capacity should also be considered.

## **Recommendation #4a**

It is recommended that the Director General, Policy and Research determine the full extent to which IRB recipients receive Canadian Armed Forces Superannuation benefits in the form of lump sum transfer values.

## **Recommendation #4b**

That the Director General Policy and Research develop policy options for consideration and approval as required to ensure military superannuation benefits are fairly, consistently, and equitably offset from IRB payments.

## 1.0 Introduction

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Veterans Affairs Canada's (VAC's) mandate is to support the well-being of Veterans and their families, and to promote recognition and remembrance of the achievements and sacrifices of those who served Canada in times of war, military conflict, and peace.

In 2006, under the *Canadian Force Member and Veteran Re-establishment and Compensation Act* (CFMVRCA), VAC launched a suite of programs designed to assist modern day Veterans<sup>9</sup>. This legislation was commonly known as the New Veterans Charter (NVC). The newly designed programs were intended to provide both economic and non-economic assistance to Veterans to compensate for the impact of career ending illness or injury and to help Veterans overcome barriers to re-establishment into post-service life. The NVC model was intended to modernize VAC's programming with a focus on return to wellness rather than disability as was the case in previous legislation (the *Pension Act*). The name of the legislation was subsequently changed in 2018 to the *Veteran Well-being Act* (VWA).

Rehabilitation Services (hereafter referred to as the Rehabilitation Program) were launched as part of the non-economic assistance provided to modern-day Veterans under the NVC. The services include medical, psycho-social, and vocational aid to help Veterans transition to civilian life. A complementary program, the Earnings Loss Benefit, was launched as part of the NVC to recognize the economic impact a career-ending or service-related disability may have on a Veteran's ability to earn income following release from the military. This program eventually evolved into what is known today as the Income Replacement Benefit.

### 1.1 Overview of the Rehabilitation Program

VAC defines rehabilitation as a process to restore a client's physical, psychological, social and vocational abilities to an optimal level that will result in a Veteran's ability to integrate and actively participate in their community.<sup>10</sup> It is intended to be a time limited intervention as close to the injury or onset of symptoms as possible. The outcome of rehabilitation is an improvement, as opposed to the outcome of treatment which focuses on stabilization.

The intent of the Rehabilitation Program, as laid out in the 2006 Regulatory Impact Analysis Statement (RIAS)<sup>11</sup>, is to focus on the reasonable restoration of functioning for eligible recipients in five major areas:

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<sup>9</sup> War service Veterans include Veterans with service in World War I, World War II and Korea. Modern day Veterans include Veterans who served in the Canadian military post Korea (1954).

<sup>10</sup> [Definitions for VAC Rehabilitation and Vocational Services and Related Compensation Benefits](#)

<sup>11</sup> Canada Gazette Part II Ottawa, Wednesday, April 5, 2006 Statutory Instruments 2006 SOR/2006-49 to 54 and SI/2006-52 to 55 Pages 166 to 249

- mental and physical functioning;
- social adjustment;
- family relationships;
- financial security, employment, and personal productivity; and
- community participation.

The RIAS states the policy objective as the improvement of Veterans' physical and/or psychological functioning, employability, and quality of life.

Four main applicant groups are eligible for VAC rehabilitation and vocational assistance services:

1. Veterans with a mental or physical health problem resulting primarily from service in the Canadian Armed Forces (CAF) that is creating a barrier to re-establishment<sup>12</sup> (rehabilitation need) in post-service life;
2. Veterans released on medical grounds (release category 3(a) or 3(b)) with a mental or physical health problem not resulting primarily from service in the CAF.<sup>13</sup>
3. Spouses or common-law partners of Veterans who will benefit from vocational assistance services due to the Veteran meeting Diminished Earnings Capacity criteria (i.e., it has been determined that the Veteran does not have the capacity to earn 66 2/3% of their pre-release imputed income); and
4. Survivors of members or Veterans who died on or after April 1, 2006, because of a service-related injury or disease, or a non-service-related injury or disease that was aggravated by service. The determination of a member or Veteran's death being attributable to service must be documented in a VAC disability benefits entitlement decision.

Veterans that are approved for the Rehabilitation Program are assigned a case manager who will work with them (and their family) to identify goals and to develop a rehabilitation plan. In addition to goals, the plan will identify:

- the services and benefits needed to reach those goals;
- the service providers that will be needed to achieve the goals; and
- timeframes for successful completion of rehabilitation.

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<sup>12</sup> A "barrier to re-establishment in post-service life" means the presence of a temporary or permanent physical or mental health problem that limits or prevents an individual's reasonable performance of their roles in the workplace, home, or community.

<sup>13</sup> This group was eligible for rehabilitation services at the time the evaluation was conducted. VAC no longer has the authority to render decisions for this group as of April 1, 2024.

It should be noted that VAC does not directly provide rehabilitation services to Veterans. VAC covers the cost for Veterans to receive medical or psycho-social rehabilitation from professional service providers in an inpatient or outpatient setting. Since program inception in 2006, vocational rehabilitation services have been provided to Veterans through a contract VAC has with a national service provider<sup>14</sup>.

In June 2021, VAC announced a new national contractor to deliver rehabilitation services to Veterans. Under the new contract awarded to Partners in Canadian Veterans Rehabilitation Services (PCVRS), the national contractor will now be responsible for providing all types of rehabilitation. The contractor began providing medical, psycho-social, and vocational assistance services to Veterans and their families in November 2022.<sup>15</sup> VAC case managers work collaboratively with the contractor's rehabilitation service specialists to coordinate, oversee, and follow-up with Veterans' rehabilitation services. For more information on the types of services provided through VAC's Rehabilitation Program, see Appendix A: *Services provided through VAC's Rehabilitation Program*.

Veterans medically releasing from the military also have access to the Canadian Armed Forces Vocational Rehabilitation Program (CAF VRP) and the Canadian Armed Forces Long Term Disability (CAF LTD) benefit. These benefits are provided under the Service Income Security Insurance Plan (SISIP), a group insurance plan for CAF members backed by Manulife Financial Corporation. Depending on the situation, Veterans may receive benefits through SISIP and VAC at the same time. The interaction between SISIP programs and VAC's Rehabilitation Program and the Income Replacement Benefit (IRB) is discussed in Section 3.3.3: *Duplication and overlap with other Government of Canada programs*.

### Overview of the Rehabilitation Program application submission and assessment process

Veterans can apply for the Rehabilitation Program through VAC's online platform, My VAC Account (MVA), or by completing an application form and mailing it to VAC. The applicant is required to submit documentation to demonstrate how they meet the program eligibility criteria. The decision maker (a case manager) will use any existing information on file provided by the Veteran or as part of another application for a VAC benefit or service to support the application where applicable. CAF members may apply to the program prior to military release and have their application approved, however,

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<sup>14</sup> Several companies have provided vocational rehabilitation on VAC's behalf since 2006 including Canadian Veterans Vocational Rehabilitation Services (CVVRS), CanVet and, as of November 2022, Partners in Canadian Veterans Rehabilitation Services (PCVRS).

<sup>15</sup> The transition to PCVRS began to be phased in starting in November 2022. Clients accessing vocational rehabilitation and all new clients were introduced to the model first, while other groups of Veterans continue to be added.

VAC does not have the authority to assess Veterans for rehabilitation needs until after they release.

The department's posted turn-around time for making a rehabilitation eligibility decision is 14 days from the point all information is submitted. Eligibility decisions must be rendered and recorded in respect of all health problems for which the Veteran has applied to the program. VAC has the authority to consider a waiver<sup>16</sup> of application where appropriate.

For each health problem determined eligible for the Rehabilitation Program under Section 8 of the [Veterans Well-being Act](#), the associated barriers to re-establishment must be self-identified by the applicant. These must be clearly noted and documented, and an explanation be provided of how the health problem is preventing or limiting the Veteran's ability to perform their role(s) at home, at work, or in their community. During the decision making process, the decision maker uses the Veteran's statements, along with the supporting medical evidence provided with the application or on file, to confirm that the barriers exist.

Once eligibility for the program has been determined, an assessment(s) is performed to verify/determine the extent of the barrier(s) the Veteran is self-reporting. Participants are required to provide any necessary medical information relating to the rehabilitation need and information relating to employment, skills, education, experience, and training. Pending the results of the assessment, one of several things may happen:

- if the initial assessment shows a barrier(s) to re-establishment and that a Veteran has the potential for improvement, then a plan can be developed and the proper medical treatments, interventions, or training can be put in place;
- if the initial assessment shows a barrier(s) to re-establishment, but medical treatments or interventions are unlikely to resolve the barrier(s) or there is no chance for improvement, the Veteran's capacity to work will be assessed, and a determination will be made as to whether the Veteran has a diminished earning capacity (DEC). Those that meet the DEC criteria may receive Income Replacement Benefits for life if they continue to meet IRB program requirements (see Section 4.1.1 *Barriers to successful rehabilitation* for more information on the DEC process); or
- if the initial assessment does not reveal a barrier to re-establishment, then a plan will not be developed, and the Veteran will exit the Rehabilitation Program<sup>17</sup>.

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<sup>16</sup> A waiver is a dated and documented record of agreement (made orally or in writing) between a person and Veterans Affairs Canada which indicates that the person is not required to submit an application for a specified benefit or service. VAC has yet to operationalize this option.

<sup>17</sup> A Veteran may subsequently re-apply for the Rehabilitation Program with a new medical condition.

Spouses of Veterans that meet DEC criteria or survivors of Veterans who die because of their service-related injuries may apply for vocational assistance services and will be similarly assessed to determine their vocational needs.

While engaged in a rehabilitation or vocational assistance plan, the Veteran or spouse/survivor must actively participate, or the plan may be suspended or cancelled. Similarly, a plan may be cancelled if the participant knowingly provides false information or does not participate in such a way as to meet the goals of the plan.

After a Veteran completes all the medical, psycho/social, and/or vocational components of their rehabilitation plan, an assessment of the Veteran's earnings capacity is performed and a DEC decision is made.<sup>18</sup> If a Veteran completes rehabilitation and it is determined they have the capacity to be suitably and gainfully employed<sup>19</sup>, the Veteran's rehabilitation plan will be closed, Income Replacement Benefits will end, and the Veteran can begin searching for civilian employment. The Veteran may be eligible for other VAC supports while they search for employment.<sup>20</sup> If it is determined that a Veteran will never be suitably or gainfully employed, and the Veteran has met DEC criteria, the rehabilitation plan will be closed, and the Veteran may receive IRB for life if IRB program requirements continue to be met<sup>21</sup>.

## 1.2 Overview of the Income Replacement Benefit

The Income Replacement Benefit (IRB) was preceded by the Earnings Loss Benefit (ELB) which came into effect in 2006 with the NVC suite of programs. The policy objective of the ELB was to "relieve financial pressures upon those who are participating in a rehabilitation or vocational assistance plan, in order to increase the chances for success."<sup>22</sup> The Earnings Loss Benefit provided Veterans with 75% of their pre-release imputed income while they were actively engaged in VAC rehabilitation, or until age 65 if it was determined that the Veteran could not reasonably be expected to return to gainful employment due to injury/illness. In 2016, the benefit was increased to 90% of a Veteran's pre-release income: program applications doubled within 12 months from 2,848 in 2015-16 to 5,600 in 2016-17.

On April 1, 2019, VAC programs were once again redesigned under the [Veterans Well-being Act](#) and VAC's Pension for Life initiative. Several VAC financial benefits were

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<sup>18</sup> The DEC decision must be made before the Veteran reaches age 65.

<sup>19</sup> [Veterans Well-being Regulations](#), Section 6 (2). Suitably and gainfully employed refers to any job a veteran can perform that is appropriate given the nature of the Veterans injuries and which pays at least 66<sup>23</sup> of the Veterans pre-release income.

<sup>20</sup> Other VAC supports could include services such as case management or guided support, or programs such as the Canadian Forces Income Supplement (CFIS). The CFIS is a tax-free monthly benefit that low-income CAF Veterans who no longer qualify for the Income Replacement Benefit after participating in the Rehabilitation Program.

<sup>21</sup> In cases where a Veteran is determined to have a DEC, VAC may request the Veteran to undergo future examinations or assessments to determine if they continue to meet DEC criteria. In practice, this authority has rarely, if ever, been exercised.

<sup>22</sup> Canada Gazette Part II, Vol. 140, No. 7, pg. 211. April 5, 2006. SOR/DORS/2006-50 [NVC RIAS]

repealed, including the Earnings Loss Benefit, and a new Income Replacement Benefit (IRB) was introduced.<sup>23</sup> (See Appendix B: *Consolidation of financial benefit programs* for more information on the repealed programs). The IRB is intended to:

...recognize and compensate veterans, and in some cases, survivors and orphans, for the economic impacts that health problem(s) resulting primarily from service have on a veteran's ability to earn income and save for retirement. The objective is to provide the veteran with replacement income to relieve financial pressures and allow for the veteran to successfully complete rehabilitation and return to work.<sup>24</sup>

The IRB came into effect on April 1, 2019. The taxable monthly benefit is designed to provide income replacement to Veterans who are experiencing barriers to re-establishment in post-service life due to a health problem resulting primarily from service. To become entitled to the IRB, a Veteran must apply for both the IRB and the rehabilitation program and be assessed as having barriers to re-establishment due to physical or mental health problem(s) resulting primarily from service. As of March 31, 2023, there were 28,715<sup>25</sup> Veterans or family members receiving IRB benefits.

The IRB is generally calculated at the higher of:

- Ninety (90) percent of a Veteran's gross salary at release, indexed forward to current day (less offsets)<sup>26</sup>, or
- the minimum threshold, \$54,812.92 (2023), indexed annually based on the Consumer Price Index. The minimum threshold<sup>27</sup> was implemented to ensure that Veterans on IRB will have an income from all sources comparable to a middle-class income.

The IRB calculation differs slightly for certain classes of military reservists. Additional information can be found in VAC's [Income Replacement Benefit Policy](#).

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<sup>23</sup> Income Replacement Benefit Policy, November 25, 2020. In addition to the Earnings Loss Benefits, the IRB incorporated elements of the Retirement Income Security Benefit, Supplementary Retirement Benefit, Career Impact Allowance, and the Career Impact Allowance Supplement.

<sup>24</sup> Canada Gazette Part II, Vol. 152, No. 18, pg. 3194. September 5, 2018 SOR/DORS /2018-1772018-09-05 [PFL RIAS]

<sup>25</sup> Does not include 224 Career Impact Allowance Supplement (CIAS) protected Veterans. These Veterans, who received CIAS on March 31, 2019, were *not* receiving the Earning Loss Benefit or Retirement Income Supplement Benefit, but transitioned to IRB when Pension for Life programming was introduced. A further group of Veterans who received CIAS and the Earnings Loss Benefit or the Retirement Income Support Benefit on March 31, 2019 are included in this total and in subsequent analysis within this report.

<sup>26</sup> Income from other sources, such as a military pension, earnings in excess of \$20,000, Canada Pension Plan benefits, Employment Insurance benefits, etc. are deducted dollar-for-dollar from the amount of IRB payable.

<sup>27</sup> The minimum threshold does not apply to Veterans and survivors who transitioned from the Earnings Loss Benefit to the Income Replacement Benefit whose minimum was calculated under the previous provisions.

The IRB may be payable at 90% of pre-release income while a Veteran is engaged in the Rehabilitation Program, or for life if it is determined the Veteran has a diminished earnings capacity (DEC) and does not have the capacity to be gainfully employed.<sup>28</sup><sup>29</sup> An additional 1% adjustment, called a career progression factor (CPF), may also be added during the calculation of the amount of IRB payable for Veterans who meet DEC criteria to compensate for loss of career progression.<sup>30</sup> Post-age 65, Veterans who have diminished earning capacity will continue to receive monthly IRB payments for life at a reduced rate. Veterans will receive 70% of the IRB they would have been entitled to pre-age 65 before offsets were included minus their current offsets.<sup>31</sup>

Survivors and/or orphans<sup>32</sup> of a Veteran who dies before age 65 may be eligible for IRB if the Veteran's death resulted from a service-related injury or illness or a non-service-related injury or disease that was aggravated by service. Survivors and/or orphans may receive IRB at a rate of 90% of the imputed military income for a month minus certain offsets – (i.e., amounts received in respect of the deceased Veteran) up until the date the Veteran would have turned age 65. After the date the Veteran would have turned age 65, the rate is recalculated as 70% of the amount that the Veteran would have received after age 65 minus offsets.

If a Veteran in receipt of IRB dies after age 65, survivors and/or orphans may be entitled to IRB calculated at the rate of 70% of the amount the Veteran was receiving after turning age 65 (before the Veteran's offsets) minus any offsets the survivor/orphan may have.<sup>33</sup>

Finally, if a Veteran in receipt of IRB dies of a non-service-related illness or injury prior to age 65, survivors and/or orphans may be eligible for a lump sum payment equaling twenty-four (24) times the monthly IRB amount (before offsets) that the Veteran was entitled to at time of death.

### Overview of the Income Replacement Benefit application submission and assessment process

Veterans must apply for the Income Replacement Benefit before age 65 and, if they have not already done so, must also apply for the Rehabilitation Program under Section 8 of the [Veterans Well-being Act](#). Applications for the IRB may be submitted in writing to

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<sup>28</sup> The ability to be gainfully employed is defined as having the ability to earn 66 2/3% of pre-release income.

<sup>29</sup> The DEC decision must be made before the Veterans reaches age 65.

<sup>30</sup> The 1% career progression factor is added annually until the Veteran reaches what would have been 20 years of military service or age 60, whichever comes first.

<sup>31</sup> The 70% IRB rate post-age 65 is consistent with the top pension rate under the *Canadian Forces Superannuation Act*, and the *Public Service Superannuation Act*.

<sup>32</sup> In instances where there are both survivors and orphans, the IRB will be divided between them in accordance with VAC's *Income Replacement Benefit Policy*.

<sup>33</sup> Offsets apply for survivors receiving income in respect of the Veteran, such as military pension survivor benefits.

the department or electronically through My VAC Account. The following information must accompany the application:

- Information regarding the Veteran's eligibility for the IRB:
  - medical reports or other records that document the Veteran's physical or mental health problem;
  - information or documents that indicate the nature of the Veteran's service in the Canadian Armed Forces (CAF); and
  - any other information or documentation that indicates the circumstances of the Veteran's physical or mental health problem that the Veteran considers relevant in support of the application.
- Information for the purposes of the calculation of the monthly IRB amount:
  - information that is necessary to determine the Veteran's imputed income, such as military rank, class, pay level and category, and dates of release; and
  - information regarding the amounts payable to the Veteran from other sources, such as employment income, long-term disability, or retirement amounts.

A member of the CAF may apply for the IRB prior to release and the Department may consider the application and render a decision regarding whether the member will be eligible when they become a Veteran. However, the IRB will not be payable until after the Veteran formally releases.

VAC will inform a Veteran of their entitlement to IRB in writing or electronically through My VAC Account. A Veteran who is informed of their entitlement to IRB is required to participate in the assessment of their rehabilitation needs, and in the development and implementation of their VAC rehabilitation plan (i.e., the Veteran must complete the required assessments or examinations necessary to develop a plan and then must actively work towards meeting the plan's goals). Failure to participate in the rehabilitation process may result in the suspension and/or cancellation of the IRB.

It should be noted that VAC is not alone in offering income replacement benefits and rehabilitation services as part of its suite of services for Veterans. Several allied countries offer similar programs including Australia, New Zealand, and the United States. For further information, see *Appendix C: Environmental Scan*.

## 2.0 Scope and methodology

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### 2.1 Evaluation objective and scope

This evaluation was conducted in accordance with VAC's 2022-23 to 2026-27 Departmental Evaluation Plan, which was developed to align with Treasury Board of Canada Secretariat's (TBS's) [Policy on Results](#). The policy stipulates that evaluations of

all ongoing programs funded under a grant and contribution vote that have a five-year average expenditure of \$5 million per year must be evaluated every five years. The policy also indicates that all organizational spending and all programs in the Department's Program Inventory must be considered within departmental evaluation planning based on risk and need.

The IRB and the Rehabilitation Program were evaluated together as the two programs are intricately linked, with IRB being dependent on the Veteran meeting Rehabilitation Program eligibility criteria. Evaluation of the IRB is mandatory as annual expenditures average more than \$5 million per year (exceeded \$1 billion in 2022-23) while the Rehabilitation Program is being evaluated based on risk and need.<sup>34</sup> This is the first evaluation of the IRB program<sup>35</sup>; the Rehabilitation Program was last evaluated in 2014.

Evaluation coverage and criteria under the Policy on Results requires that the past performance and current activities of the IRB program be reviewed to determine program relevance, effectiveness, and economy. However, early in the evaluation planning process, it was identified that program intent must be a primary evaluation focus for both programs.

Concurrent with the planning phase of this evaluation, VAC's Audit and Evaluation Division (AED) completed an audit of the Income Replacement Benefit. The audit primarily focused on the internal controls for calculating IRB monthly payments, as well as the risk management of the income offset (deduction) piece of the IRB calculation. This evaluation did not delve into risk management or the calculation of IRB offsets, though employment and superannuation offsets were analyzed through the lens of program intent.

Analysis conducted while planning the scope for the Rehabilitation Program evaluation indicated that the greatest area of risk and need lie in whether the program is meeting its original intent. The delivery of the program was not included within scope as a new delivery model was being implemented during the period of the evaluation.

The evaluation began in September 2022 and was substantially completed by September 2023. The evaluation covers the period from April 1, 2019 to September 1, 2022. When available and applicable, more up-to-date statistics and information was incorporated into this evaluation report (e.g., observations of the DEC decision making processes, updated expenditure forecasts, program statistics, etc.).

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<sup>34</sup> The Rehabilitation program does exceed the five-year \$5 million threshold; however, it is being evaluated based on risk and need as it does not appear as a grants and contributions program under VAC's current Program Inventory.

<sup>35</sup> Prior to IRB, its predecessor, the Earnings Loss Benefit, was included as part of the 2016 Evaluation of the Financial Benefits Program.

## 2.2 Evaluation questions

Upon completion of an initial review (interviews, document review, and data analysis), evaluation questions were developed under the themes of relevance and performance to help assess each program. A list of evaluation questions, highlighting the key lines of inquiry, can be found in Table 1 below.

**Table 1: Evaluation questions**

Source
<b>Relevance</b>
To what extent do the programs align with Government of Canada priorities and departmental roles and responsibilities?
To what extent do the programs address a client need, now and in the future?
Are Rehabilitation Program participants aligned with the program's original intent? <ul style="list-style-type: none"> <li>• Length of time since onset of injury/illness to rehabilitation participation</li> <li>• Seriously disabled/injured Veterans needing to participate in rehabilitation</li> <li>• Profile of Veterans meeting DEC criteria</li> </ul>
Is the IRB program fulfilling its intent?
<b>Performance</b>
Are VAC's Rehabilitation Services and Income Replacement Benefits working effectively together to improve Veteran participation at work or home or in the community? <ul style="list-style-type: none"> <li>• Appropriateness of income replacement for all participants in the Rehabilitation Program/receiving IRB (90%)</li> <li>• Appropriateness of employment capacity level (66<sup>2/3</sup>)</li> <li>• Effectiveness of the 20K earnings exemption from offset</li> </ul>
Have outcomes been identified and measured to determine the programs' success and to support program management?
Are there any unintended impacts resulting from the programs (positive or negative)?
To what extent are IRB program resources used efficiently and economically?

## 2.3 Evaluation methodology

The Evaluation was summative<sup>36</sup> in nature and relied on a mix of qualitative and quantitative data sources. The methodology incorporated multiple lines of evidence to ensure reliability of collected information and reported results. This information is further outlined in Table 2 below.

<sup>36</sup> Summative evaluations assess the performance of a program, including the relevance, achievement of outcomes and overall effectiveness of a program. There are several types of summative evaluations, including impact evaluation which is broader and attempts to assesses the overall or net effects, intended or unintended, of a program.

**Table 2: List of evaluation methodologies and sources**

Methodology	Source
Departmental Documentation and Secondary Research Review	The following Departmental documents/information were reviewed to understand the programs' objectives/intent, their authorities and requirements, complexity, context, and key issue areas: internal planning documents, central agency submissions, previous audits and evaluations, policies, business processes, guidelines, records of decisions, strategic documents, performance reports, and research papers.
Non-Departmental Document Review	Various non-departmental documents such as, parliamentary reports and transcripts, legislation, budget speeches, Office of the Veterans Ombudsman reports, industry research, media documents, and Speeches from the Throne were reviewed for context purposes. Documentation, reports, and studies conducted by allied countries with similar benefits were also reviewed.
Interviews	Sixty-eight interviews (18 planning interviews and 50 fieldwork interviews) were conducted with VAC employees, including senior management, present and past program managers, head office employees, VAC field employees (Case Managers, Veteran Service Agents, and Veteran Service Team Managers) as well as other subject matter experts within the department. Interviews were also conducted with CAF/DND officials involved with Veteran transition to determine if gaps exist between VAC and CAF/DND.
Statistical Analysis	Statistical analysis was conducted of financial and operational program data collected by VAC pertaining to the IRB program since its launch April 1, 2019. Rehabilitation Program data was analyzed as far back as 2014 where necessary to provide continuity from the last program evaluation. Client data and forecast data for both programs was reviewed to determine client characteristics, including GBA+ analysis to the extent possible (e.g., demographic and geographic analysis of recipient age, sex, marital status, location, etc.). Client data was analyzed to determine trends such as program entry/exit points, prevalence of DEC decisions by disability, demographics and location, types of rehabilitation assistance required (e.g., medical, psychosocial, or vocational rehabilitation), IRB rates and offsets, etc..
Observation	Observation of the DEC decision processes was conducted to determine how decisions are made, what information is taken into consideration, and whether the process is working as intended.
File Review	A statistically valid file review of 351 Veterans who completed the Rehabilitation program in 2021-22 was conducted. The review was completed to assist in evaluating the effectiveness of the Rehabilitation and IRB programs. Among other things, the review provided insight into the length of time Veterans spent between onset of injury/illness and rehabilitation participation. It was also used to capture data on the seriousness of disabilities Veterans have while participating in the Rehabilitation Program and to help develop a profile of Veterans meeting DEC criteria (e.g., what barriers do they have, how do they meet criteria, etc.).

## 2.4 Considerations and limitations

The evaluation identified the following considerations and limitations:

- The evaluation team consulted with various areas across the department to gain an in-depth understanding of the IRB and Rehabilitation programs, the original intent of the programs, how they operate, what is working well, and where there may be areas for improvement.
- The evaluation team was able to visit select offices in Halifax, Kingston, Winnipeg, and Edmonton. Regional differences in program utilization discovered during interviews affected conclusions about the effectiveness of the program across Canada.
- Gender based analysis (GBA+) was incorporated into the evaluation where possible. Limitations in the data that the department collects prevents a fulsome analysis based on gender and ethnicity.
- The introduction of the IRB program in 2019 coincided with the release of a new GCcase benefit processing system used to store client and program information and process benefits. This made data retrieval and detailed analysis from this period unreliable. To mitigate, data from the 2021-22 fiscal year was used for analysis as it was more fulsome and reliable.
- Relying on 2021-22 rehabilitation data is challenging as well in that case managers were instructed to close out rehabilitation plans where possible in anticipation of the transfer to the new service provider. This resulted in slightly inflated numbers of closed case plans and DEC determinations rendered for that period. However, there was little impact on the percentage of Veterans meeting DEC criteria.
- The determination of whether Veterans are meeting rehabilitation goals is a best estimate based on incomplete data that is impacted by system workarounds and subjective categorization as to why rehabilitation plans get closed. For example:
  - 370 rehabilitation plans were identified as being closed due to the Veteran having “no rehabilitation need”. In reviewing these files, there were instances where Veterans “fully or partially” completed rehabilitation goals. In other instances, Veterans met DEC criteria and did not meet any goals. These Veterans do not get captured statistically when trying to determine whether Veteran goals are met although, on average, they spend 3.2 years in the Rehabilitation Program.<sup>37</sup>
  - Interviews with VAC employees indicate that Veterans who accept employment before completing their rehabilitation plan (i.e., before a final vocational assessment is completed and a DEC determination is made) have their rehabilitation plan “cancelled” as per policy. Plans cannot be marked “completed” and the system will not show that *any* goals were met or partially met unless the Veteran undergoes final assessments. Thus, there are instances where Veterans with relatively good outcomes are

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<sup>37</sup> Average was derived from Veterans' latest instance of rehabilitation. Any previous periods of participation in the Rehabilitation Program were not taken into account.

lumped into the “cancelled” category normally reserved for Veterans who were removed from the program for failure to participate or non-compliance with the program terms, etc. A portion of the 1,193 rehabilitation plans that were cancelled between 2019 and August 2022 fall into this category. Quantifying the exact number of instances this happens would require an extensive file review.

- During the examination stage of the evaluation, inconsistencies between information housed in GCcase vs CSDN were noted. For example, in some instances clients were shown as “exiting” the Rehabilitation Program in CSDN, however, they did not exit the program, they were transferred to the GCcase system. In other instances, documentation was expected to be found in one system but was posted to the other system. Modifications to the GCcase system were recently made (post-evaluation).
- During the file review, instances were observed where information on the CSDN system was identified as having been transferred to GCcase, however, the information could not be found on either system.
- During the conduct of the evaluation, delivery of the Rehabilitation Program changed. VAC now contracts all elements of program delivery (medical, psycho-social, and vocational) to a single contractor. The migration/transfer of files to the new contractor began in November 2022 and was completed in October 2023. It is pre-mature to evaluate or make comment on the degree of success the initiative is having. A future evaluation of Rehabilitation Services will determine whether this change improves program effectiveness and efficiency.
- The Performance Information Profile for the Rehabilitation Program was changed during the conduct of the evaluation. As a result, it was too early to evaluate whether the new performance standards are being met.
- The evaluation team did not consult with recipients or providers directly. Past client surveys were reviewed for relevant material including iterations of the VAC National Client Survey and the Client Experiences with Veterans Affairs Canada Rehabilitation Program and Case Management Services survey.
- The evaluation team was unable to estimate with an acceptable level of confidence program resource utilization costs for the period under review as the current methodology used by the department has not been recently updated.

The above noted information should be taken into consideration when reading this evaluation report. Additional limitations may be identified where applicable.

### **3.0 Relevance**

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Veterans Affairs Canada (VAC) has a mandate to support the well-being of Veterans and their families. The Rehabilitation Program is intended to help those Veterans who require medical, psycho-social, or vocational rehabilitation to transition from military to civilian life. The IRB program is intended to provide the veteran with replacement

income to relieve financial pressures and allow for the veteran to successfully complete rehabilitation and return to work.<sup>38</sup>

### 3.1 Need for the Rehabilitation Program

There is continued need and ongoing demand for the VAC Rehabilitation Program. However, Veterans are being admitted to the program without a barrier to re-establishment or with conditions that cannot be improved through rehabilitation.

Prior to the introduction of the Rehabilitation Program in 2006, the only rehabilitation program available to Veterans was through the Service Income Security Insurance Plan (SISIP), a long-term disability plan for members of the Canadian Armed Forces. SISIP covers both service and non-service-related injuries for Veterans who medically release from the military. Currently through SISIP, Veterans receive vocational rehabilitation, but not medical or psycho-social rehabilitation.<sup>39</sup> (See Section 3.3.3 *Duplication and overlap with other Government of Canada programs* for more information on the SISIP program).

VAC's Rehabilitation Program was developed as part of the New Veteran Charter wellness model and addresses several areas where SISIP does not provide coverage including:

- for those Veterans who released voluntarily and, sometime after release, developed a rehabilitation need related to service;
- for Veterans who needed medical or psycho-social rehabilitation before participating in a vocational rehabilitation component; and
- for spouses/common-law partners or survivors of Veterans when the Veteran's injuries/illness are such that they cannot participate in rehabilitation.

Between 2018-19<sup>40</sup> and 2022-23, approximately 29,635<sup>41</sup> unique clients participated in the Rehabilitation Program. The threshold for entry into the program is low relative to other VAC programs. Any applicant who has received a disability benefit through VAC and who self declares a barrier to re-establishment, in practice, gains almost automatic entry. Application approval rates show that on average approximately 97% of applications are approved each year (see Table 3).

<sup>38</sup> Canada Gazette Part II, Vol. 152, No. 18, pg. 3194. September 5, 2018, SOR/DORS /2018-1772018-09-05 [PFL RIAS]

<sup>39</sup> As a result of amendments made to the [Veterans Well-being Act](#) in 2019, effective April 1, 2024, medically releasing Veterans with non-service-related health problems will access all their rehabilitation types (vocational, medical, and psycho/social) and income support from CAF-LTD.

<sup>40</sup> Accuracy of client numbers before 2018 could not be verified so was not included for analysis.

<sup>41</sup> Clients who entered the Rehabilitation Program more than once during this period are only counted as one unique client.

**Table 3: Annual Rehabilitation Program applications received and adjudicated**

Fiscal Year	Applications Received <sup>42</sup>	Applications Adjudicated <sup>43</sup>	Favourable Applications	Unfavourable Applications	Favourable Rate
2014-2015	2,493	2,441	2,347	94	96%
2015-2016	2,819	2,840	2,726	114	96%
2016-2017	5,025	4,890	4,709	181	96%
2017-2018	4,192	4,251	4,098	153	96%
2018-2019	3,837	4,112	3,993	119	97%
2019-2020	5,794	4,783	4,635	148	97%
2020-2021	4,847	4,540	4,396	144	97%
2021-2022	5,487	4,937	4,842	95	98%
2022-2023	5,571	5,020	4,898	122	98%
<b>Total</b>	<b>40,065</b>	<b>37,814</b>	<b>36,644</b>	<b>1,170</b>	<b>97%</b>

Source: AED analysis of CSDN data.

The number of Veterans or spouses/survivors engaged in the program at any given time is always changing as there are clients entering and leaving the program each day. Annual snapshots show that the program has grown substantially since the last evaluation in 2014 (see Table 4), but participation has remained relatively consistent since 2017-18. Over the past five years, there were on average approximately 13,670 Veterans or family members on the Rehabilitation Program at any given time.<sup>44</sup>

<sup>42</sup> Does not include reviews or reassessments. Clients could potentially submit more than one application.

<sup>43</sup> The number of applications adjudicated is less than the total applications received as some applicants choose to withdraw their application before adjudication. Interviews indicate this commonly occurs when applicants apply without knowing the program requirements or expectations.

<sup>44</sup> While an average of 13,670 participants are on the program at any given time, approximately 17,000 Veterans and family members participate in the program over the course of a year (some enter the program, some leave etc.).

**Table 4: Rehabilitation program eligible recipients<sup>45</sup>** (as of March 31 each year)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Veterans</b>	7,175	8,478	11,600	13,058	13,570	13,987	14,208	13,226	12,533
<b>Survivor Spouse</b>	165	173	187	175	179	212	169	137	129
<b>Total</b>	<b>7,340</b>	<b>8,651</b>	<b>11,787</b>	<b>13,233</b>	<b>13,749</b>	<b>14,199</b>	<b>14,377</b>	<b>13,363</b>	<b>12,662</b>

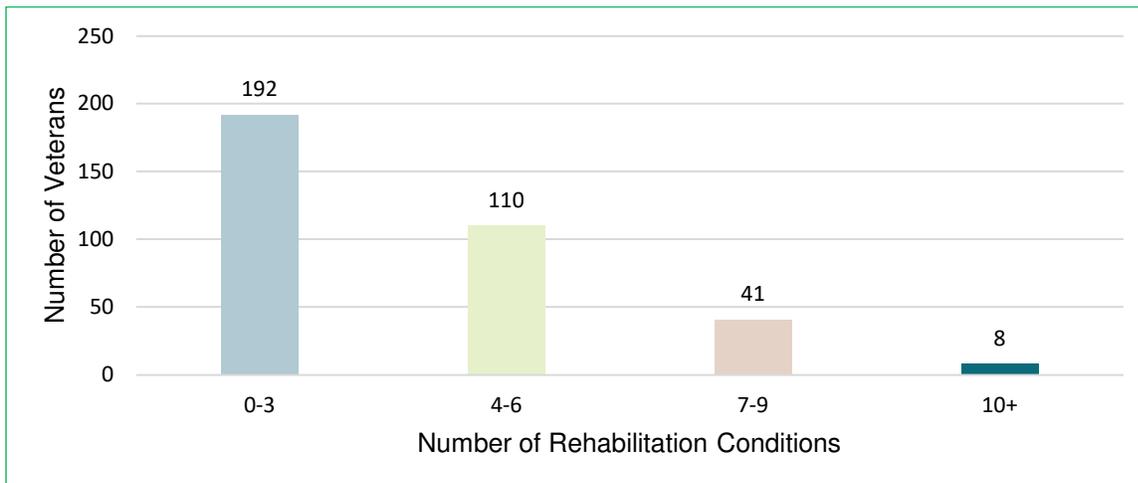
Source: VAC Finance Division

Participation in the program is forecasted to remain steady. See Section 4.3.1 *Rehabilitation Program expenditures* for more information.

Interviews with VAC employees confirm that there is a need for the program and that Veterans do benefit in certain circumstances from rehabilitation. A file review of Veterans who exited the Rehabilitation Program in 2021-22 shows that rehabilitation need, in most cases, is being linked to conditions for which a disability benefit has been granted. It also showed that Veterans often suffer from multiple complex injuries and illnesses. Approximately 96% of Veterans in rehabilitation had at least one medical condition for which VAC had granted a disability benefit, with an average of 3.6 rehabilitation conditions per Veteran.

A closer look at rehabilitation conditions through a file review of 351 Veterans who completed rehabilitation found that the number of rehabilitation conditions per Veteran ranged between 1 and 17 (see Figure 1).

**Figure 1 – Number of rehabilitation conditions per Veteran**

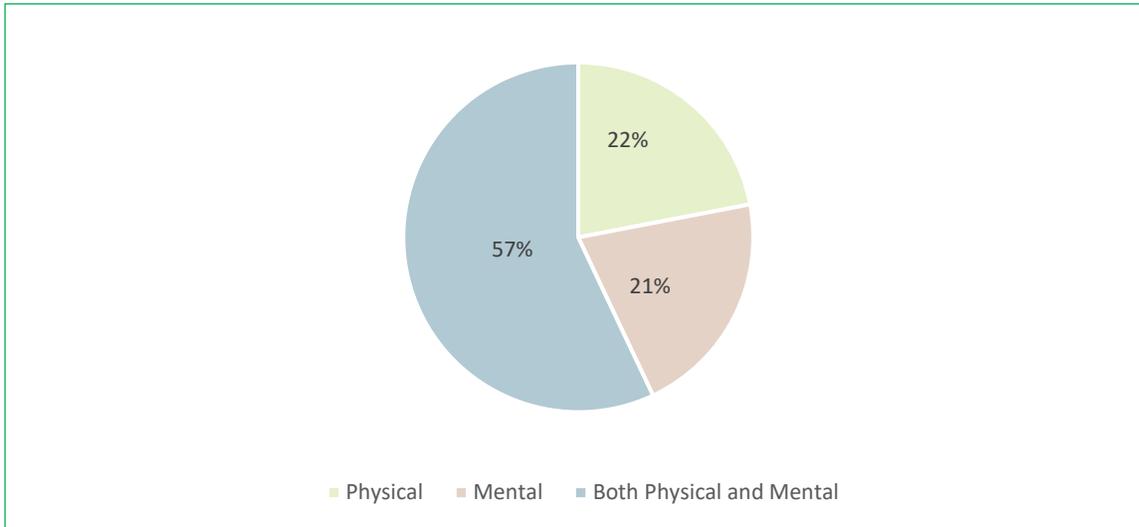


Source: AED analysis of CSDN data

<sup>45</sup> Recipients refer to those with a status of 'eligible' as of March 31 of each year.

Analysis of data gathered through file review reveals that 78% of Veterans in rehabilitation have at least one mental health condition listed as a rehabilitation condition. As Figure 2 shows, mental health conditions are often accompanied by physical ailments. This adds to the complexity of need and may impact program success (see Section 4.2 *Effectiveness of the Rehabilitation Program* for more information on program success).

**Figure 2 – Breakdown of physical and mental health conditions**



Source: AED analysis of GCcase data.

Post traumatic stress disorder is the most common disability experienced by Veterans in the program (47%), with depressive disorders second at 14%. The leading physical condition experienced by Veterans in rehabilitation is tinnitus (11%). For a list of the most common rehabilitation conditions Veterans experience, see Appendix D: *Most common medical conditions for which Veterans were approved for rehabilitation*.

Interviews with VAC employees noted that while Veterans are generally approved for rehabilitation with conditions for which they have a disability benefit, sometimes these conditions cannot be rehabilitated. For example, conditions like hearing loss and tinnitus often have few or no rehabilitation options, yet many Veterans have these conditions approved as a rehabilitation condition.<sup>46</sup> In other cases, Veterans have serious disabilities, such as certain types of cancer which may be totally disabling and which no rehabilitation is possible, yet the Veteran must apply to the Rehabilitation Program in order to fulfill their need for financial benefits (i.e., the Income Replacement Benefit).

Approving conditions that cannot benefit from rehabilitation is not consistent with the intent of the Rehabilitation Program as laid out in the RIAS. Conditions that have

<sup>46</sup> Veterans in the Rehabilitation Program may have other conditions approved for rehabilitation along with tinnitus and hearing loss.

stabilized or for which the only intervention is a medical device (e.g., a hearing aid or masking device) are more appropriately dealt with through VAC's Treatment Benefit program.

Placing a Veteran with a degenerative/terminal condition into the Rehabilitation Program when the only need is access to income replacement benefits is also incongruent with program intent. There is an administrative cost to placing Veterans in the program and subsequently making a diminished earnings capacity decision. While the need for income replacement benefits is undeniable, changes to the Rehabilitation Program gateway to the Income Replacement Benefit should be considered.

Interviews with employees point to the inability to assess Veterans before eligibility as a factor allowing Veterans to enter the program when:

- they do not have an actual barrier to re-establishment;
- they apply for medical or psychosocial rehabilitation, but their condition is stable (i.e., the condition is in a maintenance or treatment phase beyond the point of rehabilitation); or
- their motivation or need is access to the Income Replacement Benefit rather than the receipt of rehabilitation services.

To ensure only those with a rehabilitation need are accepted into the program the evaluation recommends:

### **Recommendation #1a**

**That the Director General Policy and Research develop options for consideration and approval as required which will ensure Veterans entering the Rehabilitation Program have a requirement for rehabilitation interventions to overcome a barrier to participating in civilian life. This could include assessing Veterans before program eligibility is granted to determine rehabilitation need and whether barriers to transitioning to civilian life exist; and if the barrier could reasonably be expected to be addressed through active participation in the program.**

**Management Response:** Management agrees with this recommendation. Further information is contained in Table 5.

**Table 5: Management response to recommendation #1a**

Action and Rationale	Expected Completion Date	ADM Accountable for Action
<p>The Policy and Research Division will undertake research and analysis to: Review current program eligibility, eligible and ineligible groups, application requirements, and other “reasonable” considerations;</p> <ul style="list-style-type: none"> <li>Using a holistic and comprehensive approach to Veterans’ well-being, undertake consultation with Veterans and stakeholder groups to develop a full understanding of the existing environment as it relates to the Rehabilitation Program so that the policy analysis will be driven by a Veteran-centered focus.</li> <li>Collaborate with the Research Directorate and the Five Eyes research group to develop a comprehensive environmental scan of International Veterans’ Rehabilitation Schemes and eligibility requirements; Worker’s Compensation approaches (Canada and Five Eyes countries); Disability Insurance Plan for the Federal Public Service; Canada Disability Insurance;</li> <li>Analyze: speed and ease of eligibility decisions; service relationship; prevalence; and contrary evidence;</li> <li>Consider the need for assessment at eligibility to determine rehabilitation need and whether barriers to transitioning to civilian life exist; time-limited eligibility; and</li> <li>Develop policy options for implementation of program and delivery enhancements.</li> </ul>	June 30, 2026	Assistant Deputy Minister (ADM) Strategic Policy, Planning and Performance

**Recommendation #1b**

**That the Director General Policy and Research develop policy options for consideration and approval as required to ensure the financial security of Veterans whose service-related health problems would prohibit return to work in any capacity and where rehabilitation is not a suitable intervention for the Veteran.**

**Management Response:** Management agrees with this recommendation. See Table 6.

**Table 6 – Management Response to recommendation #1b**

Action and Rationale	Expected Completion Date	ADM Accountable for Action
<p>The Policy and Research Division will undertake research and analysis to determine the circumstances and needs of Veterans who may have degenerative and/or terminal service-related health problems which would prohibit a return to work in any capacity and, depending upon the outcome of this work, develop options for future consideration. The work will involve the conduct</p>	June 30, 2026	Assistant Deputy Minister (ADM) Strategic Policy, Planning and Performance

of a research and needs assessments of Veterans, consultation with stakeholders, financial and legal analysis.

### 3.1.1 Alignment of Rehabilitation Program recipients with program intent

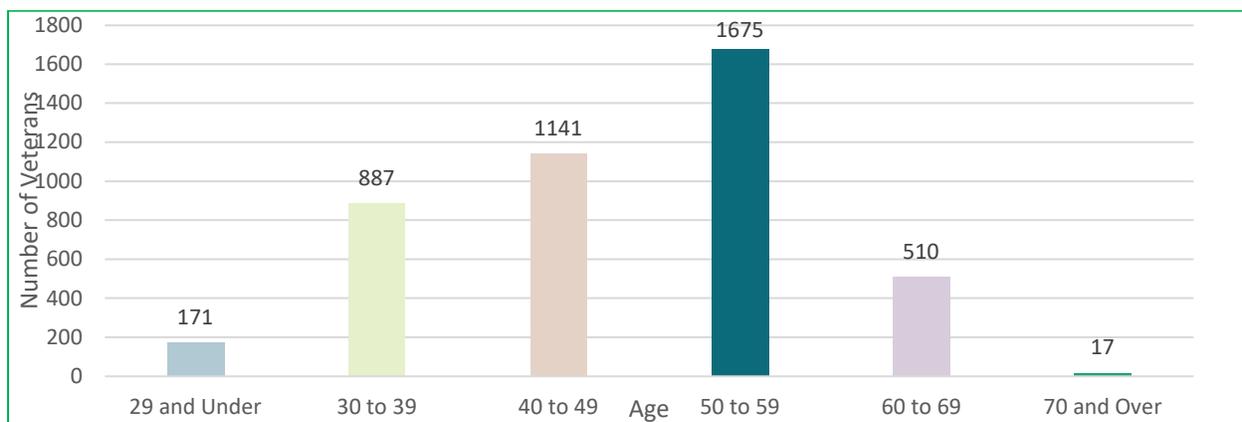
When developing the scope for the evaluation and looking at ways to add value for VAC employees administrating the rehabilitation policies, it was established that a closer look at who is receiving benefits through the program was necessary. The goal of defining the program population is to determine whether participants are aligned with program intent and whether program recipients are representative of the Veteran population.

The evaluation team used data from VAC's CSDN and GCcase databases to determine the characteristics of Veterans receiving rehabilitation services. The team extracted and analysed data on more than 4400 rehabilitation recipients whose rehabilitation plan was closed in fiscal year 2021-22. A file review of 351 of these individuals was conducted to supplement and verify the system data<sup>47</sup>.

#### General client demographics

The analysis of Rehabilitation Program participants reveals that the majority of Veterans who access rehabilitation services enter the program at age 40 or older with half entering the program at age 50 or older. (The average age of entry was approximately 48 years old while the median age was 50. See Figure 3.)

**Figure 3: Age Rehabilitation applicants entered the program**



Source: AED analysis of CSDN data

Clients participating in the Rehabilitation Program are more likely to be male (82%) than female (18%), closely resembling the male/female breakdown for the CAF as a whole

<sup>47</sup> The file review was conducted to answer forty-eight questions that could not be conventionally determined through direct analysis of population data. A sample of 351 Veterans exiting the rehabilitation program was drawn with 95% confidence and 5% margin of error. Comparisons were made to the Veteran population where possible to ensure bias was not present in the sample and to confirm the accuracy of the results.

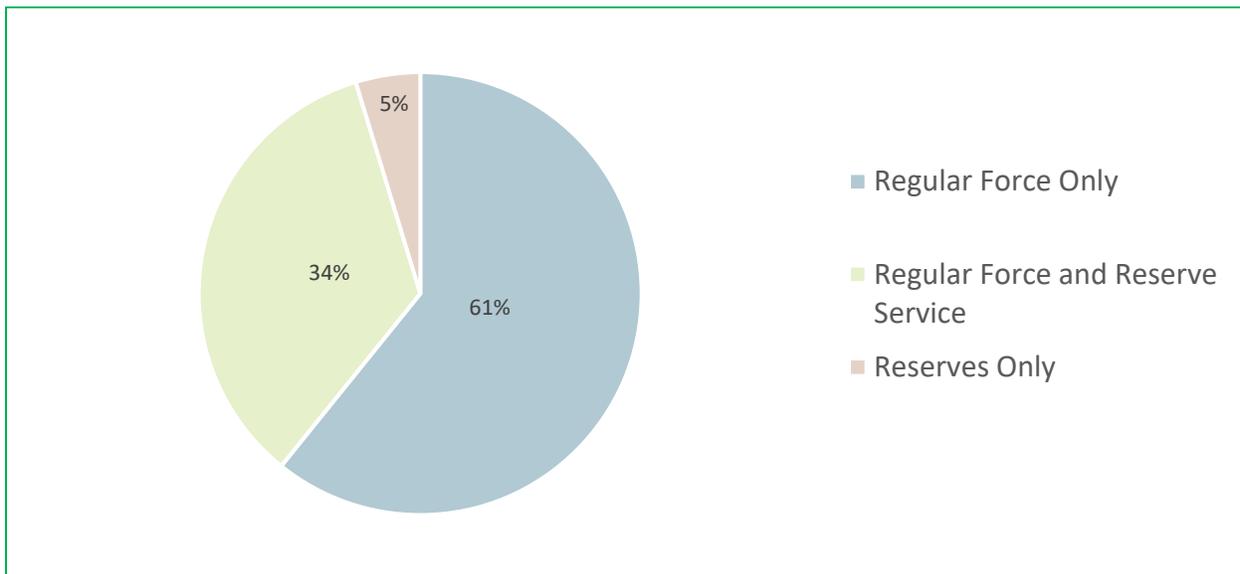
where women make up approximately 16.5% of the population. Rehabilitation participants are distributed across the country as expected with 46% of rehabilitation clients in Central Canada, 28% in Atlantic Canada, and 24% in Western Canada.<sup>48</sup>

Approximately 81% of rehabilitation clients list English as their written language preference while almost 19% list French. Nationally, 76% of Canadians list English as their first language while 21% list French. It should be noted that VAC does not track client's first language or language of choice, only which of the two official languages Veterans wish to be contacted in. See Appendix E: *GBA+ Analysis – Rehabilitation Program and Income Replacement Benefit* for a further breakdown of client demographics along gender lines.

### Military service profile

Rehabilitation participants typically release with regular force service or a combination of regular force and reserve force services<sup>49</sup>. Only 5% of program participants served exclusively in the reserves (see Figure 4).

**Figure 4: Military service of rehabilitation participants**



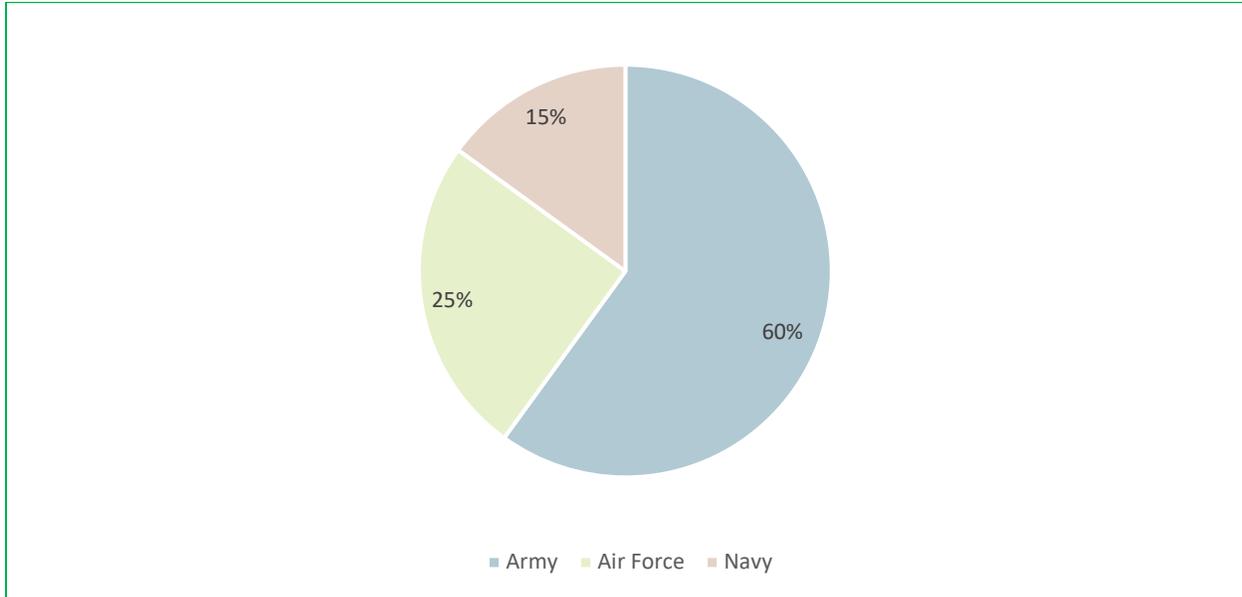
Source: AED file review

<sup>48</sup> Central Canada includes Ontario and Quebec; Atlantic Canada includes Newfoundland and Labrador, Nova Scotia, New Brunswick, and Prince Edward Island; Western Canada includes Manitoba, Saskatchewan, Alberta, and British Columbia.

<sup>49</sup> Regular force service refers to full-time military service (i.e., full-time job). Members of the Reserve Force primarily serve part time in the CAF. Reservists typically serve one or more evenings a week and/or during weekends at locations close to home. They may volunteer for full-time employment or deployment on operations. The majority of Reservists hold civilian jobs or are students enrolled in post-secondary programs.

The file review showed 60% of rehabilitation participants released from the Army and more than 70% had ten plus years of CAF service (see Figures 5 and 6).

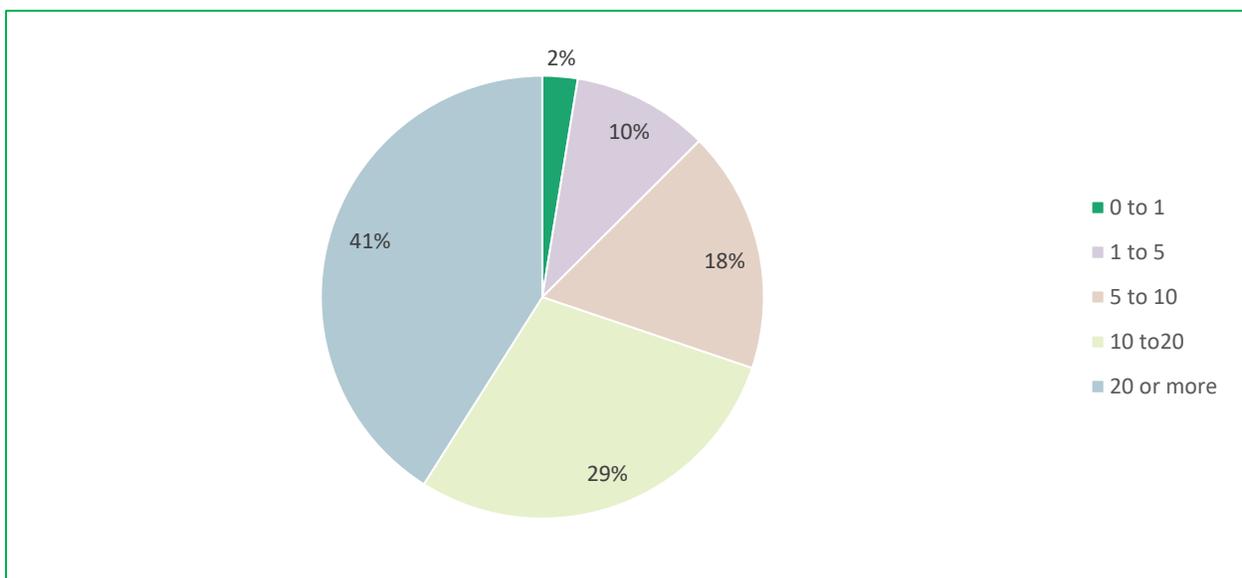
**Figure 5: Military branch of service at release**



Source: AED file review.

The breakdown of Rehabilitation participants closely resembles the CAF population (Regular Force plus Reserves): Army 46,500 (62%), Airforce 15,400 (20%), Navy 13,500 (18%).

**Figure 6: Years of service at release from the Canadian Armed Forces**



Source: AED file review.

More than 40% of Veterans accessing the program served at least 20 years in the military, indicating that the program is attracting Veterans who are already in line to receive CAF pension benefits under the *Canadian Forces Superannuation Act*.

The file review showed that 55% of rehabilitation clients leave the military at a junior rank versus leaving at a higher officer rank (45%).<sup>50</sup> The proportion of officers in the Rehabilitation Program is higher than the proportion of officers within the CAF regular force (which is currently approximately 27%. See Appendix F: *Rank at release of Veterans in the Rehabilitation Program* for a list of program participants by rank.)

Approximately 44% of all Rehabilitation Program clients reviewed released at the junior rank of Corporal or Master Corporal (or the naval equivalent of Master Seaman or Leading Seaman). At the officer level, 16% of all rehabilitation clients released at the non-commissioned officer rank of Sergeant or the Naval equivalent Petty Officer 2<sup>nd</sup> Class.<sup>51</sup>

Veterans reviewed were spread out over nearly eighty different military occupations (as at the time of their release). Those who identified themselves as Infantry, Supply Technicians, Armored Crewman, Mobile Support Equipment Operators, and Combat Engineers were more likely to be in rehabilitation than other occupations. The file review shows that more than 60% of Rehabilitation participants release from the military with a medical discharge (category 3A or 3B). However, a significant percentage (approximately 35%) release for reasons other than medical, which indicates that the program is capturing Veterans (as intended) who do not qualify for rehabilitation through the Canadian Armed Forces Vocational Rehabilitation Plan (CAF-VRP) (Table 7).

**Table 7: Military release category of rehabilitation participants**

Release Category	Number	Percentage
3B - Medical-Disabled	220	62.7%
5C - Service Completed	38	10.8%
4C - Voluntary-Other Causes	34	9.7%
4B - Voluntary-Fixed Service	12	3.4%
4A - Voluntary-Immediate Annuity	11	3.1%

<sup>50</sup> For the purposes of this paper, an officer is considered any member with the rank of sergeant (petty officer 2<sup>nd</sup> class) or above as per the CAF military ranks and appointments found on [Canada.ca](https://Canada.ca) and reproduced in this report in Appendix F: *Rank at release of Veterans in the Rehabilitation Program*.

<sup>51</sup> Non-commissioned officers (NCOs) make up approximately 30% of Rehabilitation Program participants while commissioned officers make up approximately 13% of program participants (commissioned officers receive their authority from the Sovereign and out-rank NCOs).

5F - Unsuitable for Further Service	10	2.8%
5D - Not Advantageously Employable	9	2.6%
4A - Service Completed	6	1.7%
Missing or Unknown	4	1.1%
2A - Unsatisfactory-Conduct	2	0.6%
3A - Medical-Disabled	2	0.6%
5A - Retirement Age	2	0.6%
5E - Irregular Enrolment	1	0.3%
<b>Total</b>	<b>351</b>	<b>100.0%</b>

Source: AED file review of GCcase and CSDN data

It is especially important that the program continue to catch Veterans who release for non-medical reasons. Interviews with employees and CAF personnel indicate longer than usual wait times to receive a medical release may be leading CAF members to retire under other categories before their medical release can be completed.

#### Profile of Veterans meeting diminished earnings capacity criteria

Data analysis, corroborated through file review, shows approximately 79% of Veterans whose rehabilitation plan was closed in 2021-22 met DEC criteria.<sup>52</sup> A sample of these Veterans shows they typically spend less than two years in rehabilitation before their file is forwarded for a DEC decision (see Table 8).

**Table 8 – Turnaround time between Rehabilitation Program application and referral to DEC Unit**

Referral Point	Number	Percentage
Prior to Rehab	27	1%
1 Month or Less	27	1%
6 Months or Less	138	5%
6 Months to a Year	340	12%
1 to 2 Years	1,653	58%
More than 2 Years	673	24%
<b>Total Clients with DEC Decisions<sup>53</sup></b>	<b>2,858</b>	<b>100%</b>

Source: AED analysis of CSDN and GCcase data.

<sup>52</sup> Calculation based on Veterans with completed rehabilitation plans only (excludes plans closed through cancellation or death).

<sup>53</sup> Includes GCcase DEC referral data only and does not include CSDN decisions. Includes favourable and unfavourable decisions. Similar turnaround times were revealed through file review.

Veteran age is one of the most significant factors in program outcomes identified through gender-based analysis of the program. Older Veterans are significantly more likely to be deemed to have diminished earnings capacity at the conclusion of their rehabilitation than younger Veterans (see Table 9).

**Table 9 – Rehabilitation Program Completions by age 2019-20 to 2022-23<sup>54</sup>**

Age at Rehab Exit	Total Clients	DEC Clients	DEC Rate
29 and under	218	50	23%
30 to 39	1,782	1,058	59%
40 to 49	2,663	1,987	75%
50 to 59	4,083	3,274	80%
60 to 65	1,700	1,410	83%
66 to 74	317	178	56%
75 and over	50	21	42%
<b>Total<sup>55</sup></b>	<b>10,813</b>	<b>7,978</b>	<b>74%</b>

Source: AED analysis of CSDN data. DEC rate is for all years combined. Rehab exits include those who completed the program or were cancelled from the program (without a DEC decision).

Approximately 70% of Veterans engaged in the Rehabilitation Program are currently age 40 or older. Older Veterans typically release at higher rank and higher military salaries. The file review revealed that 84% of Veterans at the officer level (commissioned and non-commissioned officers) met DEC criteria upon closure of their rehabilitation plan in 2021-22 versus 76% for non-commissioned members. The current criteria for determining whether a Veteran has a diminished earnings capacity (i.e., whether they can earn 66 2/3% of pre-release income in the civilian workforce) favours older Veterans at higher wage levels as they are less likely to match with suitable and gainful employment in the civilian workforce, regardless of their barriers to reestablishment. (See Section 4.2.3 *Effectiveness of the suitable and gainful employment provision during diminished earnings capacity assessment* for further analysis of the 66 2/3% of pre-release earnings threshold.)

<sup>54</sup> Includes data up to August 30, 2022.

<sup>55</sup> There are 10,786 unique clients. Clients may have exited at multiple points during the period measured (April 1, 2019 – August 22, 2022).

Veterans with multiple health conditions are more likely to meet DEC criteria, especially if they have both mental and physical ailments. A file review revealed that approximately 88% of Veterans who receive rehabilitation for both physical and mental health conditions eventually meet DEC criteria. This compares to 74% for those with mental health conditions only and 61% for those with physical ailments only. It should be noted that the average Rehabilitation plan contained 2.6 physical health conditions and 1 mental health condition. The file review showed that 95% of officers (including commissioned and non-commissioned officers) who had both a mental and physical condition met DEC criteria upon closure of their rehabilitation plan in 2021-22 versus 80% of junior members with a mental and physical condition.

The file review also revealed that Veterans who enter the Rehabilitation Program with employment as the primary goal are less likely to meet DEC criteria. It should be noted, however, that of the 351 files reviewed, only 46 (13%) listed employment as the primary goal, with 21 of those eventually meeting DEC criteria.

A review of data from 2019-20 to 2021-22 indicates that Veterans from the Atlantic Region are more likely to meet DEC criteria than other regions in Canada. For example, 84% of Veterans from the Atlantic Region who exited the Rehabilitation Program in 2021-22 met DEC criteria, while the DEC rate for the Central Region was 70% and the Western Region was 67%. The high number of Veterans in the Atlantic region is unusual given all DEC decisions are made in a centralized unit under the same criteria. Interviews with employees did not offer any definitive reasons why Veterans in Atlantic Canada were more likely to meet DEC criteria. Further investigation is required.

Further information on DEC clients can be found in Appendix G, *Diminished earnings capacity (DEC) client profile*.

### **3.2 Need for the Income Replacement Benefit**

There is a need for some form of income replacement for Veterans while they participate in the Rehabilitation program. Providing income support during rehabilitation is consistent with programs offered by international departments of Veterans Affairs and workers compensation boards in Canada.

Research indicates there is a connection between financial security and better health outcomes. It also shows that financial security is an important aspect in successful Veteran transition from military to civilian life. VAC includes financial security as part of its well-being model for Veterans (Figure 7).

**Figure 7 – CAF/VAC Well-being Model describing the seven domains of well-being required for a successful transition to civil life**



Source: adapted from Veterans Affairs Canada info brief.<sup>56</sup>

The IRB, like its predecessor the ELB, is intended to promote financial security for Veterans engaged in the Rehabilitation Program. This aligns with VAC's well-being model and, in theory, should allow for better health outcomes. As Table 10 shows, approval rates for both the EL benefit (2014-15 to 2018-19) and the IRB (2019-20 to 2022-23) have been high.

**Table 10: Annual Earnings Loss Benefit and Income Replacement Benefit applications received and adjudicated<sup>57</sup>**

Fiscal Year	Applications Received	Applications Adjudicated	Favourable Application	Unfavourable Application	Favourable Rate
2014-2015	2,485	1,951	1,941	10	99.5%
2015-2016	2,848	2,351	2,344	7	99.7%
2016-2017	5,600	3,901	3,890	11	99.7%
2017-2018	4,602	4,453	4,439	14	99.7%

<sup>56</sup> Veterans Affairs Canada Research Directorate. "Info Brief: Measuring Veteran Well-being." May 2019, [Veterans.gc.ca](https://www.veterans.gc.ca).

<sup>57</sup> Does not include reviews or reassessments. Clients could potentially submit more than one application. Not all applications that are received are adjudicated, some are cancelled or withdrawn, or some are still pending as of year end.

2018-2019	4,314	3,522	3,484	38	98.9%
2019-2020	4,098	4,810	4,698	112	97.7%
2020-2021	3,623	3,612	3,530	82	97.7%
2021-2022	3,970	3,960	3,943	17	99.6%
2022-2023	3,926	3,879	3,861	18	99.5%
<b>Total</b>	<b>35,466</b>	<b>32,439</b>	<b>32,130</b>	<b>309</b>	<b>99.0%</b>

Source: AED analysis of CSDN data

Interviews with VAC employees indicate there is a need for some type of income replacement benefit so Veterans can dedicate their time to rehabilitation/getting well without the stress of financial pressures. Interviewees pointed out that the IRB provides considerable economic benefit to Veterans while they are engaged in the Rehabilitation Program. Data as of March 2022, shows that Veterans under age 65 were eligible for between \$51,000<sup>58</sup> and \$300,000 (gross) in IRB benefits per year, depending on their pre-release income (see Table 11 and Table 12 for breakdown of IRB eligibility amounts by gross and net payable).

**Table 11 – Annual gross IRB amount payable to Veterans as of March 31, 2022**

Gross IRB Amount	Veterans under age 65	Veterans over age 65 <sup>59</sup>
Unknown	3	2
Less than \$51,000	0	683
\$51,000-\$65,000	8,380	428
\$65,000-\$75,000	6,172	134
\$75,000-\$100,000	8,310	115
\$100,000-\$125,000	1,236	8
\$125,000-\$150,000	218	3
\$150,000-\$200,000	38	5
\$200,000-\$250,000	34	0
\$250,000-\$300,000	10	0
\$300,000+	1	0
<b>Total</b>	<b>24,403</b>	<b>1,377</b>

Source: AED analysis of CSDN data. Excludes Veterans who are CIAS Protected only.

<sup>58</sup> The minimum assured amount Veterans received in 2023 increased to \$54,812.92.

<sup>59</sup> When Veterans reach age 65, IRB is reduced to 70% of their pre-age 65 amount.

**Table 12: Annual net IRB payable to Veterans after offsets are deducted (as of March 31, 2022)**

Net IRB Amount	Veterans under age 65	Veterans over age 65 <sup>60</sup>
\$0	1,302	397
\$1-\$10,000	1,028	354
\$10,000-\$25,000	6,028	395
\$25,000-\$50,000	7,941	216
\$50,000-\$65,000	5,992	9
\$65,000-\$75,000	1,434	1
\$75,000-\$100,000	605	4
\$100,000-\$125,000	48	1
\$125,000-\$150,000	11	0
\$150,000-\$200,000	11	0
\$200,000-\$250,000	3	0
<b>Total</b>	<b>24,403</b>	<b>1,377</b>

Source: AED analysis of CSDN data. Excludes Veterans who are CIAS Protected only.

Approximately 1/3 of Veterans under age 65 who were in receipt of IRB on March 31, 2022 received at least \$50,000 (net). Further, it should be noted that the above table does not include Veteran income from other non-deductible sources such as investments. It should also be noted that 1,302 Veterans under age 65 did not receive any IRB payment, indicating that they had income offsets in excess of 90% of their pre-release income (and thus their financial needs are being met through other income streams). As explained further in section 4.2.2 *Intermediate outcome of the Income Replacement Benefit*, Veterans receiving IRB are assured net earnings in excess of the median earnings for single Canadians under age 65. An overall summary of gross and net IRB payable is shown in Tables 13 and 14.

**Table 13 - General Summary of the IRB gross annual amount payable to Veterans**

Age	Veterans	Average	Median	Minimum	Maximum	Range
<65	24,403	\$73,446	\$70,633	\$51,419	\$302,393	\$250,974
65+	1,377	\$54,744	\$51,048	\$35,993	\$190,643	\$154,650

Source: AED analysis of CSDN data. Excludes Veterans who are CIAS Protected only.

**Table 14 – General Summary of the IRB net annual amount payable to Veterans**

Age	Veterans	Average	Median	Minimum	Maximum	Range
<65	24,403	\$38,284	\$38,588	\$22.92	\$234,226	\$234,203

<sup>60</sup> When Veterans reach age 65, IRB is reduced to 70% of their pre-age 65 amount.

65+	1,377	\$16,919	\$14,527	\$5.85	\$130,433	\$130,427
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Source: AED analysis of CSDN data. Excludes Veterans who are CIAS Protected only.

Providing income support during rehabilitation is consistent with programming offered by international departments of Veterans Affairs and workers compensation boards in Canada (see Appendix C: *Environmental scan* for more information.) However, as will be shown in section 4.1.1 *Barriers to successful rehabilitation*, the current program may be impeding rehabilitation in certain circumstances and creating a financial dependency rather than a support.

### 3.3 Alignment with government priorities and departmental roles and responsibilities

The intent of the Income Replacement Benefit and the Rehabilitation Program align with Government of Canada priorities and departmental roles and responsibilities.

#### 3.3.1 Alignment with Government of Canada priorities

VAC’s mandate to deliver the Income Replacement Benefit and the Rehabilitation Program is derived from ss.8 and 18 of the [Veterans Well-being Act](#) and s.4(a)(i and ii) of the [Department of Veterans Affairs Act](#) which assigns the Minister of Veterans Affairs the powers, duties, and functions to administer such acts of Parliament, and such orders of the Governor in Council, as are not by law assigned to any other department of the Government of Canada or any Minister thereof, relating to:

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

The evaluation finds that the intent of IRB and the Rehabilitation Program is to provide aid to Veterans and their family members who require support due to barriers caused by physical or mental health issues. The Rehabilitation Program does this by addressing medical, psycho-social and/or vocational rehabilitation barriers while IRB provides income support when the Veteran is engaged in the rehabilitation program. This aligns with the 2019 Federal Budget which states “It is our responsibility (Government of Canada) to ensure that all veterans and their families receive the support and services they need, when they need it.”

The 2019 Speech from the Throne states that “the Government will continue to recognize its solemn duty to those who choose to serve in the Canadian Armed Forces...” The evaluation finds that the IRB and the Rehabilitation Program align with this goal as they are assisting Veterans overcome barriers caused by injury or illness resulting primarily through service.

While not exclusive to Veterans or the evaluated programs, Budget 2022 included a focus on housing/homelessness and mental health. The budget lays out government priorities and states that “Everyone should have a safe and affordable place to call home...” and “...continuing to fight homelessness and support housing affordability, particularly for the most vulnerable...” It also states that “...the government will invest in identifying and expanding effective mental health interventions. ...” Interviewees provided examples to the evaluation team of instances where the IRB and the Rehabilitation Program helped homeless/near homeless Veterans and Veterans with mental illness.

### **3.3.2 Alignment with departmental roles and responsibilities**

The IRB and the Rehabilitation Program both support departmental responsibilities as set out in the Minister’s mandate. The December 2019 mandate letter to the Minister of Veterans Affairs and Associate Minister of National Defence stated that the Minister:

...will continue to ensure that the Government lives up to its sacred obligation to our Veterans and their families. You will continue to ensure that Veterans receive the respect, support, care and economic opportunities that they deserve. This includes working with the Minister of National Defence to ensure a seamless transition for Canadian Armed Forces members to Veterans Affairs Canada programs and services.

The December 2021 mandate letter to the Minister of Veterans Affairs and Associate Minister of National Defence stated that the Minister must:

...ensure that the Government fulfills its obligation to support our Veterans and their families. Your top priority is to ensure that services and benefits necessary for the physical, mental and economic wellbeing of Veterans and their families are easily accessible, responsive, and available in a timely manner...To achieve these objectives, I ask that you achieve results for Canadians by delivering the following commitments:

... ensure CAF members and Veterans have access to adequate mental health resources, services and training programs tailored to their specific needs.

The evaluation finds that the intent of the IRB and the Rehabilitation Program serve to further the Minister’s mandate. IRB provides income support to Veterans while the Rehabilitation Program is intended to address individual needs by helping eligible participants cope with and improve, to the extent possible, any barriers:

- i. to function, social adjustment, or employability due to mental or physical health problems resulting primarily from service; or
- ii. to function or social adjustment due to mental or physical health problems that led to their medical release - for rehabilitation plans developed prior to April 1, 2024.

The Programs also align with VAC's *raison d'être* (reason for existence) which is derived from the *Department of Veterans Affairs Act* and is paraphrased as "...the care, treatment and re-establishment in civil life of Veterans and the care of their dependents and survivors, and such other matters as the Governor in Council may assign."<sup>61</sup>

The 2023-2024 Departmental Plan states:

Our country owes a debt of gratitude to all Canadian Veterans. Our focus is on continuing to support their well-being and recognizing the sacrifices both they and their families have made. A Veteran experiencing well-being is a Veteran with purpose, financial security, safe housing, good physical and mental health, the ability to adapt to change, a sense of belonging to their community, pride and awareness of their legacy, and is also valued and celebrated.

The IRB and the Rehabilitation Program support the 2023-2024 Departmental Plan as they assist with the financial, physical, and mental well-being of Veterans and their families.

### **3.3.3 Duplication and overlap with other Government of Canada programs**

VAC's Rehabilitation Program and the Income Replacement Benefit overlap with benefits Veterans receive through SISIP's Canadian Armed Forces Long Term Disability Program and the Canadian Armed Forces Vocational Rehabilitation Program.

As mentioned earlier, through the Service Income Security Insurance Plan (SISIP), medically releasing Veterans can receive vocational services through the Canadian Armed Forces Vocational Rehabilitation Program (CAF-VRP), a component of the Canadian Armed Forces Long Term Disability Program (CAF-LTD).

The objective of the CAF-VRP is to provide training and education that focuses on enhancing Veterans' education, skills, past training, and experience to obtain gainful employment in the civilian workforce. The goal is to build on Veterans' transferable skills, taking into account the Veterans medical limitations. The objective is not to provide training or education in a new career field. Any training provided is for the

<sup>61</sup> Veterans Affairs Canada website, [Mandate, Mission, Vision, Values and Ethics](#) accessed on April 22, 2024

acquisition of a license, certification, or diploma from a recognized educational institution.

CAF-VRP is available to members who medically release for both service-related and non-service-related conditions.<sup>62</sup> Vocational services are available for members up to 6 months prior to their medical release and for 24 months after their release. Veterans who are approved for CAF-VRP receive 75% of their pre-release income (minus offsets) through the CAF-LTD benefit for the full 24-month period.

Like VAC's Income Replacement Benefit, CAF-LTD benefits may be extended in cases where a Veteran is determined to be totally disabled (IRB may continue for life, however, CAF-LTD benefits cease once the Veteran reaches age 65). Veterans receiving CAF-LTD are assessed at the 12- and 18-month mark of their program to determine their level of disability. To be deemed totally disabled, there must be:

clear and objective medical evidence, which confirms that you are incapacitated by a medically determinable physical or mental impairment, which is preventing you from performing any and every duty of any substantially gainful occupation or employment for which you are reasonably qualified by education, training or experience.<sup>63</sup>

VAC's vocational rehabilitation services, which were designed to assist participants in identifying and achieving appropriate vocational goals, overlap with CAF-VRP in that similar training can be accessed through both programs. The difference, however, is that CAF-VRP training is centered on existing education and experience while VAC's vocational rehabilitation services concentrate on providing training for a skill that is both appropriate for the participant's health and that will ensure gainful employment at the level of 66 2/3% of pre-release income.<sup>64</sup>

CAF-VRP does not currently provide medical and psycho-social rehabilitation services.<sup>65</sup> Veterans may apply for VAC's Rehabilitation Program while engaged in the CAF-VRP and, if eligible, receive medical and psycho-social rehabilitation services to help support their vocational rehabilitation. However, interviewees indicated that while it appears the two rehabilitation programs are complementary, often Veterans require medical or psycho-social rehabilitation *before* they engage in vocational rehabilitation.

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<sup>62</sup> In rare circumstances, non-medically released Veterans may receive CAF VRP if they meet the policy requirements (e.g., if they are totally disabled).

<sup>63</sup> "Financial and Insurance." [Canadian Forces Morale and Welfare Services](#), 2022.

<sup>64</sup> VAC will provide vocational assistance based on the Veterans existing skills and abilities if doing so will lead to appropriate employment (i.e., suitable and gainful).

<sup>65</sup> In 2019, amendments were made to the [Veterans Well-being Act](#). Effective April 1, 2024, medically releasing Veterans with non-service-related health problems will access all their rehabilitation services (vocational, medical, and psycho/social) and income support from CAF-LTD.

Veterans cannot access vocational rehabilitation through the VAC Rehabilitation program while receiving CAF-VRP nor do Veterans who medically release have the option of “skipping” CAF-VRP to go straight to VAC rehabilitation.<sup>66</sup> However, upon completion of CAF-VRP, VAC can assess the Veteran for admission into VAC’s vocational rehabilitation.

Veterans participating in both the CAF-VRP and the medical or psycho-social component of VAC’s Rehabilitation Program may receive both CAF-LTD benefits and IRB benefits at the same time. Any payments received through CAF-LTD are deducted from the IRB payment. Since IRB pays 90% of pre-release imputed military income versus 75% under CAF-LTD, eligible Veterans may receive additional benefits through IRB depending on their offsets.

It was noted in interviews and confirmed through file review that CAF-LTD decision letters advise Veterans to “go to VAC for the 15% ‘top up’”. Employees indicated that this sometimes creates false expectations as the criteria for receiving IRB is different from CAF-LTD. For example, Veterans are expected to actively participate in the VAC Rehabilitation Program in order to receive IRB while the evaluation team was advised that there is no such expectation for CAF-LTD.

### **Observation: Impact of SISIP programs on the VAC Rehabilitation Program**

During interviews with VAC employees, the evaluation team was informed that some Veterans do not fully participate in their CAF-VRP. When Veterans come to VAC after two years of non-participation with SISIP, VAC employees sometimes find it difficult to encourage participation in VAC’s rehabilitation plan. In other instances, Veterans fully participate in CAF-VRP for two years, however, their training is in an area that does not meet VAC’s definition of being suitable or gainful (i.e., the Veteran has trained for a job that does not pay 66 2/3% of their pre-release income), or they have trained in a profession that is not appropriate for their medical condition.

The relationship between VAC, SISIP, and the Department of National Defense (DND) for the purpose of Veteran rehabilitation is documented in Program Arrangement (PA) TD 2012-03. The goal of the program arrangement is to harmonize services to mutually identified clients where the needs exist. The agreement states that “the participants will work collaboratively to ensure a comparable level of benefits and, where a need exists, will exchange written information and results to ensure successful transition client outcomes.” It also states “SISIP will work in collaboration with VAC, when required, to identify any medical and psycho-social considerations and supports needed to enable the client to successfully participate in a SISIP vocational rehabilitation plan.”

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<sup>66</sup> VAC has a memorandum of understanding (Program Arrangement [PA] TD 2012-03) with the CAF/DND/SISIP stating that eligible Veterans must first access vocational services through CAF-VRP and that CAF-LTD is first payor for vocational rehabilitation services.

Based on the agreement noted above, communication is a key part of the arrangement between participants and plays a key role in the success of the rehabilitation of Veterans. When interviewing VAC employees, the evaluation team learned that communication between SISIP and VAC is perceived as a barrier. Interviews with VAC employees indicate that improved communication and information sharing would reduce instances where Veterans are requested to undergo duplicate assessments.

In February 2023, during the conduct of the evaluation, a working group was established with participants from VAC, DND, and SISIP. Efforts are being made to improve communications and collaboration between parties and tools are being developed to share with case managers. Despite the efforts of the working group and collaborative intentions outlined in PA TD 2012-03, one of the main communication barriers is the legal challenge to the sharing of personal information between VAC and Manulife, the entity that administers SISIP on behalf of DND. The nature of the agreement between DND and Manulife requires that additional consents/processes<sup>67</sup> be employed in order to legally share personal Veteran information with VAC. This adds complexity to collaborative communication.<sup>68</sup>

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<sup>67</sup> Manulife is not an agent of DND as such its records are not considered records of DND. As a result, any sharing of information between VAC and SISIP (Manulife) directly must be pursuant to the *Personal Information Protection and Electronic Documents Act*.

<sup>68</sup> A new memorandum of understanding (MOU) is currently being drafted to update the information sharing and other elements previously documented in the program arrangement. The aim is to have this MOU in place for April 1, 2024, to include the VAC rehabilitation changes effective on that date and to clarify the information sharing between VAC and Manulife.

## 4.0 Performance

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The Rehabilitation Program and the Income Replacement Benefit were designed as complementary programs to improve Veteran transition to the civilian world, including the civilian workforce. The evaluation looked at how effective the programs are and how well they work together.

### 4.1 Effectiveness of the Rehabilitation Program

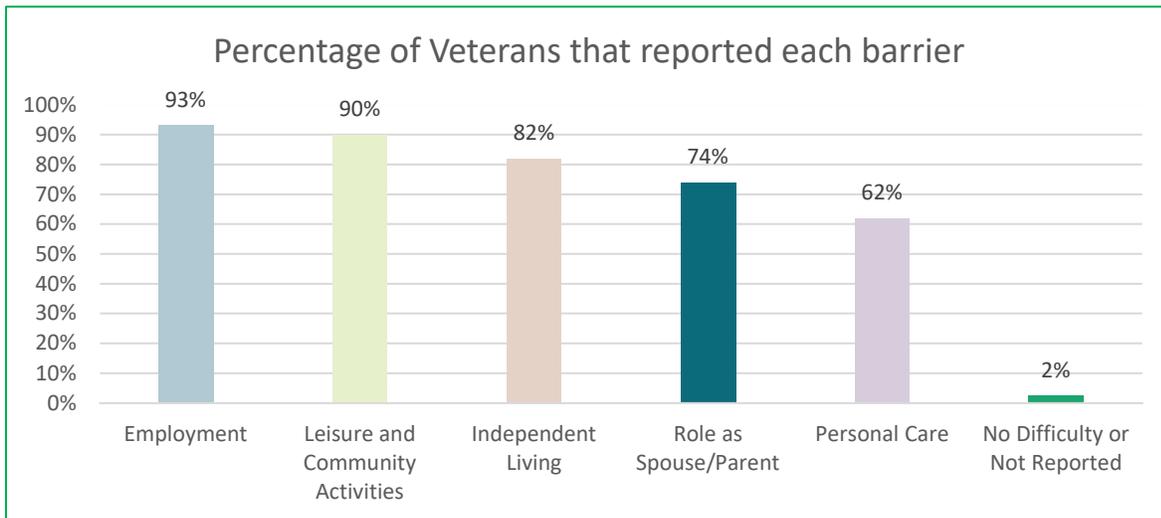
Veterans report satisfaction with the rehabilitation and vocational services they receive from VAC. However, data shows that less than half of established goals are being met and that few Veterans report a positive change in their barriers to re-establishment.

Veterans applying to the Rehabilitation Program self-declare their barriers to re-establishment in the following five categories:

- role as a spouse/parent/partner;
- personal care (e.g., washing, dressing, eating, toileting, taking medication);
- participation in hobbies, leisure or community activities;
- employment; and
- activities around the house and living independently in the community (e.g., preparing meals, housekeeping, shopping, banking, driving, or using public transportation).

As Figure 8 shows, Veterans most often indicate they have barriers to employment and barriers to participating in leisure or community activities. Most Veterans report more than one barrier to re-establishment.

**Figure 8 – Self-reported barriers to re-establishment**



Source: AED analysis of GCcase data.<sup>69</sup>

The 2022 VAC National Client Survey indicated that 68% of Veterans are satisfied with the rehabilitation services and vocational assistance they received from VAC. A majority (64%) say it helped improve their quality of life and benefited themselves and their supporters. However, only 24% agree that the program helped them enter the workforce or return to their main activity and only 29% agreed that their barriers decreased after participating in the program.<sup>70</sup>

Through data analysis and a file review, the evaluation team attempted to corroborate the National Client Survey results. An analysis of 4,399 Veterans exiting the Rehabilitation Program in 2021-22 and a subsequent file review showed there are gaps in the data that prevent a full analysis of the impact the program has on Veterans' barriers to re-establishment. In more than 50% of the cases, the data was not collected as there were no fields within the CSDN system for that information. With the introduction of the GCcase system, the fields now exist to capture the data, however, the historical data from CSDN does not exist. As a result, the evaluation team could not determine the impact of the Rehabilitation Program on the stated barriers.

To determine if individual plan goals were being met, the evaluation team reviewed data from rehabilitation plans that were closed in 2021-22.<sup>71</sup> The review revealed that less

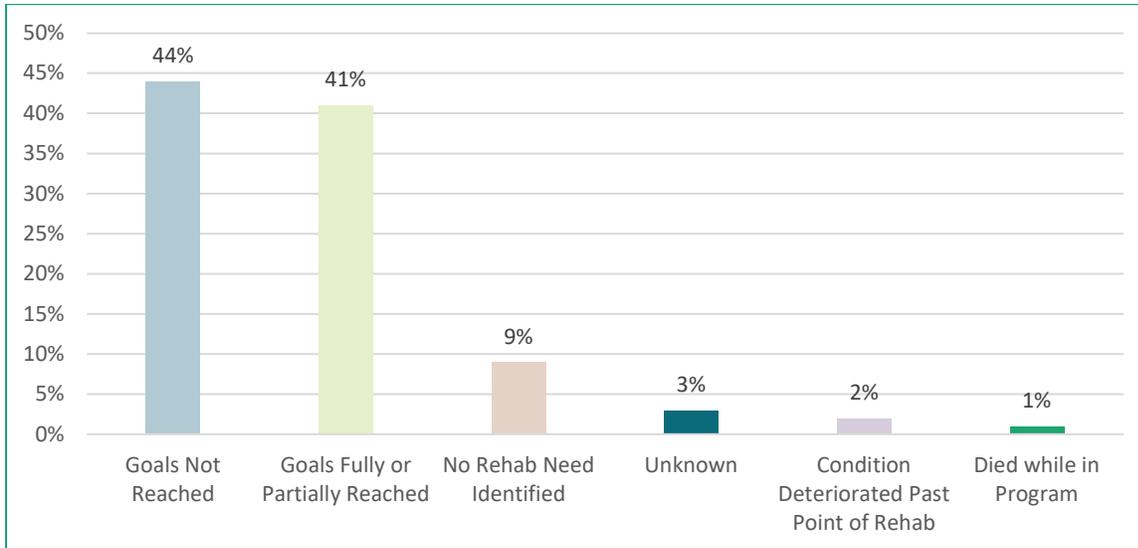
<sup>69</sup> The 2% indicated in the above graph as having "no difficulty or not reported" is largely a result of incomplete data on the GCcase system.

<sup>70</sup> The 2022 VAC National Client Survey public opinion research report presents the results of a CATI (computer-assisted telephone interviewing) and CATI recruit to CAWI (computer-assisted web interviewing) survey conducted by Forum Research Inc. on behalf of Veterans Affairs Canada. The research study was conducted with 3,427 VAC clients between May 24 and August 17, 2022, and was published in January 2023. The report in its entirety can be found on the Government of Canada Publications site at <https://publications.gc.ca>.

<sup>71</sup> As noted in the Section 2.4 *Considerations and Limitations*, in 2021-22 case managers were instructed to close out rehabilitation plans where possible in anticipation of the transfer to the new service provider. It is unknown if/how this may have affected the documentation of whether rehabilitation plan goals were met.

than half of stated goals are being reached (see Figure 9). Note that Veterans often have more than one goal indicated in their rehabilitation plan.

**Figure 9 – Achievement of Rehabilitation Program goals**



Source: AED analysis of GCcase data.

The data showed nearly identical rates of goal achievement between male and female program participants, and married versus single Veterans. However, regional variations in goal achievement were identified between Western and Atlantic regions (see Table 15).

**Table 15 – Rehabilitation goals reached by region**

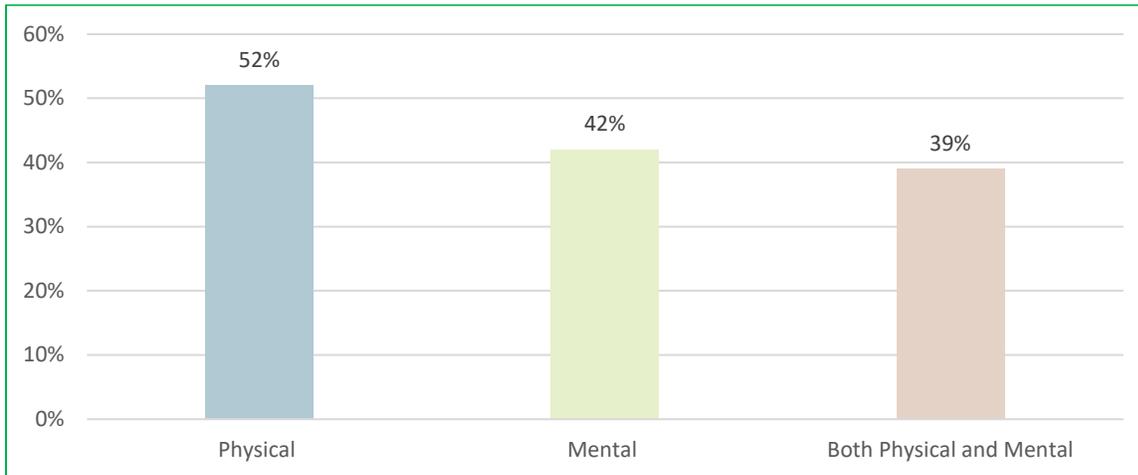
Region	Clients	Rehab Goals Fully or Partially Met
Atlantic	1,234	43%
Central	2,179	38%
Western	948	32%
Unknown or Outside of Canada	35	51%
Territories	3	33%
<b>Total</b>	<b>4,399</b>	

Source: AED analysis of CSDN and GCcase data.

More Veterans meeting their goals in Atlantic Canada is surprising given that Veterans in the Rehabilitation Program are more likely to meet DEC criteria in the Atlantic region versus the Western Region. See Appendix G: *Diminished earnings capacity (DEC) client profile* for more information on DEC rates across the country.

The achievement of goals appears to be related to the type and complexity of disabilities Veterans have. Figure 10 shows that Veterans with physical disabilities are more likely to achieve their rehabilitation goals than Veterans with mental health issues or a combination of physical and mental health ailments.

**Figure 10 – Achievement of rehabilitation goals by health needs**



Source: AED file review of CSDN and GCcase data.

As Figure 2 showed previously, a majority of Rehabilitation Program clients (57%) have both physical and mental health injuries/illness which makes rehabilitation more complex and can limit the success rehabilitation can have. Interviews with case managers confirm that many clients have complex needs arising from service-related injuries and illness plus other conditions that may be unrelated to service including drug and alcohol addiction, childhood trauma, and homelessness. Before Veterans can successfully rehabilitate their service-related injuries and illnesses, the unrelated barriers must also be addressed.

#### **4.1.1 Barriers to successful rehabilitation**

Few Veterans progress through the Rehabilitation program and successfully complete the vocational component. A combination of severe injury/illness, long periods between injury and rehabilitation and a dependence on Income Replacement Benefits are barriers to successful program completion.

As shown previously in Figure 8, Veterans self-reported employment as the most common rehabilitation barrier they are facing. However, when rehabilitation plan goals were analyzed, only 24% of Veterans had goals relating to employment.<sup>72</sup>

<sup>72</sup> The age of Veterans entering the Rehabilitation Program was thought to have an impact on whether they wanted to return to work. The average age of Veterans entering the Rehabilitation Program is forty-five. However, analysis showed that Veterans entering the program under the age of fifty and those entering over the age of 50 both had a

Interviews with employees indicate most Veterans do not progress through medical and psychosocial rehabilitation to the point where they are well enough to participate in the vocational rehabilitation component. Statistics confirm that few Veterans engage in the vocational component of the program and that vocational goals are often not met. Program data from 2021-22 rehabilitation plan closures shows that 64% of Veterans received an initial vocational assessment, but only 18% progressed to the point where a vocational plan was developed. Out of those with a vocational plan, only 52% met or substantially met the plan goals (see Table 16).

**Table 16 – Veterans with vocational rehabilitation goals**

2021-22 Plan Closures	Number with Initial Vocational Assessment	Number with Vocational Plan Developed	Number that met or substantially met Vocational Plan goals	Percent of all closed plans with “met” or “substantially met” vocational goals
4,399	2,833	809	424	10%

Source: AED analysis and file review of CSDN and GCcase data

While statistics show only 10% of Veterans who enter the Rehabilitation Program complete the vocational component, case managers who work with Veterans did indicate there are successes and there are Veterans who complete the program and join the civilian workforce. Successes were reported more often in the Western region.

VAC field employees clearly stated in interviews that some Veterans engaged in the Rehabilitation Program will never attain vocational goals due to the seriousness of their injuries. For those Veterans, the goal of rehabilitation is something short of returning to work; the goal is to return to the best state possible. Often, that means incremental improvement focused on health and well-being, independent living, and community engagement. The completion rate of the vocational component of the program is not an accurate measurement of the program’s overall success.

Employees indicated that Veteran outcomes and progression through the rehabilitation components can be affected by many factors including:

- the length of time between injury and the start of rehabilitation;
- the diminished earnings capacity determination process; and
- dependence on the Income Replacement Benefit.

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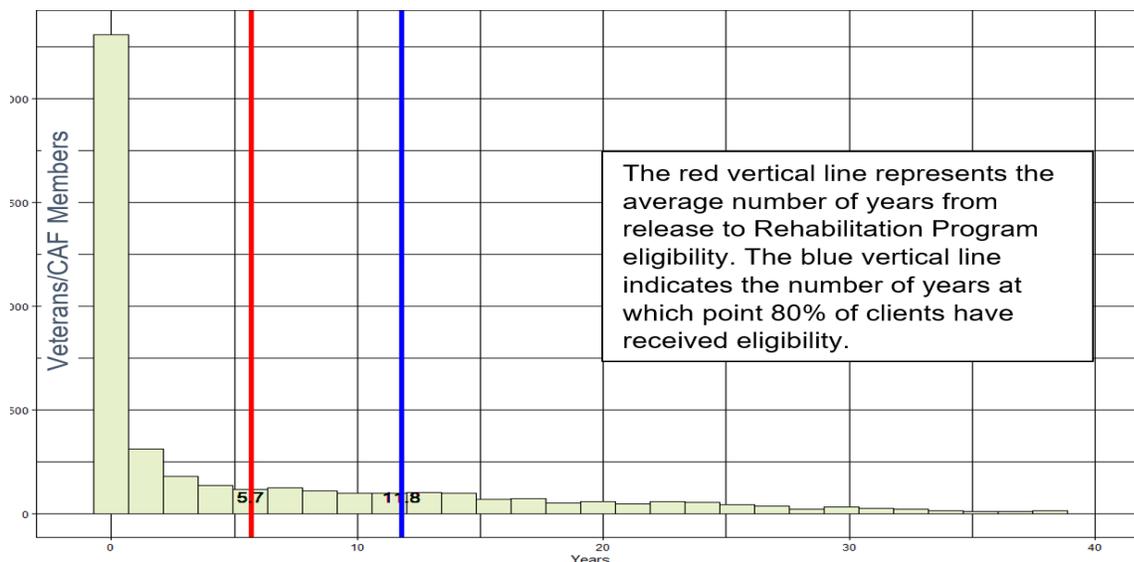
24% chance of having an employment goal. Veterans over the age of 60 were slightly less likely to have an employment goal (21%).

## Time between injury and rehabilitation

As mentioned earlier, interviewees indicated that Veterans often enter the Rehabilitation Program years from the point of injury and past the point where medical or psychosocial rehabilitation can be effective (i.e., they are already in the maintenance phase of recovery).<sup>73</sup> The evaluation team examined client data to determine when Veterans first apply to VAC for rehabilitation benefits and what the gap is between injury and the point where rehabilitation services are administered.

A file review confirmed that almost half (47%) of Veterans apply for the program before they leave the military (though they cannot receive services through the program until after release). Data on Veterans completing the Rehabilitation Program in 2021-22 (Figure 11) indicates that on average Veterans receive Rehabilitation Program eligibility more than 5 years after military release.

**Figure 11 – Time from military release to date of initial rehabilitation eligibility<sup>74</sup>**



Source: AED analysis of CSDN data.

As indicated, research shows that rehabilitation is most effective when it is received close to the time of injury or illness. It would therefore be expected that Veterans who receive eligibility close to release would have better outcomes than those who apply years after release. However, an analysis of program closure data does not show

<sup>73</sup> Numerous research studies point to the need for rehabilitation as close to the time of injury as possible to maximize rehabilitation potential including research conducted by the United Kingdom's National Institute for Health and Care Excellence: "Rehabilitation After Traumatic Injury." NICE Guideline, no. 211, National Institute for Health and Care Excellence, 18 Jan. 2022, p. 8, 13.

<sup>74</sup> Includes CAF members who applied for the Rehabilitation Program and received eligibility within six months *before* their release date. If this cohort is removed, the average length of time between release and eligibility increases to 6.8 years.

significantly better outcomes for those entering the program closer to the time of military release (see Figure 12).

**Figure 12 – Goal attainment by time between release date and Rehabilitation Program eligibility**



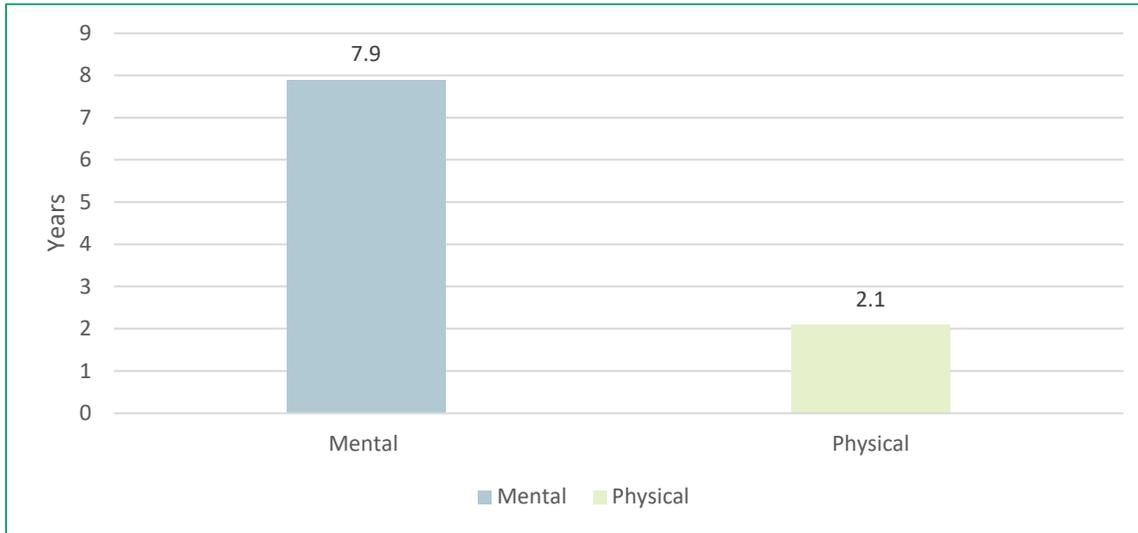
AED analysis of CSDN data.

DEC rates remained relatively high no matter when the Veteran received program eligibility. For example, Veterans or CAF members who received eligibility before release or within the first three years of release met DEC criteria 79% of the time while Veterans who received program eligibility 9 years or more after release met DEC criteria 87% of the time.

The evaluation team learned through interviews that although many Veterans apply for the Rehabilitation Program within proximity of their release date and have vocational goals, often years have passed since their injury/illness occurred. Case managers working with Veterans indicated that the time between injury/illness is often a barrier to successful rehabilitation, especially in cases where the Veteran has long-term mental health needs that must be addressed before beginning vocational rehabilitation.

As part of the file review conducted for the evaluation, the evaluation team reviewed the Service Health Records of 351 Veterans who participated in the Rehabilitation Program to determine the time between their injury and the point they received rehabilitation or had an injury treated. The review found that physical injuries were more likely to receive early intervention or rehabilitation than mental health injuries (see Figure 13).

**Figure 13 – Length of time between injury or onset of injury and medical intervention**



Source: AED analysis of VAC CSDN and GCcase data.

The review showed that treatment and rehabilitation for physical injuries often begins pre-release near the time of injury or near the time the Veteran identified the injury to military medical staff. Initial treatment for mental health conditions, however, may not begin until years after the triggering event occurred or years into the progression of the disease (often post-release). This inhibits the effect rehabilitation can have and the likelihood that the Veteran will complete rehabilitation through the vocational stage.

The time between injury and rehabilitation is also impacted by delays in receiving rehabilitation due to the time it takes to arrange assessments and to receive appointments for rehabilitation. The file review found, on average, that it takes 284 days to begin receiving rehabilitation services after a Veteran is approved for the program. Much of the delay between application and the start of rehabilitation is out of VAC's control. In some instances, CAF members apply before they leave the military, are approved for the program, but, VAC does not have the authority to proceed with a rehabilitation assessment until after the release date. In addition, assessments are usually completed by public or private rehabilitation specialists. Often, there are wait times for these assessments to be completed due to backlogs in the Canadian health care system. The same holds true after the assessment is completed as there can then be wait times to receive medical procedures or to begin other rehabilitation interventions.

Research commissioned in 2004 by the Corporate Medical Group, Department for Work and Pensions, United Kingdom concludes that "the more distant a claimant is from the labour market, the more difficult it is to obtain and enter work, and the lower the chance

of coming off benefits.”<sup>75</sup> With every delay between injury and rehabilitation, Veterans are less likely to complete the vocational component of the program. Also, the longer the delay between injury and rehabilitation, the more likely it is that interventions become maintenance in nature rather than rehabilitative.

### Diminished earnings capacity determination

On completion of the Rehabilitation Program, Veterans who do not have the capacity to earn 66 2/3% of their pre-release imputed income are determined to have met diminished earnings capacity criteria and are eligible for IRB benefits for life (if the continue to meet IRB program requirements). A Veterans’ file can be referred for diminished earnings capacity determination at any point during the rehabilitation process when a case manager believes evidence supports that further efforts at rehabilitation will not lead to improvement. The case manager refers the file to VAC’s Diminished Earnings Capacity (DEC) unit to render a DEC decision.

Files are referred to the DEC unit along with supporting evidence under one of eight DEC referral categories:

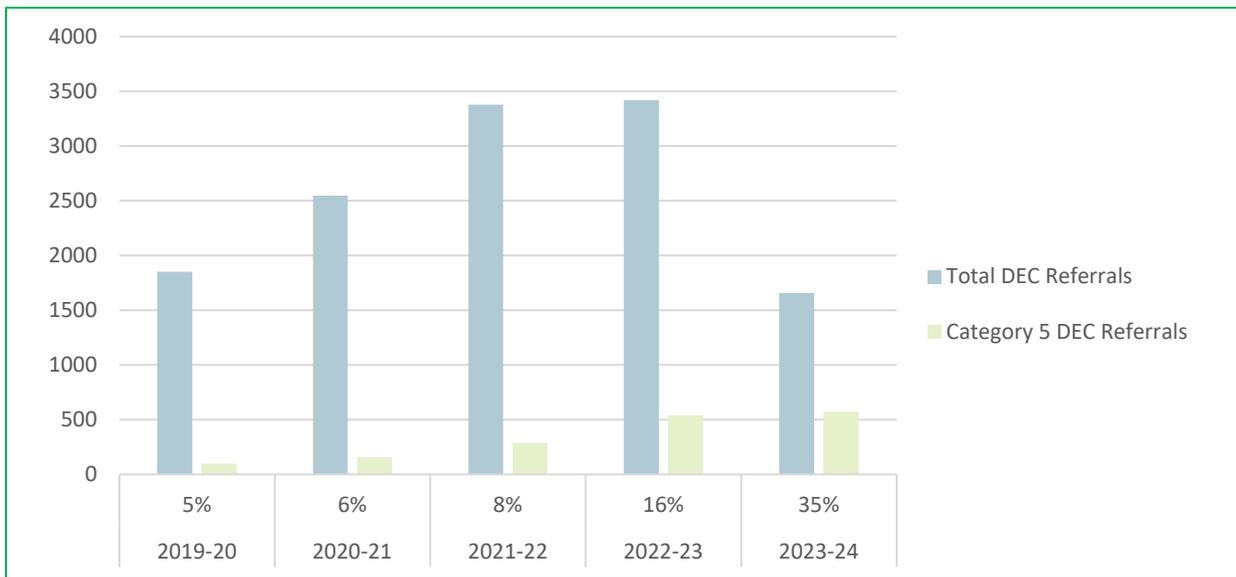
1. the Veteran has no vocational needs and is suitably, gainfully employed or may be suitably, gainfully employed;
2. the Veteran has an approved Individual Vocational Rehabilitation Plan targeted at suitable, gainful employment;
3. the Veteran has chosen, despite having capacity for suitable gainful employment, an occupational goal which, although suitable, will not remunerate at the gainful level;
4. the Veteran’s vocational assessment provides evidence the Veteran will not have the capacity for suitable, gainful employment, even with vocational rehabilitation services;
5. assessments/evidence from treating clinicians show Veteran’s eligible health problem(s), even if all reasonable medical and psychosocial rehabilitation efforts are exhausted, the Veteran will not be able to participate in vocational rehabilitation;
6. the Veteran has been determined ‘Totally Disabled’ with CAF LTD and/or in receipt of the Canadian Pension Plan disability benefit;
7. the Veteran eligible for IRB is approaching their 65th birthday; and
8. evidence confirms the Veteran’s ineligible, or other, health problem(s) are preventing the Veteran from participating in vocational rehabilitation services or participating to the extent to achieve suitable gainful employment.

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<sup>75</sup> Burton, A. Kim and Gordon Waddell, *Concepts of Rehabilitation for the Management of Common Health Problems*. The Stationary Office, London, 2004 pg.15

Increasingly, Veterans are being referred for a DEC decision through referral category 5 which is used when a treating clinician provides evidence that a Veteran is too unwell to participate in assessments. This trend impacts the number of Veterans who are referred for assessment, including an initial vocational assessment (as seen previously, only 64% of Veterans with a plan closure in 2021-22 received an initial vocational assessment). Category 5 referrals have increased from 5% in 2019 to 35% in 2023 (see Figure 14).

**Figure 14 – Increasing use of category 5 for DEC referrals**



Source: AED analysis of GCcase data. Data for 2023-24 is year-to-date as of October 18, 2023.

When category 5 was originally introduced under the predecessor Earnings Loss benefit, it was reserved for Veterans with the most critical injuries whose physical limitations prevented them from completing typical rehabilitation assessments. For example, some Veterans enter the Rehabilitation Program with illnesses for which rehabilitation will have little or no effect (such as certain cancers or amyotrophic lateral sclerosis). For these Veterans, acceptance into the Rehabilitation Program is part of the formal exercise required to apply for the Income Replacement Benefit; there are no rehabilitation interventions to pursue and the Veterans are physically unable to participate in the program. Category five allowed these Veterans to be referred directly for DEC determination.

In 2019, the category was expanded to include Veterans with severe mental health illnesses as well. However, the evaluation team learned that it was stressed by program management that only the most ill or injured Veterans should be put through this path. The sudden rise in use of this gateway which bypasses assessments and stalls progression through the Rehabilitation Program is concerning and could mean one of two things:

1. 35% of the Veterans who were referred for a DEC decision thus far in 2023 are too ill or injured to participate in the Rehabilitation Program and, in this case, granting them initial eligibility did not align with the program intent; or
2. Veterans are being referred through this gateway as a work-around to expedite a DEC decision or for some unknown logistical reason.

The evaluation team did not have enough information to determine why the DEC category 5 DEC referrals are spiking, but further review is required. Therefore, it is recommended:

**Recommendation #2**

**That the Director General, Service Delivery and Program Management, in collaboration with the Director General, Field Operations, review the recent increase in Category 5 DEC referrals and address as appropriate.**

**Management Response:** Management agrees with this recommendation (Table 17).

**Table 17 – Management response to recommendation #2**

Action and Rationale	Expected Completion/ Implementation Date	ADM Accountable for Action
Service Delivery Program Management (SDPM), in collaboration with Field Operations, will review the recent increase in Category 5 DEC referrals. This will involve reviewing referrals for DEC under Category 5 from April 2019 (when the criteria expanded to include severe mental health illnesses) to March 31, 2024. The findings of this file review will be shared with program policy and program management to assess if revisions to referral reason 5 are required to better align with the veterans it aims to support. Based on the review’s outcomes, SDPM and Field Operations (FO) will take actions to address it as appropriate. The outcome of the review may result in an update of all DEC-related training materials, business processes, and functional guidance available to DEC referral agents.	May 2026	Associate Deputy Minister (ADM) Service Delivery

Dependence on the Income Replacement Benefit

The connection between rehabilitation and financial security has been recognized by the department since VAC implemented the Rehabilitation Program and the Earnings Loss benefit in 2006. The Earnings Loss benefit originally provided Veterans with 75% of their pre-release imputed income (minus offsets) while the Veteran was engaged in the Rehabilitation Program. The intent was to relieve Veterans of financial stress so they could focus on making progress with their Rehabilitation plan. When initially

introduced in 2006, the structure of the Earnings Loss benefit amount closely resembled the financial benefits provided under CAF LTD at the time.

Over time, the Earnings Loss benefit evolved to provide enhanced economic benefits to Veterans, including:

- an increase in the minimum benefit amount from the equivalent of a senior Private to the equivalent of a basic Corporal (2011);
- the removal of the Disability Pension as an offset (2012);
- an increase to the minimum payable to part-time reservists to match regular force members (2015); and
- an increase in the benefit from 75% of pre-release imputed income to 90% under Bill C-15 (2016).

Research shows, however, that increasing monetary benefits attached to rehabilitation can have a detrimental effect on program completion rates and outcomes. MacLean and Campbell (2014) states "... the generosity of benefits can be a financial disincentive undermining employment goals ..."<sup>76</sup>

In 2014, while the Earnings Loss benefit was still at 75%, the Evaluation of Rehabilitation Services raised questions about whether the financial benefits available to Veterans engaged in the Rehabilitation Program created an unintended outcome by acting as a deterrent to active participation. The report found that financial benefits may be a reason for Veterans to remain in the Rehabilitation Program for a longer period and may affect a participant's motivation to actively engage in the labour market. Despite the findings of that evaluation and the 2014 report, the department introduced higher Earnings Loss benefits (guaranteeing 90% of pre-release income) to address a platform promise made during the 2015 federal election. As a result of this increase, the financial incentive to enter and remain on the Rehabilitation Program became higher than ever. Between 2015-16 and 2017-18, participation in the program rose 54% from 8,478 to 13,058. When the IRB was introduced in 2019, it retained the pre-release income guarantee at 90%.

The adoption of IRB at 90% of pre-release income conflicts with research into best practices conducted by the department. Maclean and Campbell (2014) states:

While income adequacy is a goal of many disability compensation schemes, the generosity of benefits can be a financial disincentive undermining employment goals, ultimately impacting the effectiveness and affordability of the program as well as client well-being. A number of studies – national and international, Veteran and general population – have shown a negative connection between more generous benefits and employment outcomes. However, successful employment strategies improve program

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<sup>76</sup> MacLean MB and Campbell L. *Income Adequacy and Employment Outcomes of the New Veterans Charter*. Research Directorate, Veterans Affairs Canada, Charlottetown. 2014. pp. 13-14.

affordability, income adequacy and, ultimately, well-being. In response, over the last decade, most Organization for Economic Co-operation and Development (OECD) countries have tightened access to benefits while improving employment integration.<sup>77</sup>

The connection between rehabilitation, financial security, and prolonging rehabilitation was noted in a 2019 survey report commissioned by VAC and undertaken by Corporate Research Associates Inc. The report, titled “*Client Experiences with Veterans Affairs Canada Rehabilitation Program and Case Management Services – Final Report*” noted that “Veteran’s fear of the future and want of a safety net, combined with what is perceived as a lack of accountability may account for Veterans remaining in the Rehabilitation Program even when they are determined to be well.”<sup>78</sup> As one Veteran put it, “It’s very easy to get stuck [in the system] and say, ‘screw it’ and take the cash. You don’t have to prove that you are doing anything [towards rehabilitation]. All you have to do is say you’re not getting better and the money is there.”<sup>79</sup>

Interviews with VAC employees generally support the notion that high IRB rates can be a barrier to successful rehabilitation. This trend was identified more often in eastern areas of the country where the IRB payment compares favourably against wages for civilian jobs. While almost all employees interviewed believe an income support program is necessary during rehabilitation, the need for support varies between Veterans. The current IRB model can provide an economic disincentive for some to complete rehabilitation or act as an incentive to remain on the program longer than necessary.

The evaluation team learned through interviews that it is sometimes difficult for case managers to disengage Veterans from the Rehabilitation Program due to their financial dependency on the IRB and their fear of losing that support. Data confirms that there are Veterans who remain on the Rehabilitation Program for many years, though their reason for remaining would require direct consultation with Veterans. As Figure 15 shows, the average program participant spends 4.1 years in rehabilitation.

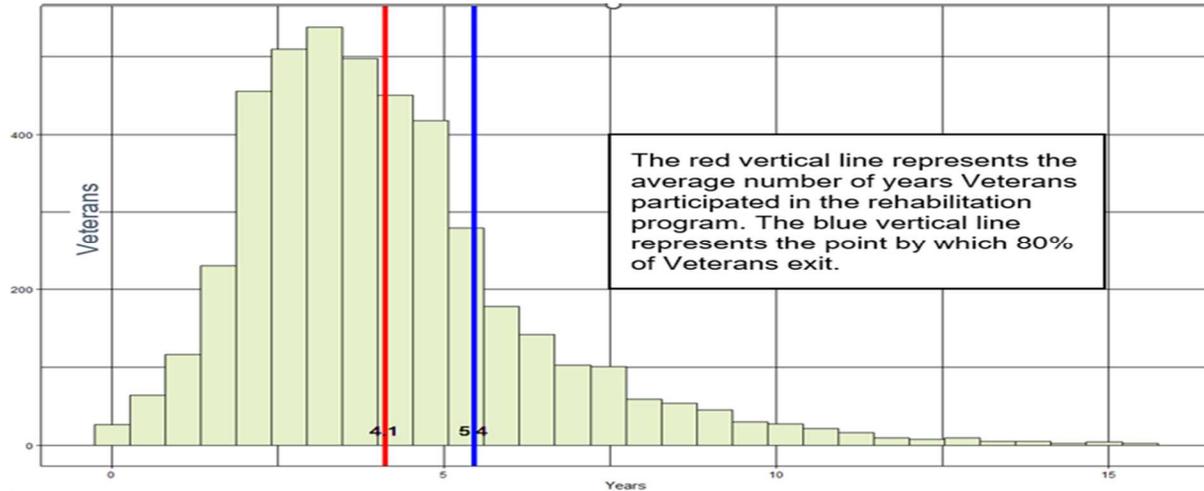
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<sup>77</sup> MacLean MB and Campbell L. *Income Adequacy and Employment Outcomes of the New Veterans Charter*. Research Directorate, Veterans Affairs Canada, Charlottetown. 2014. p. 3.

<sup>78</sup> Corporate Research Associates Inc. “Client Experiences with Veterans Affairs Canada Rehabilitation Program and Case Management Services Final Report.” April 2019, p. 2.

<sup>79</sup> Ibid p. 25.

**Figure 15 – Average years Veterans spend in the Rehabilitation Program**



Source: AED analysis of CSDN and GCcase data

The evaluation team learned through interviews that there are Veterans who apply to the Rehabilitation Program for financial reasons (i.e., to access IRB) rather than because of a true rehabilitation need (which is not the intent of the program). Some are cancelled for non-participation<sup>80</sup> or cannot demonstrate a need for the program after being assessed. However, it is easy to re-apply, be approved again for a new health condition, and begin receiving IRB again as there is no assessment performed before program eligibility is granted. While it is difficult to quantify how often this happens, program statistics (confirmed through file review) indicate that approximately 27% of participants who closed out a rehabilitation plan in 2021-22 were accepted into the Rehabilitation Program more than once (see Table 18).

**Table 18 – Number and times clients accessed the Rehabilitation Program**

Times in Rehab	Number of Clients	Percent of Clients
4	22	0.5%
3	133	3%
2	1,026	23.3%
1	3,152	71.6%
No Data <sup>81</sup>	68	1.5%
<b>Total</b>	<b>4,401</b>	<b>100%</b>

Source: AED analysis of clients exiting the Rehabilitation Program in 2021-22.

<sup>80</sup> VAC’s CSDN database shows that approximately 9% of rehabilitation plans were cancelled in 2021-22 for failure to participate in one form or another. However, the evaluation team learned that Veterans are sometimes coded as “cancelled” as a system work-around to close a file in cases where Veterans accept a full-time job without completing their rehabilitation plan. A complete file review would be necessary to determine how often this work-around is used.

<sup>81</sup> Sixty-eight files contained data anomalies which prevented the evaluation team from accurately determining the number of times each individual was accepted into the Rehabilitation Program. An attempt was made to gather similar information on years prior to 2021-22, however, data integrity could not be verified.

Further evidence that the current IRB rate can be a barrier to Veterans completing the Rehabilitation Program and rejoining the workforce was presented to the House of Commons Standing Committee on Veterans Affairs (ACVA) in February 2022. While conducting hearings on a National Strategy for Veterans Employment After Service, the committee heard from a service agency working with Veterans that:

...in the [Veteran] community, people think that working is going to limit veterans and cause them to lose money. Some veterans have told us that they quit their jobs because they were afraid that Veterans Affairs Canada would see their T4 slip and reduce the amount of their compensation.<sup>82</sup>

An example was provided of a Veteran the agency worked with who turned down full-time employment because anything over \$20,000 would be deducted from his benefits (IRB).<sup>83</sup>

## **4.2 Effectiveness of the Income Replacement Benefit**

The evaluation finds that the Income Replacement Benefit is easily accessible and effective at ensuring Veterans receive income from all sources at or in excess of the median income for a single Canadian.

The key determinates of whether the IRB program is working effectively are outlined in the program's logic model<sup>84</sup> (see Appendix H: *Income Support Program logic model*). The immediate outcome for the program is that eligible Veterans and other clients have access to income replacement while their rehabilitation and vocational assistance needs are being assessed. The intermediate outcome is that Veterans' and other clients' financial needs are met while receiving the Income Replacement Benefit. Both these outcomes roll up to an overarching outcome that Veterans and their families are financially secure.

### **4.2.1 Immediate outcome of the Income Replacement Benefit**

The evaluation finds that clients have access to the IRB while actively engaged in rehabilitation. As of March 31, 2022, 96% of Veterans receiving rehabilitation were also receiving IRB payments. Information provided through the department's Performance Outcomes and Indicators System (POIS) shows that as of March 31, 2023, IRB decisions are being made within the established service standard of four weeks 97% of the time (target 80%). However, the department is missing the target for issuing the first

<sup>82</sup> "44th Parliament, 1st Session Standing Committee on Veterans Affairs." Evidence Number 037, 13 Feb. 2023, pp. 17-18.

<sup>83</sup> "44th Parliament, 1st Session Standing Committee on Veterans Affairs." Evidence Number 037, 13 Feb. 2023, p. 13.

<sup>84</sup> The IRB logic model is currently combined with other programs under the Income Support Program logic model. The logic model is being revised to separate out the programs and provide a logic model specific to each program and their specific outcomes.

IRB payment within seven days of making the decision 33% of the time. The department is currently studying the timing of IRB payments to determine where improvements can be made.

#### 4.2.2 Intermediate outcome of the Income Replacement Benefit

When considering effectiveness of the program, intermediate outcomes based on whether the IRB is effectively meeting client needs are difficult to measure given the lack of direct public opinion research with Veterans. The program’s performance information profile indicates that the 2022 VAC National Client Survey is used to measure IRB effectiveness (see Table 19). The question “How satisfied are you with your ... ‘financial situation?’” is used as a proxy to determine how satisfied Veterans are with the IRB.

**Table 19 – Income Replacement Benefit intermediate outcomes**

Associated Outcomes/Outputs	Performance Indicators	Data Source	Target	Result Period Ending	Result
<b>Intermediate Outcome 1:</b> Eligible Veterans and other clients are satisfied with their financial situation while in receipt of Income Replacement Benefit	Percentage of Veterans Affairs Canada clients receiving Income Replacement Benefit who are satisfied with their financial situation	National Client Survey	80%	3/31/2023	71%
<b>Intermediate Outcome 2:</b> Veterans’ and other clients’ financial needs are met while receiving Income Replacement Benefit	Percentage of Veterans (with Diminished Earning Capacity designation) who report their financial needs are met while receiving Income Replacement Benefit during participation in rehabilitation and/or vocational assistance activities.	National Client Survey	TBD	3/31/2023	54%
<b>Intermediate Outcome 3:</b> Veterans’ and other clients’ financial needs are met while receiving Income Replacement Benefit	Percentage of Veterans, survivors, and orphans who report their financial needs are met while receiving Income Replacement Benefit during participation in rehabilitation and/or vocational assistance activities.	National Client Survey	80%	3/31/2023	52%

Source: VAC Performance Outcomes and Indicators System (POIS).

Since the question is not specific to the Income Replacement Benefit, it is difficult to determine if it is the IRB that is leading 71% of Veterans to indicate satisfaction with their financial situation as seen in Table 19 or whether other streams of income are contributing to this feeling (including other VAC programs). Similarly, the low satisfaction

indicated in the survey results for other classes of clients may not be attributable to the IRB rate, but rather to other external financial pressures.

As mentioned in Section 4.1.1 *Barriers to successful rehabilitation*, the high monetary value of IRB has an impact on some Veteran's participation in their rehabilitation plans. However, for participants truly engaged in their rehabilitation, VAC employees pointed to the guarantee of 90% of pre-release imputed income offered by IRB as beneficial as it relieves Veteran's financial worries and allows them to focus on wellness. The evaluation team was provided with numerous examples of how effective an income benefit can be at allowing Veterans the freedom and flexibility to prioritize wellness rather than focusing on their finances. It should be pointed out that, unlike regular military employment earnings, IRB is not subject to deductions such as Canada Pension Plan (CPP) contributions, military pension contributions, insurance, or Employment Insurance (EI) premiums.<sup>85</sup> The monthly net IRB benefit that Veterans are guaranteed can be higher than their pre-release monthly net military salary<sup>86</sup>.

The evaluation looked at the IRB payable to Veterans under age 65 in 2021 and determined the median Veteran was assured gross pre-tax earnings (before offsets) of \$69,023.<sup>87</sup> While there are unique tax factors for each Veteran, using the median benefit for a basic tax calculation shows that IRB guarantees an after-tax income between \$51,752 and \$56,870 depending on the province or territory a Veteran lives in. This compares favourably against the Canadian median after-tax income for a single person under age 65 in 2021 which was \$39,600 (31% - 46% higher).

The minimum gross (before offset) IRB payable to Veterans under the age of 65 in 2021 was \$50,019. When taxes are factored in, the benefit guarantees an after-tax minimum of between \$39,755 and \$43,092 depending on the province or territory. It is important to note that an IRB minimum was implemented to ensure that Veterans on the benefit will have an income from all sources comparable to a middle-class income. The evaluation finds the benefit is effective at ensuring Veterans receive net earnings from all sources at or in excess of the median income for a single person in Canada (\$39,600 in 2021), meeting its intent.

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<sup>85</sup> In 2023, CPP contributions are deducted from gross income at a rate of 5.95% to a maximum of \$3,754.45 per year. EI premiums are deducted at 1.63% of gross income to a maximum of \$1,002.45 per year.

<sup>86</sup> As posted on [Canada.ca](https://www.canada.ca), CAF LTD calculates 75% of gross pay translates to about 87% of net pay. A similar calculation for IRB using the higher rate of 90% gross pay could result in more than 100% of net pay.

<sup>87</sup> The median Veteran is the Veteran whose IRB benefits are the middle ground for those eligible for IRB benefits (i.e., half of all Veterans eligible for IRB are entitled to higher benefits, while half are entitled to lower benefits). The average IRB entitlement was slightly higher in 2021 at \$71,776. The median value is used in these calculations to better align with data released by Statistics Canada.

### 4.2.3 Effectiveness of the suitable and gainful employment provision during diminished earnings capacity assessment

Generally, military salaries are higher than civilian salaries and this limits the effectiveness of the 66 2/3% threshold as a measure of earnings capacity. Further research and data collection is required to determine if alternative methods for measuring earnings capacity are a better fit for VAC's rehabilitation and income support model.

#### Background

As mentioned earlier suitable and gainful employment is defined as employment for which a 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% of the Veterans pre-release income. Veterans engaged in the Rehabilitation Program who are assessed below the 66 2/3% threshold upon completion of the program are said to have met DEC criteria and are eligible to receive IRB benefits for life.

Veterans capable of earning 66 2/3% of their pre-release income upon completion of the Rehabilitation Program are no longer entitled to IRB benefits. They may, however, be eligible for other VAC programs including the Canadian Forces Income Support (CFIS) benefit, Career Transition Services (CTS), or the Education and Training Benefit (ETB).<sup>88</sup>

#### Suitable gainful employment defined in other disability programs

##### *Disability Insurance (DI) Plan for the Federal Public Service*

While VAC modeled its suitable and gainful employment threshold of 66 2/3% on the CAF Long Term Disability Program (CAF LTD), other disability insurance programs in Canada have used the threshold as far back as the 1950s. One program using the threshold is the Disability Insurance (DI) Plan for the Federal Public Service. The DI Plan provides employees in the Public Service who are included in collective bargaining, and who are members of the plan, with benefits to replace a substantial portion of earnings lost as a result of extended periods of disability.<sup>89</sup> For the purposes of the plan, a gainful occupation is one that provides earnings equal to at least two-thirds of the current rate of earnings for the employee's own regular occupation.

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<sup>88</sup> The CFIS is a tax-free monthly benefit that helps low-income CAF Veterans who no longer qualify for the Income Replacement Benefit while they are searching for a job or participating in the CTS program. The CTS program provides additional assistance in areas such as job finding, resume writing and skills translation, while the ETB provides financial assistance with education programs ranging from short courses to graduate level degree.

<sup>89</sup> "Disability Insurance Plan Document." Treasury Board of Canada, Canada.ca.

### *Canadian Armed Forces Long Term Disability Program (CAF LTD)*

The CAF LTD program offered by SISIP provides similar benefits to VAC. Under this program, a Veteran will be deemed totally disabled if their injuries/illness prevents them from obtaining a “substantially gainful occupation or employment for which you [the Veteran] are reasonably qualified by education, training or experience.”<sup>90</sup> In evidence presented by SISIP to the Senate Subcommittee on Veterans Affairs in October of 2009, it was revealed a 66 2/3% threshold is applied to determine a Veteran’s suitable earnings capacity:

When we assess whether someone is totally disabled, the income that person can earn is also weighed in the final decision. If it is determined that that person cannot earn at least 66 2/3% of his or her salary at the time of release, that person will meet the definition of totally disabled and will continue with SISIP up to age 65. We have different markers. If someone has the skill sets to return to gainful employment and it is determined that this person is not totally disabled, then that person could be transferred over to VAC and they would be entitled to some of the benefits under the suite from VAC.<sup>91</sup>

As per VAC policy, Veterans who meet total disabled criteria under CAF LTD are not automatically deemed to have met DEC criteria. However, evidence used in making the CAF LTD decision (medical reports, assessments, etc.) may be used when a DEC decision is being made.

### *Canada Pension Plan Disability (CPPD) and the Royal Canadian Mounted Police Long Term Disability Program*

A wider scan of other Canadian long term disability programs shows the definition of suitable and gainful employment differs from program to program. For example, Canada Pension Plan Disability (CPPD) defines “substantially gainful work” as a job that pays wages equal to or greater than the maximum annual amount a person could receive as a disability pension. In 2023, this equated to \$18,508. Therefore, a recipient who is regularly capable of earning this amount will likely no longer qualify for disability benefits. The RCMP Long Term Disability program considers suitable gainful employment as any employment that provides income of at least 50% of the employee’s former gross earnings.

### *Workers Compensation Long Term Disability*

Definitions of suitable and gainful employment vary amongst workers compensation boards across Canada. However, they typically do not use an earnings threshold to determine whether income (wage) replacement benefits will continue long-term. For

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<sup>90</sup> "CAF Long Term Disability Insurance, Frequently Asked Questions." Canadian Forces Morale and Welfare Services, <https://cfmws.ca/insurance-finance/insurance/disability-insurance>. Accessed 12/12/2023.

<sup>91</sup> "Subcommittee on Veterans Affairs of the Standing Senate Committee on National Security and Defence." Parliament of Canada, 40th Parliament, 2nd Session, 28 Oct. 2009, Ottawa, p. 6.

example, in Prince Edward Island, the Workers Compensation Board defines suitable work as “work that a worker has the necessary skills to perform and is medically able to perform, and that does not pose health or safety hazards to the worker or co-workers, as determined by the Workers Compensation Board”<sup>92</sup>. The worker will receive extended wage loss benefits based on an estimate of the worker’s earning capacity, taking into consideration:

- the worker’s functional ability to work.
- whether it is realistic given the worker’s work history, education, and analysis of transferable skills, and;
- whether the type of work generally exists in Prince Edward Island or the province or territory where the worker usually lives, as supported by local labour market information.<sup>93</sup>

There is no “threshold” set (e.g., 66 2/3%) to determine whether the work is suitable and gainful.

A summary of income replacement benefits for workers compensation, foreign departments of Veterans affairs, and federal disability plans is found in Appendix C: *Environmental scan*.

### Earnings threshold as a measure of capacity

VAC employees have expressed concerns that the current 66 2/3% earnings threshold applied when determining a Veteran's diminished earnings capacity does not take into consideration the disparity between military and civilian pay scales. Evidence shows that Canadian Armed Forces members typically earn higher annual incomes than their civilian counterparts. Several factors contribute to the calculation of military salaries that elevates pay rates beyond civilian pay:

1. Comparability –The Department of National Defence and the Treasury Board Secretariat use the principle of comparability between the Canadian Armed Forces and the Public Service so that Canadian Armed Forces members benefit from the results of collective bargaining. Comparability ensures the dollar per hour worked for the Canadian Armed Forces is equal to the dollar per hour worked for the Public Service.
2. Team concept – The Canadian Armed Forces uses a rank-based team concept or institutional approach to determine pay. In this method, pay is calculated based on the average value of the work performed by all members of a specific rank level. This is different from the more common Public Service method where an individual is paid based on the worth of their position.

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<sup>92</sup> "Policy Number: POL-85." Workers Compensation Board of Prince Edward Island, 2023, p. 2.

<sup>93</sup> "Policy Number: POL-85." Workers Compensation Board of Prince Edward Island, 2023, p. 6.

3. Total compensation analysis – Total compensation analysis ensures that the full value of compensation and benefits made available by the employer to federal public servants is considered, including benefits such as pension, severance pay, acting pay, overtime, sick leave, and medical/dental benefits. The analysis culminates in yearly pay changes.
4. Military factor – The military factor puts a compensation value on several aspects of military service:
  - a. Personal limitation and liability: compensation for giving up certain personal freedoms that civilian Canadians enjoy.
  - b. Imposed separation: compensation for the separation forced upon members by operational requirements such as deployments.
  - c. Posting turbulence: compensation for the turbulence that comes from uprooting family and regularly moving as part of employment in the Canadian Armed Forces.
  - d. Acting pay: compensation for times when members are required to perform the role of a superior while under ranked. Regular and Reserve Force members below the rank of Colonel receive acting pay. Members at the rank of Colonel or above are benchmarked off the Public Service Executive and do not receive acting pay.
  - e. Overtime: compensation for times when members are required to work extra hours due to operational requirements.

The military factor has been added to CAF salaries since 1974. In some cases, the military factor adds more than 15% to CAF salaries after comparison to public service compensation is taken into consideration (see Table 20).

**Table 20 – Effect of military factor on regular force military salaries<sup>94</sup>**

Military Factor	All ranks below Cadet <sup>95</sup> Officer/Naval Cadet	Officer Cadet/Naval Cadet to Lieutenant- Colonel/Commander	Colonel/Captain(N) to Lieutenant- General/Vice admiral
Personal limitation and liability	1.50%	1.50%	2.50%
Imposed separation	2.50%	2.50%	2.00%
Posting turbulence	4.70%	4.70%	2.00%
Acting pay	0.51%	0.66%	0.00%
Overtime	6.00%	4.00%	0.00%
<b>Total</b>	<b>15.21%</b>	<b>13.36%</b>	<b>6.50%</b>

Source: [Understanding Military Pay - Canada.ca](https://www.canada.ca/en/department-of-civilian-protection/services/understanding-military-pay) as of March 12, 2024.

<sup>94</sup> The military factor differs for Reserve Force members. See [Understanding Military Pay - Canada.ca](https://www.canada.ca/en/department-of-civilian-protection/services/understanding-military-pay) for more information on all factors used to calculate military compensation for Regular Force and Reserve Force members.

<sup>95</sup> The complete list of military ranks can be found in Appendix F: *Rank at release of Veterans in the Rehabilitation Program*.

The addition of the military factor to pay rates that are already comparable to unionized public service wages pushes military salaries higher than similar positions in the civilian workforce. This disparity adds to the difficulty of matching Veterans in occupations that they are suitable for and that pay 66 2/3% of their pre-release imputed income, regardless of whether there is a loss of capacity due to injury or illness. This increases the likelihood that a Veteran will meet DEC criteria.

As seen previously in Section 3.1.1, older Veterans with presumably longer periods of employment in the CAF and therefore higher pre-release earnings are more likely to meet DEC criteria upon completion of the Rehabilitation Program (59% for Veterans aged 30-39 versus 80% for Veterans aged 50-59). A file review of Veterans releasing from the Rehabilitation program showed that commissioned and non-commissioned officers (who earn more than junior members<sup>96</sup>) were more likely to meet DEC criteria (see Table 21).

**Table 21 – Officer versus junior member DEC criteria**

Rank	Number of Veterans	Met DEC Criteria	Percent
Officer	128	107	84%
Junior Member	152	116	76%
<b>Total</b>	<b>280</b>	<b>223</b>	<b>80%</b>

Source: AED analysis of GCcase data.

This may be an indication that the 66 2/3% threshold is not working effectively or as intended as a true measure of Veteran earning capacity.

Criticism of the 66 2/3% formula was also expressed in a 2016 study commissioned by VAC when the criteria was being applied as part of the Earnings Loss Benefit. In the report titled “Analysis of Pre- & Post-Injury Earning Capacity Models”, the authors state that:

The current formula based definition of suitable gainful employment that VAC uses in determining a Veteran’s post-injury earning potential does not reflect the concept of earning capacity. Rather, it reflects a long-term disability principle that estimates a Veteran’s post-injury employability status based upon the framework of a pre-determined formula (i.e., 66 2/3% of pre-injury earnings), which is misrepresentative of a Veteran’s actual earning capacity and the benefits to reintegrating into the workforce in a meaningful capacity.<sup>97</sup>

<sup>96</sup> A non-commissioned member (NCM) is any person, other than an officer, who is enrolled in the Canadian Armed Forces.

<sup>97</sup> Fitzgerald, Sean, and Sumaiya Hawkins. "Analysis of Pre- & Post-Injury Earning Capacity Models." 26 April 2016, pp. 13-14.

The report goes on to say that the approach favours disability over capacity and that the:

...66 2/3% formula based definition of suitable gainful employment acts as a disincentive by preventing a Veteran, at least on paper, from having a residual human capital and in turn an earning capacity. This definition of suitable gainful employment is a significant deterrent for Veterans in utilizing their transferable skills within the world of work as it would, in many cases, dramatically restrict or limit the various types of employment Veterans would be able to do (on paper), by following this definition.<sup>98</sup>

While attempting to dig deeper into Veteran capacity to learn whether the 66 2/3% threshold was an effective measurement of capacity, the evaluation team learned that VAC employees do not officially record a quantitative scoring of Veterans earnings capacity. The evaluation team expected to see documentation on the GCcase system or CSDN indicating the percentage Veterans were capable of earning, however, interviews with VAC employees revealed that type of information is not available for a deeper analysis. Veterans are essentially assigned a yes/no grade as to whether they meet the 66 2/3% threshold. It is therefore difficult to evaluate the level of untapped capacity Veterans may have upon completion of the Rehabilitation Program, including how many are “close” to meeting the 66 2/3% earnings threshold and how large a role civilian pay scales play in DEC determination.

The current formula for determining earnings capacity is resulting in 74% of all Veterans exiting the Rehabilitation Program (2019-20 to 2022-23) meeting DEC criteria (and thereby receiving IRB benefits for life). This was not anticipated when the formula was originally introduced for the NVC's Earnings Loss Benefit. Given the disparity between military and civilian salaries, a lack of documentation clarifying how much residual capacity exists within Veterans meeting DEC criteria, and research/expert opinion regarding alternative methods for assessing capacity, the evaluation recommends:

### **Recommendation #3**

**That the Director General Policy and Research develop evidence-based options for consideration and approval where necessary to more accurately assess Veteran earning capacity upon completion of the Rehabilitation Program. In doing so, the Director General should consider:**

- **alternative measures for determining Veteran earning capacity, the effectiveness of earning capacity assessments in other Canadian income**

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<sup>98</sup> FitzGerald, Sean, and Sumaiya Hawkins. "Analysis of Pre- & Post-Injury Earning Capacity Models." 26 April 2016, p. 14.

replacement programs and the effectiveness of how Veteran earning capacity is measured in other allied countries;

- the potential impact that military salaries may have on a Veteran’s ability to meet the current 66 2/3% threshold of suitable gainful employment within the civilian workforce;
- working with other branches to identify and collect information on Veteran earning capacity to determine how close Veterans are currently coming to meeting the 66 2/3% threshold of suitable gainful employment within the civilian workforce;
- exploring options for incentivizing workforce participation; and
- whether the current single earnings capacity threshold is the most appropriate way to determine eligibility for long term income replacement or whether differences between military and civilian salaries and the Veteran’s residual earnings capacity should also be considered.

Management Response: Management agrees with this recommendation (Table 22).

**Table 22 – Management response to recommendation #3**

Action and Rationale	Expected Completion/ Implementation Date	ADM Accountable for Action
<p>The Policy and Research Division will undertake research and analysis in relation to assessment of earnings capacity and, depending upon the outcome of this work, develop options for future consideration. The work will involve the conduct of a research and needs assessment of Veterans, consultation with stakeholders, financial and legal analysis. As part to this work, consideration will be given to evidenced based measures of earnings capacity used in other jurisdictions, research and best practices in measurement of earnings capacity, and the interplay between salary and earnings thresholds in the determination of earnings capacity in similar programs.</p>	<p>June 30, 2026</p>	<p>Assistant Deputy Minister Strategic Policy, Planning and Performance</p>

#### 4.2.4 Effectiveness of the career progression factor

The Career Progression factor is working as designed and can provide significant financial benefit over a Veteran’s lifetime. However, the effectiveness of the career progression factor as a recognition benefit may be viewed differently by Veterans based on their individual circumstances.

For Veterans who meet Diminished Earnings Capacity (DEC) criteria and where the Veteran was either younger than age 60 at time of release from the CAF or served less than 20 years, VAC applies a career progression factor (CPF) as part of the IRB calculation. The intent of the CPF is to recognize that Veterans who have service-

related injuries may release from the military earlier than intended and potentially miss out on career advancement opportunities. The CPF is not intended to compensate for actual lost career progression since actual progression for each Veteran would differ and cannot be guaranteed.

The CPF is a 1% annual adjustment applied to a Veteran’s monthly military salary used in the calculation of the IRB (the IRB is recalculated each year). The 1% is in addition to yearly increases to the IRB resulting from inflation (IRB is adjusted each year in accordance with the Consumer Price Index).<sup>99</sup> Each Veteran receives the same 1% increase to their monthly military salary, regardless of their current benefit amount or the extent of their actual career progression loss.

The evaluation team developed several scenarios to determine whether the CPF is acting as an effective form of recognition. The scenarios compared IRB benefits for Veterans who meet diminished earning capacity criteria and received the CPF against what their earnings would have been had they served a full career in the military.

Analysis of the scenarios shows that applying the CPF to the IRB increased lifetime IRB amounts substantially, and in some circumstances resulted in the IRB providing economic benefits in excess of what a Veteran would have earned had they worked a full career in the military. In other cases, the CPF did not increase IRB to the level of what the Veteran would have made had they completed a full military career (i.e., does not compensate dollar-for-dollar). However, in these instances, the effect of the CPF on lifetime IRB payments is still significant in financial terms as shown in Table 23. It should be noted that the CPF is just one of several recognition benefits Veterans may be entitled to including Pain and Suffering Compensation and Additional Pain and Suffering Compensation.

**Table 23: Synopsis of career progression scenarios**

Rank at Release	Service (years)	Release Age	Additional Amount Veteran would earn if continued working uninjured and had full pension to age 80	Lifetime IRB Payable minus CPF (less offsets)	Lifetime IRB Payable with CPF (less offsets)	CPF Effect	Difference between total IRB earnings and full career uninjured with pension
Corporal 5A – Level 4	7	25	\$5,551,032	\$5,535,051	\$6,052,864	\$517,813	\$501,832
Captain – Level 1	7	30	\$7,702,620	\$6,078,781	\$6,638,856	\$560,075	(\$1,063,764)
Major – Level 1	30	55	\$2,439,684	\$2,752,458	\$2,752,458	\$0 <sup>100</sup>	\$312,773

<sup>99</sup> The Consumer Price Index (CPI) represents changes in prices as experienced by Canadian consumers. It measures price change by comparing, through time, the cost of a fixed basket of goods and services. The minimum IRB amount increased 6.6% from 2022 to 2023 in accordance with CPI. Since program inception in 2019, the minimum annual IRB amount payable has increased from \$48,600 to \$54,812 (approximately 12.8%).

<sup>100</sup> The Major in this scenario had no CPF added to their IRB as they had already served 30 years.

Sergeant – Level 1	10	30	\$5,418,276	\$5,164,977	\$5,500,687	\$335,710	\$82,411
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Source: AED analysis

A research brief developed by VAC’s Research Directorate in 2014 (prior to the implementation of the career progression factor) points out that predicting career progression is difficult. Canadian worker’s compensation boards and allied departments of Veterans Affairs with similar programs use different methods to account for career progression. For example, the paper outlined how, in 2014, benefits for United Kingdom Veterans were factored on a sliding scale depending on the Veteran’s age (age was determined to be an indicator of future earnings). The adjustment factor used resulted in Veterans below age 37 receiving a positive career progression factor resulting in higher payments, while those above age 37 received a negative career progression factor and less benefits.<sup>101</sup>

VAC’s implementation of a flat percentage rather than a sliding scale model generally maintains a sense of equality and fairness. It ensures that all Veterans, regardless of their personal circumstances, rank, or the severity of their career progression loss, receive a proportionally equal increase. It is a simpler and more transparent method than giving increases based on individual assessments or other criteria, however it does not reflect the individual impacts or career progression losses of individual Veterans. While the evaluation finds that the CPF is working as designed, its effectiveness as a recognition benefit may be viewed differently by each Veteran due to their individual circumstances. Direct engagement with Veterans is needed to more accurately gauge whether the additional financial impact of the 1% CPF makes Veterans feel more recognized.

#### **4.2.5 Effectiveness of the \$20,000 income exemption before IRB offset**

The \$20,000 IRB income exemption has had little impact on Veteran engagement in the workforce. However, it has provided Veterans who work with increased net income, especially for those that meet DEC criteria. Analysis shows that Veterans who receive IRB and work report higher earnings than Veterans under the previous EL program.

#### Intention of the earnings exemption

The Income Replacement Benefit allows Veterans to earn up to up to \$20,000 in employment or self-employment income per year without offset (deduction) to their IRB benefit<sup>102</sup>. Any employment or self-employment income above \$20,000 is offset dollar-

<sup>101</sup> MacLean MB, Compensation for Economic Loss: Impairment, Severe Disability, Loss of Career Progression. Veterans Affairs Canada, Research Directorate Brief. 4 November 2014: p 9.

<sup>102</sup> The calculation of the \$20,000 employment income is based on calendar year and not fiscal year.

for-dollar from the IRB amount payable (if any) by the department. The \$20,000 threshold is based on the approximate maximum amount an individual could earn before provincial taxes were applied (i.e., the basic personal amount) in the most generous jurisdiction in Canada in 2018 (Alberta)<sup>103</sup>.

The employment earnings exemption was implemented to encourage employment activities that are beneficial and meaningful. Research supports the therapeutic nature of work and its place in personal well-being. In *Concepts of Rehabilitation for The Management of Common Health Problems* (Waddell Burton, 2004) evidence is presented that “on balance, work is good for physical and mental health while long-term worklessness is detrimental”<sup>104</sup>. The paper continues:

...modern approaches to clinical management stress the importance of continuing ordinary activities and early return to work (Waddell & Burton 2000; DWP 2002). Finally, there is the belief that it is not possible or advisable to return to work until symptoms are completely ‘cured’ – but modern clinical and occupational health management stress that return to work as early as possible is an essential part of treatment and that work is itself the best form of rehabilitation.<sup>105</sup>

Further, the 2006 research study *Is Work Good for Your Health and Well-being?* concluded that:

There is a strong evidence base showing that work is generally good for physical and mental health and well-being. Worklessness is associated with poorer physical and mental health and well-being. Work can be therapeutic and can reverse the adverse health effects of unemployment. That is true for healthy people of working age, for many disabled people, for most people with common health problems and for social security beneficiaries...Overall, the beneficial effects of work outweigh the risks of work and are greater than the harmful effects of long-term unemployment or prolonged sickness absence. Work is generally good for health and well-being.<sup>106</sup>

The introduction of the \$20,000 employment earnings exemption was seen as an improvement over the previous Earnings Loss (EL) benefit which saw:

- 50% of all employment income deducted from the benefit while the Veteran was engaged in rehabilitation
  - up to the point where the total employment earnings and Earnings Loss equaled the amount the Veteran made while still serving, and

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<sup>103</sup> The \$20,000 threshold has not changed since program implementation in 2019.

<sup>104</sup> Waddell, Gordon, and A Kim Burton. *Concepts of Rehabilitation for the Management of Common Health Problems*. TSO (The Stationery Office), 2004. London. p. 17.

<sup>105</sup> *Ibid*

<sup>106</sup> Waddell, Gordon, and A Kim Burton. *Is Work Good for Your Health and Well-being?* TSO (The Stationery Office), 2006. London. p. ix.

- 100% past the point where the total employment earnings and Earnings Loss equaled the amount the Veteran made while still serving.
- 100% of employment income deducted from the benefit after a Veteran was deemed TPI or met DEC criteria.<sup>107</sup>

The IRB employment earnings offset calculation is simpler and attempts to incentivize Veterans to tap into their latent capacity to work even after they have met DEC criteria.

### Employment Statistics

Data from 2021-2022, shows that approximately 2,961 Veterans reported employment income out of the 25,780 who were receiving IRB (11.5%)<sup>108</sup>. Almost half of those working (1,380) showed income in excess of \$20,000 (these Veterans averaged \$40,830 in earnings). Veterans earning more than \$20,000 represent 5% of all Veterans receiving IRB. It should be noted that Veterans self-report earnings to the department and that income verification was identified as an issue in the recent *Audit of the Income Replacement Benefit*.<sup>109</sup> Work is underway within the department to implement corrective actions in response to the audit.

Earnings data shows approximately one third of Veterans reporting employment worked for federal, provincial, or municipal government departments. As Table 24 shows, the Government of Canada and the Department of National Defence employ the most Veterans who receive IRB.<sup>110</sup>

**Table 24 – Top 10 employers of Veterans receiving IRB**

Employer	Veterans	Veterans Meeting DEC	Average Earnings
Government of Canada	390	21	\$26,124.44
DND	336	20	\$28,687.61
Commissionaires	103	16	\$14,331.18
CAF	35	1	\$4,589.17
Calian	23	4	\$17,614.14

<sup>107</sup> On April 1, 2017, the term 'totally and permanently incapacitated' (TPI) was replaced by 'diminished earnings capacity' (DEC). All veterans previously deemed TPI were automatically designated as DEC. However, income offset calculations remained unchanged until the new IRB program was introduced in 2019. In this paper, the term 'TPI' will be used for previous income offset calculations under the EL program, while 'DEC' will refer to the calculations for the IRB program.

<sup>108</sup> No employment targets for IRB recipients were set when the program was developed, and the \$20,000 income exemption was introduced.

<sup>109</sup> [Audit of Income Replacement Benefit](#)

<sup>110</sup> Veteran workplace info is manually entered into VAC's CSDN database. Inconsistencies in documenting employment income mean some government employers are broken out by department while others have been entered as just Government of Canada, Gov of Canada, Federal Government, etc.

Government of Alberta	18	1	\$24,263.86
Canada Post	16	2	\$26,072.09
Alberta Health Services	15	1	\$23,669.27
Halifax Regional Municipality	13	0	\$54,423.75
RCMP	11	1	\$19,769.16

Source: AED analysis of CSDN data.

A change made in 2016 to the Rehabilitation Program eligibility policy clarifies that Veterans may re-enroll in the CAF as a Class A reservist and still participate in the Rehabilitation Program (and continue to receive IRB). As the table shows, uptake from this policy change has had little effect on overall Veteran employment numbers as only 35 out of 25,700 Veterans on IRB worked for the CAF in 2021 and took advantage of the \$20,000 IRB earnings exemption.

Across Canada, Veterans who worked while receiving IRB reported average yearly salaries between \$22,013 in the Atlantic region to a high of \$25,839 in the Western region. As shown in Table 25, Veterans in the Western region were approximately 10% more likely to report earnings above \$20,000 than Veterans in the Atlantic region. This is expected as wages are typically higher in Western Canada for similar jobs.

**Table 25 – Employment income by region**

Region	Veterans	Total Earnings	Average Earnings	Number Earning 20k+	Percent Earning 20k+
Atlantic	712	\$15,673,551	\$22,013	305	43%
Central	1,426	\$34,205,390	\$23,987	647	45%
Western	789	\$20,387,131	\$25,839	409	52%
Territories	4	\$92,110	\$23,028	2	50%
Unknown or Outside Canada	30	\$823,067	\$27,436	17	57%

Source: AED analysis of CSDN data.

For a further GBA+ breakdown of Veteran employment earnings, see Appendix I: *Analysis of employment income of Veterans receiving Income Replacement Benefits*

## Analysis of the \$20,000 IRB earnings exemption before offset

During interviews with VAC employees, views differed on whether the IRB's \$20,000 earnings offset exemption was an incentive to get Veterans engaged in the civilian workforce. Case managers pointed out that whether a Veteran *should* work was dependent on their injuries and where they are in their rehabilitation process. The evaluation team was provided with examples of Veterans who benefitted from working while receiving IRB benefits because it gave them a sense of purpose and confidence. In other examples, case managers pointed to Veterans returning to work prematurely which set back rehabilitation attempts.

Frontline employees were split on whether \$20,000 was an appropriate sum to incentivize work. Some stated they had few Veterans in their case load capable of work and that the amount was irrelevant. The evaluation team did not hear that the amount should be raised. However, the team did hear that, in some cases, Veterans with capacity to earn more than \$20,000 stop working when they approach the limit as they do not want their earnings to become an offset to their IRB. This echoes testimony heard before ACVA in February 2022. The evaluation team was not able to corroborate or quantify how often this happens, however, several instances were observed during the file review.

Despite the *Pension for Life Regulatory Impact Assessment Statement (RIAS)*<sup>111</sup> emphasizing return to work, no performance indicators have been established to measure the impact the IRB's \$20,000 exemption has had on workforce participation. In an attempt to quantify the impact of the exemption, the evaluation team examined data from the Earnings Loss (EL) program in 2018 before the IRB was introduced. Veterans receiving EL in 2018 had employment earnings offset at 50% while the Veteran was in rehabilitation and 100% if they were deemed Totally and Permanently Incapacitated (TPI)<sup>112</sup>. Data from 2018 shows approximately 11.6% of Veterans receiving EL worked at some capacity. Similar analysis of IRB data from 2021 shows 11.5%<sup>113</sup> of Veterans on the program worked at some capacity during the year. Based on this analysis, the \$20,000 exemption to IRB offset has had little impact on the percentage of program participants who participate in the workforce.

While the \$20,000 offset may not be leading to a larger percentage of program recipients engaging in the workforce, it has had the effect of putting more dollars in Veterans pockets. Analysis shows that Veterans who receive IRB and work report higher earnings than Veterans in the previous EL program. Table 26 shows Veteran employment earnings in 2021 for those on the IRB program while Table 27 shows Veteran employment earnings for 2018 under the EL program.

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<sup>111</sup> Canada Gazette Part II." Canada Gazette, vol. 152, no. 18, 2018, p. 3194. SOR/DORS/2018-1772018-09-05 [PFL RIAS]

<sup>112</sup> The term Totally and Permanently Incapacitated (TPI) was later changed to Diminished Earnings Capacity (DEC). TPI was defined the same as DEC.

<sup>113</sup> This percentage increases to 12.1% if only those age 65 and younger are taken into consideration.

**Table 26 – 2021 Veterans earning income while receiving Income Replacement Benefit**

Income	Veterans	Total Earnings	Average Earnings
\$1-\$4,999	458	\$1,133,870	\$2,476
\$5,000-\$9,999	442	\$3,294,834	\$7,454
\$10,000-\$14,999	310	\$3,856,179	\$12,439
\$15,000-\$19,999	371	\$6,551,126	\$17,658
\$20,000+	1,380	\$56,345,241	\$40,830
<b>Total</b>	<b>2,961</b>	<b>\$71,181,250</b>	<b>\$24,040</b>

AED analysis of CSDN data.

**Table 27 – 2018 Veterans earning income while receiving Earnings Loss benefit**

Income	Veterans	Total Earnings	Average Earnings
\$1-\$4,999	638	\$1,656,960	\$2,597
\$5,000-\$9,999	474	\$3,369,270	\$7,108
\$10,000-\$14,999	266	\$3,281,621	\$12,337
\$15,000-\$19,999	187	\$3,253,665	\$17,399
\$20,000+	412	\$15,208,971	\$36,915
<b>Total</b>	<b>1,977</b>	<b>\$26,770,487</b>	<b>\$13,541</b>

AED analysis of CSDN data.

On average, per capita employment earnings for Veterans receiving IRB in 2021 were \$24,040. The average EL recipient in 2018 earned \$13,541.<sup>114</sup>

Higher Veteran earnings may, in part, be attributable to the changes in offsets when the EL program was rolled into the IRB. For example, whereas Veterans in the EL program had 100% of their earnings offset once they received the TPI designation, Veterans in the IRB program who meet DEC criteria can make up to \$20,000 before offset. The evaluation compared the subset of Veterans who were receiving EL in 2018 and were deemed TPI to those that were receiving IRB in 2021 and who met DEC criteria. As

<sup>114</sup> 2018 dollars not adjusted for inflation.

Table 28 shows, although the percentage of Veterans who meet DEC criteria and work is not much higher than those who received TPI and worked, the reported earnings for the two groups differ significantly.

**Table 28 – Analysis of Veterans with employment earnings in 2018 who were deemed TPI versus those with employment earnings that met DEC criteria in 2021**

Category	Number of Veterans	Percent with Employment Earnings	Total Earnings	Average Earnings	Veterans Earning 20k+	Percent Earning 20k+
2018 TPI	119	6%	\$1,082,941	\$9,100	15	13%
2021 DEC	329	11%	\$6,571,349	\$19,974	111	34%

AED analysis of CSDN data

Higher earnings for Veterans who meet DEC criteria versus those deemed TPI may be an indicator that the \$20,000 exemption better taps into Veterans latent capacity to work. However, given that the average employment earnings for Veterans who meet DEC criteria is so close to the \$20,000 offset exemption, there may be additional capacity to work that has not been maximized.

### Observation

The \$20,000 IRB earnings exemption has not increased since it was implemented in 2019. The exemption is not indexed to account for inflation, unlike the IRB program itself which is recalculated each year based on the Consumer Price Index (CPI). Since the IRB was implemented, the value of the \$20,000 income offset exemption has eroded by 17.7%<sup>115</sup>, based on annual changes to CPI shown in Table 29.

**Table 29 - Annual average change in the Consumer Price Index (CPI) 2019-2023**

Year	Percentage Increase CPI
2019	1.9
2020	0.7
2021	3.4
2022	6.8
2023	3.9

Source: Statistics Canada<sup>116</sup>

Over time, the exemption will continue to decrease in real value, and will cease to act as an incentive for any Veterans to participate in the civilian workforce.

<sup>115</sup> Includes annual compounding.

<sup>116</sup> Statistics Canada. "Consumer Price Index: Annual review, 2023." The Daily, 16 Jan. 2024. Published on [Statcan.gc.ca](https://www150.statcan.gc.ca). Accessed on March 13, 2024.

## Opportunity for improvement

The evaluation team identified inconsistencies in the data related to employment on VAC's CSDN system. Employers are entered manually with different spellings and there is confusion as to when VAC employees should enter CAF or DND as the employer. In addition, earnings from retro pay and earnings from when a Veteran was still serving are not distinguished from actual employment earnings when the Veteran is in the IRB program. Both issues cause difficulties when trying to retrieve and analyse data.

### 4.3 Economy

Rehabilitation Program and Income Replacement Benefit expenditures are rising and will continue to rise into the foreseeable future. The length of time Veterans are spending in rehabilitation and the high number of Veterans meeting DEC criteria are driving expenditures. IRB is now a \$1 billion program and will soon be the largest VAC program by expenditure.

The evaluation team reviewed program expenditures for the Rehabilitation Program and the Income Replacement Benefit through the lens of program intent. The objective was to determine how program design is driving expenditures and what economic impacts changes from the Earnings Loss benefit to the IRB had on departmental expenditures.

#### 4.3.1 Rehabilitation Program expenditures

Since the last evaluation in 2014, Rehabilitation Program expenditures have generally trended upwards apart from a dip in 2022-23 during the roll-out of the new rehabilitation model. While the number of clients participating in the Rehabilitation Program at any given time almost doubled between 2014-15 and 2022-23 (see previous Table 4), annual program expenditures increased by more than 230% over the same period from approximately \$19.0 million to \$63.3 million (\$44.3 million increase). See Table 30 for annual expenditures.

**Table 30 – Rehabilitation program annual expenditures**

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Healthcare Rehab</b>	\$8,254	\$9,577	\$12,475	\$13,658	\$15,196	\$22,731	\$23,865	\$25,597	\$19,510
<b>Vocational Rehab</b>	\$10,709	\$12,888	\$16,099	\$20,154	\$21,705	\$25,555	\$31,313	\$43,710	\$43,744
<b>Total (\$ Millions)</b>	<b>\$18,963</b>	<b>\$22,465</b>	<b>\$28,574</b>	<b>\$33,812</b>	<b>\$36,901</b>	<b>\$48,286</b>	<b>\$55,178</b>	<b>\$69,307</b>	<b>\$63,254</b>

Source: VAC Finance Division

As shown in Table 30, Rehabilitation Program healthcare expenditures spiked in 2019-20 after the introduction of the IRB program, before dipping during the roll-out of the new rehabilitation model. Vocational expenditures continue to increase. On a per-client basis, program expenditures have risen since IRB was introduced, but leveled out in 2022-23 during the roll-out of the new rehabilitation model (see Table 31).

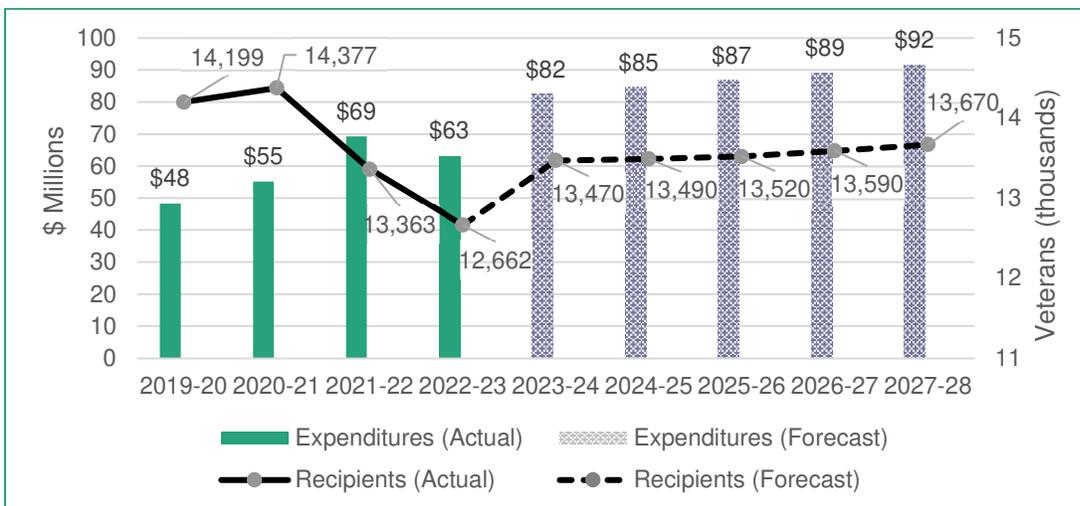
**Table 31 – Per-client rehabilitation expenditures <sup>117</sup>**

	2019-20	2020-21	2021-22	2022-23
<b>Healthcare Rehab</b>	\$3,241	\$3,293	\$3,402	\$3,003
<b>Vocational Rehab</b>	\$11,218	\$11,852	\$17,256	\$17,067

Source: AED analysis of VAC Finance Division data

Total Rehabilitation Program expenditures are expected to increase into the foreseeable future. Annual expenditures related to rehabilitation are projected to increase by approximately \$22 million (32%) between 2021-22<sup>118</sup> and 2027-28 to nearly \$92 million. Annual rehabilitation health care costs are estimated at approximately \$35 million for 2027-28 while the vocational rehabilitation estimate for the same year is approximately \$56 million (see Figure 16 for total actual expenditures and forecasts and Table 32 for forecasted expenditures by program component).

**Figure 16 – Total actual and forecast Rehabilitation Program clients and Expenditures 2019-20 to 2027-28**



Source: AED analysis of VAC Finance Division data

<sup>117</sup> Calculation was derived by dividing the amount spent per component (healthcare rehabilitation or vocational rehabilitation) by the number of clients participating in each component. Includes contractor costs and costs for implementing a new contract in 2021-22.

<sup>118</sup> 2022-23 expenditures dipped during the implementation of the new rehabilitation contract.

**Table 32 – Forecasted Rehabilitation Program expenditures by type**

	2023-24	2024-25	2025-26	2026-27	2027-28
<b>Healthcare Rehab</b>	\$ 31,715	\$32,535	\$ 33,337	\$34,223	\$35,125
<b>Vocational Rehab</b>	\$50,674	\$52,053	\$53,417	\$54,904	\$56,419
<b>Total (\$ millions)</b>	<b>\$82,389</b>	<b>\$84,587</b>	<b>\$86,755</b>	<b>\$89,126</b>	<b>\$91,544</b>

Source: VAC Finance Division

One of the drivers of increasing program expenditures is the length of time Veterans are spending on the Rehabilitation Program. The evaluation team examined program closure data from fiscal year 2021-22 and found that participants, on average, spent 4.1 years on the program, with 80 percent exiting the program within 5.4 years<sup>119</sup>.

Interviews with case managers indicated that there are Veterans who remain on the program longer than necessary, however, there are also Veterans who are actively engaged in their rehabilitation program that require a significant period of rehabilitation due to their complex injuries/illnesses. The difficulty lies, as heard through interviews, in determining when the Veteran has reached the point where their rehabilitation has effectively ended and they have entered a maintenance or treatment phase. At this point, their needs (and associated costs) might be more appropriately directed towards the Treatment Benefits Program.

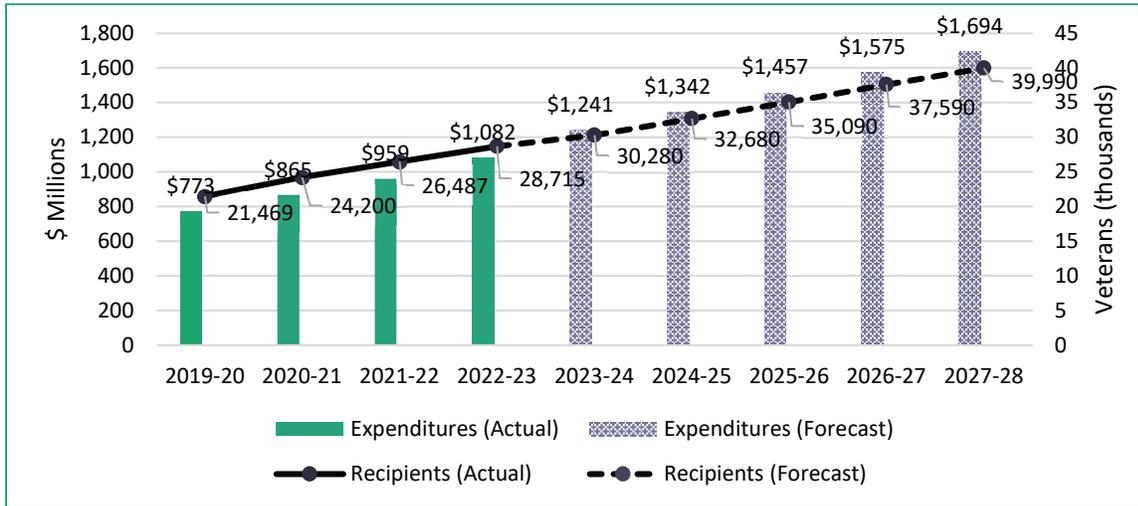
#### **4.3.2 Income Replacement Benefit expenditures**

IRB expenditures are rising and are expected to rise for the foreseeable future. The length of time Veterans spend in rehabilitation, the high number of Veterans meeting DEC criteria, and an average age of fifty-one for Veteran IRB recipients means program numbers will not plateau in the near future. As Figure 17 shows, expenditures are expected to increase from approximately \$1 billion in 2022-23 to nearly 1.7 billion over the next five years.

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<sup>119</sup> Data from the 2021-22 year was used for analysis as it was the first-year data was readily available in VAC's new GCcase database. Previous years data was split between two systems and more difficult to verify. Average time in the program may have been shortened by a special project undertaken in 2021-22 to close out rehabilitation plans that were inactive.

**Figure 17 – Income Replacement Program Expenditures and Estimates 2019-20 to 2027-28**



Source: AED calculation of actual and forecast data provided by VAC Finance Division. Does not include Career Impact Allowance Supplement (CIAS) protected Veterans.

IRB expenditures are forecasted to exceed Pain and Suffering Compensation (PSC) expenditures in 2025-26, making the IRB VAC’s biggest program dollarwise. IRB will exceed all disability benefits combined by the end of the decade at the current rate of expenditure increase. The rate of increase is exceeding forecasts made prior to program implementation.

## 5.0 Unintended Impact

The design of the IRB may lead to some Veterans receiving benefits at a higher rate than others depending on how their military pension is paid out. Veterans receiving a military pension as a stream of payments have their pension earnings deducted (offset) from their IRB payment while Veterans who have the option to receive their pension as a lump sum benefit and choose to do so have no offset against future IRB.

When the Earnings Loss (EL) benefit was introduced in 2006 under the *New Veterans Charter Act*, the intent was to ensure Veterans received 75% of their pre-release income from all sources. Thus, provisions were included to offset (reduce) EL payments by the amount of earnings a Veteran may have from other sources (i.e., EL was designed to “top up” all other sources of income until reaching 75% of pre-released income). Offsets included earnings such as Canada Pension Plan benefits, Employment Insurance benefits, and amounts paid under the *Canadian Forces Superannuation Act (CFSA)* (military pension). Investment earnings were not included as offsets. When the Income Replacement Benefit (IRB) was created in 2019, offset provisions mirroring those under the Earnings Loss Benefit were adopted.

During the evaluation, an inequity was identified between Veterans who receive a military pension (as a monthly payment) and those who opt to receive their pension as a lump sum. Essentially, Veterans receiving a military pension as a stream of payments have their pension earnings deducted (offset) from their IRB payment while Veterans who receive a lump sum benefit under the CFSA do not have these amounts offset against future IRB payments.

### CAF pension types

To better understand this issue, it is necessary to understand the difference between CFSA benefits presented to Veterans following release from the military.<sup>120</sup>

The most common benefit is an immediate annuity, which provides a monthly pension that is automatically payable immediately upon release from service. Veterans will receive an immediate annuity if:

- they have 25 years of service;
- they have two years of service and have reached age 60;
- they have reached age 55 with not less than 30 years of service; or
- they are medically released and have at least 10 years of service.

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<sup>120</sup> CFSA benefits are based on a number of factors including age, military salary, and number of years served.

A second benefit type is a Deferred Annuity which offers an unreduced monthly pension that becomes payable once a Veteran reaches the age of 60 (to simplify, a Veteran who retires before the years of service required for an immediate annuity can choose to wait until age 60 to draw a pension without penalty).

The third relevant benefit type is known as a Transfer Value which is essentially a lump sum payment equal to the present value of a Veteran's future pension benefit.<sup>121</sup> This option is only available to Veterans who are under the age of fifty and must be chosen within one year after release. The option to select a transfer value was introduced in 2007, after offsets were determined for the Earning Loss benefit.<sup>122</sup>

### Annuities versus transfer values with regard to IRB offset

The stream of payments resulting from an immediate or deferred annuity is considered an offset for the purposes of the IRB calculation. Veterans who receive an immediate annuity upon release from the military will see the annuity amount deducted dollar-for-dollar from any IRB payable. The same holds true for those with a deferred annuity when payments begin (typically at age 60). Offsetting an annuity from the IRB payable is in line with program intent (i.e., the IRB replaces lost income only).

Veterans who opt for a Transfer Value receive a lump sum amount that partly transfers directly into a retirement saving plan (typically a Locked-In Retirement Account (LIRA)) and part of which may be paid out directly to a Veteran and taxed accordingly. The amount transferred into a LIRA retains its tax-deferral status similar to a registered retirement savings plan (RRSP).<sup>123</sup> Funds remain locked within a LIRA until retirement age (though in exceptional circumstances they may be accessed earlier). At retirement age, cash and investments from a LIRA are typically transferred to a life income fund (LIF) or a prescribed retirement income fund (PRIF) from which a Veteran can make withdrawals.<sup>124</sup>

When a Veteran withdraws funds from their LIF they are taxed, however, unlike a pension annuity, the funds are considered *investment income* and, therefore, *not offset* from IRB payable. Thus, Veterans who have the option of taking their pension as a transfer value can convert their pension, set aside a lump sum in a LIRA, and ultimately

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<sup>121</sup> A more detailed explanation of how a transfer value is calculated can be found in ss.16.92 of the [Canadian Forces Superannuation Regulations](#).

<sup>122</sup> In some instances, Veterans may be eligible for a fourth benefit type: a return of contributions. A contributor who ceases to be a member of the regular force and who has to their credit less than two years of pensionable service is entitled to a return of contributions. The evaluation did not examine the impact a return of contributions may have on the IRB.

<sup>123</sup> In this case, tax deferral status means that no tax is paid until funds are removed from the investment account, similar to conventional Registered Retirement Savings Plans.

<sup>124</sup> It should be noted that each province has specific legislation that controls how LIRAs and LIFs/PRIFs operate (such as the minimum age required for withdrawal, the special provisions by which locked-in funds may be unlocked early, and the maximum amounts that may be withdrawn each year), but the basic principle remains the same across Canada.

avoid an offset to IRB. Meanwhile, Veterans who are forced to take an immediate annuity or who opt for a deferred annuity, will incur a dollar-for-dollar deduction from their IRB payment.

The evaluation team learned through interviews and feedback received that VAC's non-offsetting of superannuation paid out as a lump sum is a function of policy direction and may not be supported by authorities (which make no distinction between monthly and non-monthly superannuation benefits from prescribed sources for the purpose of calculating monthly IRB). The unintended impact of this policy direction is some Veterans have their IRB benefits offset by their pension earnings while others do not. This may be perceived as unfair and not in keeping with program intent.

The evaluation was unable to determine how many Veterans on the IRB program have opted for a transfer value as VAC does not own the pension data that is needed for this analysis. The evaluation, therefore, makes the following recommendation:

**Recommendation #4a**

**It is recommended that the Director General, Policy and Research determine the full extent to which IRB recipients receive Canadian Armed Forces Superannuation benefits in the form of lump sum transfer values.**

**Management response:** Management agrees with this recommendation (see Table 33).

**Table 33 – Management response to recommendation #4a**

Action and Rationale	Expected Completion/ Implementation Date	ADM Accountable for Action
The Policy and Research Division will undertake work to determine the extent to which Veterans entitled to IRB receive Canadian Armed Forces Superannuation benefits on an “other than monthly basis” and determine related impacts on IRB calculations.	September 30, 2025	Assistant Deputy Minister Strategic Policy, Planning and Performance

**Recommendation #4b**

**That the Director General Policy and Research develop policy options for consideration and approval as required to ensure military superannuation benefits are fairly, consistently, and equitably offset from IRB payments.**

**Management Response:** Management agrees with this recommendation (see Table 34).

**Table 34 – Management response to recommendation #4b**

Action and Rationale	Expected Completion/ Implementation Date	ADM Accountable for Action
The Policy and Research Division will undertake research and analysis in relation to superannuation benefits and the calculation of the Income Replacement Benefit and depending upon the outcome of this work, develop options for future consideration.	April 1, 2026	Assistant Deputy Minister Strategic Policy, Planning and Performance

## 6.0 Summary of findings and recommendations

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The evaluation finds there is continued need and ongoing demand for the VAC Rehabilitation Program. However, Veterans are being admitted to the program without a barrier to re-establishment or with conditions that cannot be improved through rehabilitation. Unlike most VAC programs, Veterans receive program eligibility before they are assessed.

There is a need for some form of income replacement for Veterans while participating in the Rehabilitation program. The evaluation finds that VAC's Income Replacement Benefit assures Veterans have an annual income comparable to a middle class Canadian as intended. However, the IRB can act as a disincentive to complete the Rehabilitation Program and the current method of calculating diminished earnings capacity does not take into consideration Veterans' residual earning capacity.

The intent of the Income Replacement Benefit and the Rehabilitation Program both align with Government of Canada priorities and departmental roles and responsibilities. However, the programs overlap with benefits Veterans receive through SISIP's Canadian Armed Forces Long Term Disability Program and the Canadian Armed Forces Vocational Rehabilitation Program.

Veterans report satisfaction with the rehabilitation and vocational services they receive from VAC. However, data shows that less than half of established goals are being met and that few Veterans report a positive change in their barriers to re-establishment. The data also reveals that few Veterans progress through the Rehabilitation program and successfully complete the vocational component. A combination of Veterans' severe disability, lengthy periods between injury and rehabilitation, and dependence on Income Replacement Benefits poses barriers to successful program completion.

The current measure of Veteran earning capacity used during the DEC decision is impacted by military salaries that are higher than civilian salaries. Further research and data collection is required to determine if alternative methods for measuring earnings capacity are a better fit for VAC's rehabilitation and income support model.

The Career Progression factor is working as designed and can provide significant financial benefit over a Veteran's lifetime in some cases. However, the effectiveness of the career progression factor as a recognition benefit can be viewed differently by Veterans based on their individual circumstances.

The \$20,000 IRB income exemption has had little impact on Veteran engagement in the workforce. However, it has provided Veterans who work with increased net income,

especially for those that meet DEC criteria. Analysis shows that Veterans who receive IRB and work report higher earnings than Veterans under the previous EL program. Rehabilitation Program and Income Replacement Benefit expenditures are rising and will continue to rise into the foreseeable future. The length of time Veterans are spending in rehabilitation and high DEC rates are driving expenditures. IRB is now a \$1 billion program and will soon be the largest VAC program by expenditure.

The design of the IRB may lead to some Veterans receiving benefits at a higher rate than others depending on how their military pension is paid out. Veterans receiving a military pension as a stream of payments have their pension earnings deducted (offset) from their IRB payment while Veterans who have the option to receive their pension in a lump sum and choose to do so have no offset against future IRB. This points to a possible inequity caused by the program design.

The evaluation team makes the following recommendations based on the findings from the evaluation:

### **Recommendation #1a**

That the Director General Policy and Research develop options for consideration and approval as required which will ensure Veterans entering the Rehabilitation Program have a requirement for rehabilitation interventions to overcome a barrier to participating in civilian life. This could include assessing Veterans before program eligibility is granted to determine rehabilitation need and whether barriers to transitioning to civilian life exist; and if the barrier could reasonably be expected to be addressed through active participation in the program.

### **Recommendation #1b**

That the Director General Policy and Research develop policy options for consideration and approval as required to ensure the financial security of Veterans whose service-related health problems would prohibit return to work in any capacity and where rehabilitation is not a suitable intervention for the Veteran.

### **Recommendation #2**

That the Director General, Service Delivery and Program Management, in collaboration with the Director General, Field Operations, review the recent increase in Category 5 DEC referrals and address as appropriate.

### **Recommendation #3**

That the Director General Policy and Research develop evidence-based options for consideration and approval where necessary to more accurately assess Veteran earning capacity upon completion of the Rehabilitation Program. In doing so, the Director General should consider:

- alternative measures for determining Veteran earning capacity, the effectiveness of earning capacity assessments in other Canadian income replacement programs and the effectiveness of how Veteran earning capacity is measured in other allied countries;
- the potential impact that military salaries may have on a Veteran's ability to meet the current 66 2/3% threshold of suitable gainful employment within the civilian workforce;
- working with other branches to identify and collect information on Veteran earning capacity to determine how close Veterans are currently coming to meeting the 66 2/3% threshold of suitable gainful employment within the civilian workforce;
- exploring options for incentivizing workforce participation; and
- whether the current single earnings capacity threshold is the most appropriate way to determine eligibility for long term income replacement or whether differences between military and civilian salaries and the Veteran's residual earnings capacity should also be considered.

### **Recommendation #4a**

It is recommended that the Director General, Policy and Research determine the full extent to which IRB recipients receive Canadian Armed Forces Superannuation benefits in the form of lump sum transfer values.

### **Recommendation #4b**

That the Director General Policy and Research develop policy options for consideration and approval as required to ensure military superannuation benefits are fairly, consistently, and equitably offset from IRB payments.

# Appendices

## Appendix A: Services provided through VAC’s Rehabilitation Program

The following services outlined in Table 25 are available to Veterans and/or their spouses or survivors engaged in VAC’s Rehabilitation Program. It should be noted that additional educational and vocational benefits are offered to Veterans through VAC’s Education and Training Benefit and through Career Transition Services.

**Table 35 – Rehabilitation Services**

Service Type	Description	Services/Interventions	Delivery Method
Medical Rehabilitation	Designed to stabilize Veterans’ functioning, reduce symptoms and restore basic physical and/or psychological functioning to the extent possible	Services may include <ul style="list-style-type: none"> <li>• Psychiatric treatment;</li> <li>• Prosthetics and aids;</li> <li>• Massage therapy;</li> <li>• Occupational therapy; and</li> <li>• Medications.</li> </ul>	External health professionals reimbursed for services <sup>125</sup>
Psycho-Social Rehabilitation	Designed to restore Veterans’ independent functioning and promote adaptation to permanent disabilities that impact on daily activities at home and in the community.	Services may include <ul style="list-style-type: none"> <li>• Life skills;</li> <li>• Psychological counselling;</li> <li>• Occupational therapy;</li> <li>• Physiotherapy; and</li> <li>• Family counselling</li> </ul>	External health professionals reimbursed for services <sup>126</sup>
Vocational Rehabilitation	Designed to identify and achieve an appropriate occupational goal for Veterans with a physical or mental health condition (given their state of health and the extent of their education, skills, and experience).	Services may include: <ul style="list-style-type: none"> <li>• Vocational evaluations or counselling;</li> <li>• Education/training</li> <li>• Childcare;</li> <li>• Work place ergonomic assessments/modification; and</li> <li>• Job-finding assistance</li> </ul>	National contractor (since program inception)
Vocational Assistance	Designed for spouses of medically released CAF members who have met DEC criteria; and survivors of CAF members who died due to service. Similar to Veteran vocational rehabilitation with the goal of finding suitable employment.	Services may include: <ul style="list-style-type: none"> <li>• Employable assessments;</li> <li>• Career counselling;</li> <li>• Training;</li> <li>• Job-search assistance; and</li> <li>• Job-finding assistance.</li> </ul>	National contractor

<sup>125</sup> External Health Professionals services were in place until November 2022 at which time a single national contractor began delivering all service types.

<sup>126</sup> Ibid

## **Appendix B – Consolidation of financial benefit programs**

On April 1, 2019, the Income Replacement Benefit (IRB) was introduced to simplify and consolidate the following financial benefits:

- the Earnings Loss Benefit,
- the Career Impact Allowance,
- the Career Impact Allowance Supplement,
- the Retirement Income Security Benefit, and
- the Supplementary Retirement Benefit.

A general overview of the repealed benefits and programs follows. More detailed information about the transition to the IRB can be found in the [IRB Transition Policy](#).

### **Earnings Loss Benefit**

The Earnings Loss Benefit (ELB) was a taxable, monthly benefit that assured a Veteran's total income would be at least 90% of their gross pre-release military salary. The benefit was increased from 75% to 90% on October 1, 2016.

A Veteran may have qualified for the ELB if they were a Canadian Armed Forces (CAF) Veteran taking part in VAC's rehabilitation services. The benefit was also available to qualified survivors and dependents.

The ELB was paid until a Veteran had completed their rehabilitation plan or reached the age of 65.

### **Career Impact Allowance**

The Career Impact Allowance (CIA) was a taxable, monthly benefit, payable for life. The allowance was provided to Veteran's whose career options were limited because of a service-related illness or injury.

A Veteran may have qualified if they had:

- a severe and permanent impairment for which they had received a disability benefit, and
- a VAC-approved application for rehabilitation services.

The CIA payable was commensurable with the Veteran's assessed grade level. The minimum payable was \$6,000 per year with a maximum of \$18,000 per year depending on the grade level. Rates were indexed annually.

CIA payments ceased the first day of the month following the date of the Veteran's death.

## **Career Impact Allowance Supplement**

Veterans who received the CIA, and who were deemed to have diminished earnings capacity, were also eligible for the monthly Career Impact Allowance Supplement (CIAS). The maximum amount of the CIAS was \$12,000 per year. The supplement was a flat rate irrespective of grade level.

The supplement continued to be paid, until such time as the Veteran was either:

- no longer eligible for the CIA; or
- no longer determined to have a DEC.

If the Veteran died, the CIAS payments ceased the first day of the month following the date of the Veteran's death.

## **Retirement Income Security Benefit**

The Retirement Income Security Benefit (RISB) was a monthly taxable benefit available to eligible Veterans post age 65. This benefit topped up a Veteran's total annual income to at least 70% of what they received in financial benefits from VAC before age 65. Survivors were also eligible for this benefit in some instances.

### *RISB Eligibility*

Veterans of the Canadian Armed Forces who:

- reached age 65, and;
- were eligible for a disability benefit, and;
- were eligible for the ELB at the age of 65 as a result of being totally and permanently incapacitated, **or**;
- were eligible for Service Income Security Insurance Plan Long Term Disability (SISIP LTD) on or after April 1, 2006.

Survivors:

- of Veterans who were eligible for the RISB; or
- who were no longer eligible for Earnings Loss.

Survivors were generally eligible for 50% of the RISB to which the Veteran was entitled, or would have been entitled had the Veteran applied, for the month in which they died; or 70% of the Earnings Loss benefit that would have been payable for the month in which the member or Veteran, if alive, would have attained the age of 65.

RISB ceased the last day of the month in which the Veteran or Survivor died.

## **Supplementary Retirement Benefit**

The Supplementary Retirement Benefit (SRB) was a taxable, lump-sum benefit provided to individuals at age 65 who were in receipt of ELB on a long term basis. It was provided in recognition of the lower pension plan contributions a Veteran may have made. The SRB was equal to 2% of the sum total of all the ELB payable to an eligible Veteran or survivor before any applicable income offsets.

### *SRB Eligibility*

Veterans may have qualified if they were in receipt of the ELB and that benefit ended.

Survivors may have qualified if they were in receipt of the ELB for survivors and that benefit ended.

## Appendix C: Environmental scan

To help put VAC's Rehabilitation Program and its Income Replacement Benefit into context, the evaluation team examined similar programs offered by other departments of Veterans affairs, provincial workers compensation boards, and the Canadian Federal Government.

### International departments of Veterans affairs

The evaluation team examined Veteran rehabilitation programs in Australia, New Zealand, and the United States of America, as their programs have comparative elements to VAC's rehabilitation program. Each of these countries provides various levels of support for rehabilitation services and benefits. The team also researched economic support benefits similar to VAC's Income Replacement Benefit (IRB) for comparison.

Based on the analysis of the three countries, it has been noted that the Australian Program most closely resembles VAC's.

#### Australia

The Australian Department of Veterans' Affairs' (DVA) offers rehabilitation services to Veterans if their injury or condition is related to service. A disability entitlement is also required for eligibility.

DVA's rehabilitation services and supports include medical management, social support, and vocational rehabilitation. To take part in the Rehabilitation services, the Veteran must first be assessed and, if approved for a rehabilitation plan, their doctor must complete a medical certificate to confirm medical capacity before a plan is created.

The above is comparable to VAC's rehabilitation program where the Veteran's injury or condition must be related to service. The program includes vocational, psychosocial, and medical services.

Australia DVA does provide compensation for economic loss due to the inability (or reduced ability) to work because of an injury or disease that has been accepted as service related under the *Military Rehabilitation and Compensation Act 2004 (MRCA)* or the *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988 (DRCA)*. This form of compensation is known as Incapacity Benefits (Payments). The incapacity payments are based on the difference between the Veterans normal earning (what they were earning prior to injury or incapacity) and their actual earnings or ability to earn at the time they are incapacitated for service or work. The payments are initially payable at a rate equal to 100% of their normal earnings, less any amount of actual earnings at the time they are incapacitated for service or work and any Commonwealth superannuation payments (pension and/or lump sum) they receive. If they are in

payment longer than 45 weeks, the payments will be based on a percentage of their normal earnings (between 75% and 100%, depending on the number of hours they are able to work each week), less their actual earnings (and any Commonwealth superannuation payments). This has the effect of reducing the amount they will receive if they are not working full-time. If they are not working, the rate will reduce to 75% of their normal earnings.

If a Veteran is receiving incapacity payments, they may be expected to participate in a rehabilitation program initiated by DVA to increase their capacity for suitable employment (a paid job that is suitable to the Veteran's skills and level of incapacity).

The incapacity benefit is comparable to VAC's IRB benefit and is also determined using earnings loss calculations.

Australia DVA has a separate Veterans' Vocational Rehabilitation Scheme (VVRS) that aids eligible Veterans in accessing work-related supports that help them find or stay in suitable paid work. Some of these services include vocational assessments, career advice and help with a résumé. The VVRS is a voluntary program; there is no obligation for a Veteran to participate in a rehabilitation program, and there is no suspension of benefits due to non-compliance.

VAC's vocational rehabilitation services are similar in nature to DVA's VVRS as it assists Veterans or eligible spouse/common-law partner or survivor to focus on options for a return to work. Examples of these services include career finding and education or training. The vocational assistance plan can include career counselling, employability assessments, training, and job-search assistance.

### New Zealand

The New Zealand (NZ) Department of Veterans' Affairs has a Rehabilitation Services program that includes both social and vocational rehabilitation. The social aspect of the program aims at restoring a Veterans' independence to the maximum extent practicable. The vocational component is to help a Veteran, as appropriate, to maintain employment, obtain employment, or to regain or acquire vocational independence. The eligibility requirements differ for social and vocational rehabilitation.

For social rehabilitation:

- the requirement is that it must be for an injury or illness as a direct consequence of an injury or illness for which a Veteran is eligible for an entitlement or service under sections 40 and/or 85 of the *Act*.

For vocational rehabilitation:

- Veterans must be eligible for an entitlement or service as listed in sections 40 and/or 85 of the *Act* for an injury or illness; **and**

- be entitled to receive Weekly Income Compensation or Weekly Compensation; **or**
- be likely to be entitled to Weekly Income Compensation or Weekly Compensation unless he or she receives vocational rehabilitation; **or**
- be on parental leave.

New Zealand does provide income support payments via a Weekly Income Compensation or a Weekly Compensation. The Weekly Income Compensation is for Veterans who are unable to work full-time due to **any** injury or illness while the Weekly Compensation is for Veterans who are unable to work full-time **due to a service-related injury or illness**. Weekly Income Compensation and Weekly Compensation are paid at 80% of the average wage, however, the amount will depend on whether the Veteran has any earnings that need to be considered.

New Zealand's noted programs are also comparable to VAC's Rehabilitation program and Income Replacement Benefit. The Veteran's injury or condition must be related to service for the Rehabilitation program which includes vocational, psychosocial, and medical services. VAC's IRB provides economic support to Veterans who have a barrier to re-establish in civilian life. It is equal to 90% of the Veteran's pre-release monthly income which is more generous than NZ compensation support payments.

### United States of America

The United States Department of Veterans Affairs (VA) offers a vocational program called the Vocational Readiness and Employment program (formerly called the Vocational Rehabilitation and Employment program). Rehabilitation services are accessible through this program. Eligibility requires an honorable discharge and a service-connected disability approved by the VA with a disability rating of at least 10%. If the Veteran was discharged from active duty before January 1, 2013, the basic period of eligibility ends 12 years from one of these dates, whichever comes later:

- the date Veteran received notice of their date of separation from active duty, **or**
- the date Veteran received their first VA service-connected disability rating.

The basic period of eligibility may be extended if a VRC finds that the Veteran has a serious employment handicap (SEH). Having an SEH means the service-connected disability significantly limits the ability to prepare for, obtain, and maintain suitable employment (a job that does not make the disability worse; is stable; and matches the Veterans' abilities, aptitudes, and interests).

If the Veteran was discharged from active duty on or after January 1, 2013, the 12-year basic period of eligibility does not apply to them. There is no limit on their eligibility. For still serving members, they may be eligible if they meet at least one of these requirements:

- Have a 20% or higher pre-discharge disability rating (memorandum rating) and will soon leave the military, **or**
- Waiting to be discharged because of a severe illness or injury that occurred while the member was on active duty.

Depending on the Veteran’s needs and goals, some of the services may include professional or vocational counselling, job training, resume development, job search, on the job training, post-secondary education and training, supportive rehabilitation services and independent living services.

There is no financial benefit comparable to VAC’s IRB, however, US VA does provide financial allowance known as the Subsistence Allowance under Post-9/11 GI Bill to pursue an educational or training program. This allowance is paid each month and is based on attendance, number of dependents, and the type of training. Effective October 1, 2023, the maximum monthly amount is \$3,251.38.

### **Provincial workers compensation**

Workers Compensation Boards across Canada exist to help workers recover from work-related injury and illness by providing benefits and services. The most common benefits provided are wage loss benefits, permanent disability benefits, medical and rehabilitation costs, and dependency benefits if a worker dies as a result of their injuries.

Employers fund the provincial workers compensation programs based on several factors; their payroll, their industry class, the level of risk in the particular industry, and their individual experience rating. Experience rating allows for variable assessment of individual employers based on increases or decreases in the number of accidents in their work place.

As shown in Table 36, more than half of Canadian provinces and territories provide 90% net tax free wage loss replacement payments to eligible workers.

**Table 36 – Percentage of Earnings Loss Replacement and Maximum Insurable Earnings by province/territory (as of 2023)**

<b>Province/Territory</b>	<b>Earnings Loss Replacement</b>	<b>Maximum Insurable Earnings<sup>127</sup></b>
Alberta	90% net	\$102,100 <sup>128</sup>
British Columbia	90% net	\$112,800 <sup>129</sup>

<sup>127</sup> [Association of Workers' Compensation Boards of Canada](#)

<sup>128</sup> [Workers' Compensation Board Alberta - Wage Replacement](#)

<sup>129</sup> [Worksafe BC Compensation-Related Maximum Wage Rates](#)

Manitoba	90% net	\$153,380 <sup>130</sup>
New Brunswick	85% net	\$74,800 <sup>131</sup>
Newfoundland / Labrador	85% net	\$72,870 <sup>132</sup>
North West Territories / Nunavut	90% net	\$107,400 <sup>133</sup>
Nova Scotia	75% net - 1 <sup>st</sup> 26 weeks 85% net - 27+ weeks	\$69,800 <sup>134</sup>
Ontario	85% net	\$110,000 <sup>135</sup>
Prince Edward Island	90% net	\$65,000 <sup>136</sup>
Québec	90% net	\$91,000 <sup>137</sup>
Saskatchewan	90% net	\$96,945 <sup>138</sup>
Yukon Territory	75% average weekly loss of earnings	\$98,093 <sup>139</sup>

## Federal Government Plans

Several disability plans are in place for employees of the Canadian Government. Two of the larger plans are the Disability Insurance Plan for the Public Service and the Royal Canadian Mounted Police (RCMP) Disability Insurance Plan.

### Disability Insurance (DI) Plan for the Public Service

The DI Plan provides a monthly income benefit for employees who are unable to work for a lengthy period of time due to a totally disabling illness or injury which is non-work related. Benefits are paid subject to a 13 week elimination period or the exhaustion of sick leave, whichever is later.

Employees are eligible to receive benefits for up to 24 months if they become totally disabled (i.e., in a continuous state of incapacity due to illness or injury and are prevented from performing the duties of their regular occupation). If, at the end of this

<sup>130</sup> [WCB Manitoba Calculation of Wage Loss Benefits 2023](#)

<sup>131</sup> [Worksafe NB maximum-assessable-earnings.pdf](#)

<sup>132</sup> [Workplace NL maximum assessable earnings 2023](#)

<sup>133</sup> [NWT maximum insurable earnings.pdf \(wscc.nt.ca\)](#)

<sup>134</sup> [Worksafe NS maximum assessable earnings 2023](#)

<sup>135</sup> [WSIB maximum insurable earnings 2023](#)

<sup>136</sup> [Workers Compensation PEI maximum assessable earnings 2023](#)

<sup>137</sup> [QC Income replacement indemnity - CNESST \(gouv.qc.ca\)](#)

<sup>138</sup> [Maximum assessable earnings | Saskatchewan Workers' Compensation Board \(wcbask.com\)](#)

<sup>139</sup> [Yukon - Maximum annual earnings \(wcb.yk.ca\)](#)

24-month period, they are unable to perform any commensurate occupation for which they are reasonably qualified by training or experience, their benefits would be continued. For the purposes of the DI Plan, commensurate occupation means one for which the rate of pay is at least 66 2/3% of the current rate for the employees' regular position. If the employees' disability prevents them from doing their job, and later a commensurate one, the benefits continue for as long as they remain disabled, but not beyond their 65th birthday.

The gross annual benefit is 70% of the employees insured annual salary on the date of completion of the elimination period. The benefits are subject to offsets such as CPP-D/QPP-D disability benefits.

RCMP Disability Insurance Plan (RCMP DI Plan)

The RCMP DI Plan is intended to fill a financial void by providing partial income replacement following discharge if a member is totally disabled and unable to work.

If a member becomes totally disabled, they may receive a Disability benefit to top-up their income from other sources, including pensions, to ensure they receive at least 75% of their gross salary at discharge.

To be eligible, a member will be considered "totally disabled" if:

- **In the initial assessment period** (from disability date to 24 months after discharge) they are continuously physically or mentally unable due to illness or bodily injury to perform the essential duties of their regular occupation.
- **After the initial assessment period** (24 months after discharge), they will be considered totally disabled if the disease or injury prevents them from being gainfully employed in any occupation.

Gainful employment means medically able to perform work that provides income of at least 50% of their monthly earnings.

The benefit is a maximum 75% of gross monthly salary at discharge, reduced by other income a member may be receiving. (i.e., CPP, employment income, etc.)

A summary of income and wage benefit programs review during the course of the evaluation can be found in Table 37.

**Table 37 - Summary of income and wage replacement benefit programs reviewed**

Income/Wage Replacement Programs	Income/Wage Replacement	"Gainful Employment" threshold	Factors
VAC's Income Replacement Benefit	90% Gross Income	66 2/3%	Participation required in VAC

			Rehabilitation Program
Canada Pension Plan Long Term Disability	Basic amount \$558.74. Maximum amount December 2023 \$1546.05.  Post-retirement disability benefit is a flat rate of \$558.74.	If employment gross income is between \$6,600 - \$18,508.36, the disability benefit may be affected. If employment gross income is above \$18,508.36, it shows that a person is capable of working and will most likely no longer qualify for the disability benefit.	Condition must be severe and prolonged. Additional funds will be added to the basic monthly amount based on how much a person paid into CPP while they worked.
Federal Public Service Disability Insurance Plan	70% gross	66 2/3%	Both excluded and union members
Workers Compensation Canada	75% to 90%	n/a - Earnings loss may continue as a supplement to any earned income	Not taxable
Canadian Armed Forces Long Term Disability	75% gross income		66 2/3% unofficially used as gainful employment threshold
Royal Canadian Military Police Disability Insurance Plan	75%	50%	
DVA - Australia	100% for the first 45 weeks Above 45 weeks – it is based on a percentage of their normal earnings (75%-100% depending on numbers of hours worked each week)		Known as Incapacity Benefits (payments)
DVA - USA	No comparable Income Replacement Program.		They have a VA Pension Program and a VA Disability Compensation Program.
DVA – New Zealand	80% of average wage		
United Kingdom - VA	30% to 100% depending on impairment level	n/a	Age of Veteran is factored in

## Appendix D: Most common medical conditions for which Veterans were approved for rehabilitation

Table 38 shows the most common conditions among 4399 Rehabilitation Program participants who closed a rehabilitation plan in 2021-22. Veterans may have more than one condition. An additional 3,170 conditions were approved for rehabilitation with a frequency of less than 2% or which could not be categorized due to input error.

**Table 38 – Conditions for which Veterans were approved for rehabilitation**

Medical Condition	Clients	Percent	Average Disability Assessment
Post Traumatic Stress Disorder	2,064	47%	35.9%
Depressive Disorders, including Dysthymia and Major Depression	623	14%	20.0%
Tinnitus	489	11%	7.1%
Lumbar Disc Disease	441	10%	12.5%
Osteoarthritis Knee	340	8%	7.3%
Cervical Disc Disease	296	7%	12.3%
Hearing Loss	288	7%	7.9%
Chronic Mechanical Low Back Pain	242	6%	8.6%
Internal Derangement Knee	214	5%	8.9%
Osteoarthritis Lumbar Spine	196	4%	11.9%
Arthrosis of Knee	191	4%	6.7%
Adjustment Disorder	188	4%	20.8%
Plantar Fasciitis	163	4%	4.2%
Osteoarthritis Hip	144	3%	10.8%
Patellofemoral Syndrome	143	3%	6.8%
Anxiety Disorders, (including Panic Disorder)	135	3%	9.9%
Generalized Anxiety Disorder	107	2%	17.7%
Osteoarthritis Cervical Spine	97	2%	9.8%
Osteoarthritis Shoulder Joint	78	2%	4.3%

AED analysis of GCcase and CSDN data.

## Appendix E: GBA+ Analysis – Rehabilitation Program and Income Replacement Benefit

### Overview

This appendix contains a snapshot of clients who were accessing either the Income Replacement Benefit (IRB) or Rehabilitation Program as of March 31, 2022. This analysis is intended to add a GBA+ lens to the clients accessing these programs. Clients are broken out by program and the type of client since that affects eligibility requirements. GBA+ analysis of these clients looks at their age, sex, marital status, region, written language preference in addition to community type. All information included in this appendix was compiled by AED through analysis of CSDN data.

### Methodology

- IRB clients include those eligible or in-pay as of March 31, 2022. Excludes CIAS clients who transitioned to IRB who either were not in receipt of ELB/RISB or have offsets from other income sources that offset their remaining IRB portion to \$0 (210 in total).
- Rehabilitation Clients include those identified as participating in the rehabilitation program as of March 31, 2022.
- All percentages are rounded to the nearest one percent.

### Rehabilitation Program GBA+ Summary

Table 39 – General Summary

Client Type	Number	Percent
Veteran	13,226	99%
Survivor/Spouse	137	1%
<b>Total</b>	<b>13,363</b>	<b>100%</b>

**Table 40 – Age Summary**

<b>Client Type</b>	<b>Age</b>	<b>Number</b>	<b>Percent</b>
Veteran	29 and under	490	4%
Veteran	30 to 39	3,246	25%
Veteran	40 to 49	3,605	27%
Veteran	50 to 59	4,351	33%
Veteran	60 to 69	1,482	11%
Veteran	70 to 79	49	0%
Veteran	80 to 89	2	0%
Veteran	90 and over	1	0%
<b>Total</b>		<b>13,226</b>	<b>100%</b>
Survivor/Spouse	29 and under	1	1%
Survivor/Spouse	30 to 39	37	27%
Survivor/Spouse	40 to 49	55	40%
Survivor/Spouse	50 to 59	36	26%
Survivor/Spouse	60 to 69	8	6%
<b>Total</b>		<b>137</b>	<b>100%</b>

**Table 41 – Sex Summary**

<b>Client Type</b>	<b>Sex</b>	<b>Number</b>	<b>Percent</b>
Veteran	Female	2,630	20%
Veteran	Male	10,584	80%
Veteran	Unknown	12	0%
<b>Total</b>		<b>13,226</b>	<b>100%</b>
Survivor/Spouse	Female	133	97%
Survivor/Spouse	Male	4	3%
<b>Total</b>		<b>137</b>	<b>100%</b>

**Table 42 – Language Summary**

<b>Client Type</b>	<b>Language</b>	<b>Number</b>	<b>Percent</b>
Veteran	English	10,758	81%
Veteran	French	2,467	19%
Veteran	Unknown	1	0%
<b>Total</b>		<b>13,226</b>	<b>100%</b>
Survivor/Spouse	English	124	91%
Survivor/Spouse	French	11	8%
Survivor/Spouse	Unknown	2	1%
<b>Total</b>		<b>137</b>	<b>100%</b>

**Table 43 – Marital Status Summary**

<b>Client Type</b>	<b>Marital Status</b>	<b>Number</b>	<b>Percent</b>
Veteran	Married or Common-Law	4,297	32%
Veteran	Separated or Divorced	555	4%
Veteran	Single	8,279	63%
Veteran	Survivor or Widowed	66	0%
Veteran	Unknown	29	0%
<b>Total</b>		<b>13,226</b>	<b>100%</b>
Survivor/Spouse	Married or Common-Law	122	89%
Survivor/Spouse	Separated or Divorced	2	1%
Survivor/Spouse	Single	1	1%
Survivor/Spouse	Survivor or Widowed	12	9%
<b>Total</b>		<b>137</b>	<b>100%</b>

**Table 44 – Region Summary**

<b>Client Type</b>	<b>Region</b>	<b>Number</b>	<b>Percent</b>
Veteran	Atlantic	3,719	28%
Veteran	Central	6,122	46%
Veteran	Territories	12	0%
Veteran	Unknown or Outside Canada	135	1%
Veteran	Western	3,238	24%
<b>Total</b>		<b>13,226</b>	<b>100%</b>
Survivor/Spouse	Atlantic	44	32%
Survivor/Spouse	Central	43	31%
Survivor/Spouse	Unknown or Outside Canada	1	1%
Survivor/Spouse	Western	49	36%
<b>Total</b>		<b>137</b>	<b>100%</b>

**Table 45 – Community Type Summary**

<b>Client Type</b>	<b>Community Type</b>	<b>Number</b>	<b>Percent</b>
Veteran	Rural	3,411	26%
Veteran	Urban	9,658	73%
Veteran	Unknown	157	1%
<b>Total</b>		<b>13,226</b>	<b>100%</b>
Survivor/Spouse	Rural	41	30%
Survivor/Spouse	Urban	94	69%
Survivor/Spouse	Unknown	2	1%
<b>Total</b>		<b>137</b>	<b>100%</b>

## Income Replacement Benefit GBA+ Summary

**Table 46 – General Summary**

Type of Client	Number of Clients	Percent
Veterans	25,780	97%
Survivors/Orphans	707	3%
<b>Total</b>	<b>26,487</b>	<b>100%</b>

**Table 47 – Age Summary**

Type of Client	Age	Number	Percent
Veterans	29 and under	461	2%
Veterans	30 to 39	4,104	16%
Veterans	40 to 49	6,018	23%
Veterans	50 to 59	9,912	38%
Veterans	60 to 69	5,081	20%
Veterans	70 to 79	204	1%
<b>Total</b>		<b>25,780</b>	<b>100%</b>
Survivors/Orphans	29 and under	316	45%
Survivors/Orphans	30 to 39	62	9%
Survivors/Orphans	40 to 49	100	14%
Survivors/Orphans	50 to 59	130	18%
Survivors/Orphans	60 to 69	84	12%
Survivors/Orphans	70 to 79	15	2%
<b>Total</b>		<b>707</b>	<b>100%</b>

**Table 48 – Average Age Summary**

<b>Client Type</b>	<b>Number</b>	<b>Average Age</b>
Veterans	25,780	51
Survivors/Orphans	707	36
<b>Total</b>	<b>26,487</b>	

**Table 49 – Sex Summary**

<b>Client Type</b>	<b>Sex</b>	<b>Number of Clients</b>	<b>Percent</b>
Veterans	Female	4,799	19%
Veterans	Male	20,960	81%
Veterans	Unknown	21	<1%
<b>Total</b>		<b>25,780</b>	<b>100%</b>
Survivors/Orphans	Female	540	76%
Survivors/Orphans	Male	165	23%
Survivors/Orphans	Unknown	2	<1%
<b>Total</b>		<b>707</b>	<b>100%</b>

**Table 50 – Language Summary**

<b>Client Type</b>	<b>Written Language Preference</b>	<b>Number</b>	<b>Percent</b>
Veterans	English	20,244	79%
Veterans	French	5,535	21%
Veterans	Unknown	1	0%
<b>Total</b>		<b>25,780</b>	<b>100%</b>
Survivors/Orphans	English	589	83%

Survivors/Orphans	French	118	17%
<b>Total</b>		<b>707</b>	<b>100%</b>

**Table 51 – Marital Status Summary**

<b>Client Type</b>	<b>Marital Status</b>	<b>Veterans</b>	<b>Percent</b>
Veterans	Common-Law	2,140	8%
Veterans	Common-Law Partner	890	3%
Veterans	Married	8,430	33%
Veterans	Married/Common-Law (Living Apart)	16	<1%
Veterans	Divorced	526	2%
Veterans	Separated	967	4%
Veterans	Separated - Voluntary	191	1%
Veterans	Single	12,324	48%
Veterans	Survivor	26	<1%
Veterans	Widowed	222	1%
Veterans	Separated - Involuntary	3	<1%
Veterans		45	<1%
<b>Total</b>		<b>25,780</b>	<b>100%</b>
Survivors/Orphans	Common-Law	2	<1%
Survivors/Orphans	Married	6	1%

Survivors/Orphans	Separated	2	<1%
Survivors/Orphans	Single	313	44%
Survivors/Orphans	Survivor	103	15%
Survivors/Orphans	Widowed	276	39%
Survivors/Orphans		5	1%
<b>Total</b>		<b>707</b>	<b>100%</b>

**Table 52 – Region Summary**

<b>Client Type</b>	<b>Region</b>	<b>Number</b>	<b>Percent</b>
Veterans	Atlantic	7,483	29%
Veterans	Central	12,672	49%
Veterans	Territories	15	<1%
Veterans	Unknown or Outside of Canada	258	1%
Veterans	Western	5,352	21%
<b>Total</b>		<b>25,780</b>	<b>100%</b>
Survivors/Orphans	Atlantic	195	28%
Survivors/Orphans	Central	341	48%
Survivors/Orphans	Territories	4	1%
Survivors/Orphans	Unknown or Outside of Canada	2	<1%
Survivors/Orphans	Western	165	23%
<b>Total</b>		<b>707</b>	<b>100%</b>

**Table 53 – Community Type Summary**

<b>Type of Client</b>	<b>Community Type</b>	<b>Number</b>	<b>Percent</b>
Veterans	Rural	7,301	28%
Veterans	Unknown	287	1%
Veterans	Urban	18,192	71%
<b>Total</b>		<b>25,780</b>	<b>100%</b>
Survivors/Orphans	Rural	142	20%
Survivors/Orphans	Unknown	3	<1%
Survivors/Orphans	Urban	562	79%
<b>Total</b>		<b>707</b>	<b>100%</b>

## Appendix F: Rank at release of Veterans in the Rehabilitation Program

The file review conducted as part of the evaluation showed that approximately 55% of Rehabilitation Program participants leave the military at a junior non-commissioned rank versus leaving at an officer (commissioned or non-commissioned) rank (45%). Military ranks (from highest to lowest) and the file review findings are shown below in Table 54.<sup>140</sup>

**Table 54 – Rehabilitation Program participants’ rank at release (from file review)**

Ranks	Army / Air Force	Navy	Number	Percent
General/Flag Officers	General (Gen)	Admiral (Adm)	0	0
General/Flag Officers	Lieutenant-General (LGen)	Vice-Admiral (VAdm)	0	0
General/Flag Officers	Major-General (MGen)	Rear-Admiral (RAdm)	0	0
General/Flag Officers	Brigadier-General (BGen)	Commodore (Cmdre)	0	0
Senior Officers	Colonel (Col)	Captain (N) (Capt(N))	1	0.3%
Senior Officers	Lieutenant-Colonel (LCol)	Commander (Cdr)	3	0.9%
Senior Officers	Major (Maj)	Lieutenant-Commander (LCdr)	9	2.6%
Junior Officers	Captain (Capt)	Lieutenant(N) (Lt(N))	25	7.1%
Junior Officers	Lieutenant (Lt)	Sub-Lieutenant (SLt)	5	1.4%
Junior Officers	Second Lieutenant (2Lt)	Acting Sub-Lieutenant (A/SLt)	3	0.9%
Subordinate Officer	Officer Cadet (OCdt)	Naval Cadet (NCdt)	7	2.0%
Warrant Officers, Petty Officers and Senior Non-Commissioned Officers	Chief Warrant Officer (CWO)	Chief Petty Officer 1st class (CPO 1)	5	1.4%
Warrant Officers, Petty Officers and Senior Non-	Master Warrant Officer (MWO)	Chief Petty Officer 2nd class (CPO 2)	10	2.8%

<sup>140</sup> Military ranks as per [Canada.ca](https://www.canada.ca) last modified on August 30, 2023.

Commissioned Officers				
Warrant Officers, Petty Officers and Senior Non-Commissioned Officers	Warrant Officer (WO)	Petty Officer 1st class (PO 1)	31	8.8%
Warrant Officers, Petty Officers and Senior Non-Commissioned Officers	Sergeant (Sgt)	Petty Officer 2nd class (PO 2)	56	16.0%
Junior Non-Commissioned Members	Master Corporal (MCpl)	Master Seaman (MS)/Master Sailor (MS)	44	12.5%
Junior Non-Commissioned Members	Corporal (Cpl)	Leading Seaman (LS)/Sailor First Class (S1)	118	33.6%
Junior Non-Commissioned Members	Private (Trained) (Pte (T)) / Aviator (Trained) (Avr (T))	Able Seaman (AB)/Sailor 2nd Class (S2)	17	4.8%
Junior Non-Commissioned Members	Private (Basic) (Pte (B)) / Aviator (Basic) (Avr (B))	Ordinary Seaman (OS)/Sailor 3rd Class (S3)	12	3.4%
Unknown			5	1.4%
<b>Total</b>			<b>351</b>	<b>100.0%</b>

## Appendix G: Diminished earnings capacity (DEC) client profile

### Introduction

This appendix contains an overview through a gender-based analysis plus lens of clients participating in the Rehabilitation Program who met diminished earnings capacity criteria (DEC) since the Income Replacement Benefit was established in 2019. Data from both GCcase and CSDN are combined to create a clean data set. Data is as of August 30th, 2022.

### Notes and assumptions

- Clients are counted uniquely where possible.
- Statistics presented may count clients' multiple times based on the unique information measured by each rehabilitation exit (ex. Completion vs Cancellation, Fiscal Year, etc.).
- Contains clients who completed or were cancelled from the rehabilitation program.
- Dependents exiting the rehabilitation program were excluded.
- The most recent favourable DEC decision was identified for each client.
- It is assumed Veterans were transferred from CSDN to GCcase before November 1, 2020. Consequently, only exits from the rehabilitation program will be included in GCcase from that period going forward.

**Table 55 – Veterans exiting Rehab Program (April 1, 2019 – August 22, 2022)**

<b>Total Veterans</b>	<b>Meet DEC Criteria</b>	<b>DEC Rate</b>	<b>Avg Rehab Exit Age</b>	<b>Avg DEC Age</b>
10,786	7,957	74%	50	50

**Table 56 – Veterans exiting Rehab Program by Closure Reason**

<b>Closure Reason</b>	<b>Total Clients</b>	<b>DEC Clients</b>	<b>DEC Rate</b>
Completion	9,559	7,835	82%
Cancellation	1,193	142	12%
Death*	112	17	15%
<b>Total</b>	<b>10,864</b>	<b>7,994</b>	<b>74%</b>

\*Death is a closure option exclusive to GC Case. Note: there are 10,786 unique clients. Clients may have exited at multiple points during the period measured (April 1, 2019 – August 22, 2022).

**Table 57 – Veterans exiting Rehab Program by Sex and DEC rate**

<b>Sex</b>	<b>Total Veterans</b>	<b>Meet DEC Criteria</b>	<b>DEC Rate</b>
Female	1,886	1,458	77%
Male	8,893	6,494	73%
Unknown	7	5	71%
<b>Total</b>	<b>10,786</b>	<b>7,957</b>	<b>74%</b>

**Table 58 – Veterans exiting Rehab Program by Age and DEC rate**

<b>Age at Rehab Exit</b>	<b>Total Veterans</b>	<b>Meet DEC Criteria</b>	<b>DEC Rate</b>
29 and under	218	50	23%
30 to 39	1,782	1,058	59%
40 to 49	2,663	1,987	75%
50 to 59	4,083	3,274	80%
60 to 69	1,941	1,555	80%
70 to 79	111	47	42%
80 and over	14	6	43%
<b>Total</b>	<b>10,812</b>	<b>7,977</b>	<b>74%</b>

Note: there are 10,786 unique clients. Clients may have exited at multiple points during the period measured (April 1, 2019 – August 22, 2022).

**Table 59 – Veterans exiting Rehab Program by Written Language Preference**

<b>Written Language</b>	<b>Total Veterans</b>	<b>Meet DEC Criteria</b>	<b>DEC Rate</b>
English	8,592	6,404	75%
French	2,193	1,553	71%
Unknown	1	0	0%
<b>Total</b>	<b>10,786</b>	<b>7,957</b>	<b>74%</b>

**Table 60 – Veterans exiting Rehab Program by Marital Status**

<b>Marital Status</b>	<b>Total Veterans</b>	<b>Meet DEC Criteria</b>	<b>DEC Rate</b>
Married or Common-Law	4,882	3,911	80%
Separated or Divorced	689	565	82%
Single	5,074	3,371	66%
Survivor or Widowed	124	99	80%
Unknown	17	11	65%
<b>Total</b>	<b>10,786</b>	<b>7,957</b>	<b>74%</b>

**Table 61 – Veterans exiting Rehab Program by Region**

<b>Region</b>	<b>Total Veterans</b>	<b>Meet DEC Criteria</b>	<b>DEC Rate</b>
Atlantic	3,271	2,786	85%
Central	5,238	3,689	70%
Western	2,161	1,403	65%
Territories	4	2	50%
Unknown or Outside of Canada	112	77	69%
<b>Total</b>	<b>10,786</b>	<b>7,957</b>	<b>74%</b>

**Table 62 – Veterans exiting Rehab Program by Region & Fiscal Year  
(Atlantic, Central & Western regions only)**

<b>Fiscal Year</b>	<b>Region</b>	<b>Total Veterans</b>	<b>Meet DEC Criteria</b>	<b>DEC Rate</b>
2022-23 YTD (August 30, 2022)	Atlantic	287	248	86%
	Central	436	287	66%
	Western	188	117	62%
2021-22	Atlantic	1,239	1,046	84%
	Central	2,165	1,517	70%
	Western	955	639	67%
2020-21	Atlantic	715	576	81%
	Central	1,192	813	68%
	Western	519	319	61%
2019-20	Atlantic	1,080	959	89%
	Central	1,575	1,167	74%
	Western	553	363	66%

**Table 63 – Veterans exiting Rehab Program by Fiscal Year**

<b>Fiscal Year</b>	<b>Total Veterans</b>	<b>Meet DEC Criteria</b>	<b>DEC Rate</b>
2022-23 YTD	920	656	71%
2021-2022	4,400	3,228	73%
2020-2021	2,449	1,726	70%
2019-2020	3,252	2,521	78%
<b>Total</b>	<b>11,021</b>	<b>8,131</b>	<b>74%</b>

Note: there are 10,786 unique clients. Clients may have exited at multiple points during the period measured (April 1, 2019 – August 22, 2022).

**Table 64 – Clients who met DEC criteria after age 65**

<b>Fiscal Year</b>	<b>Meet DEC Criteria</b>	<b>DEC Clients Age 65+</b>	<b>Percent</b>
2022-23 YTD	656	16	4%
2021-2022	3,228	115	5%
2020-2021	1,726	82	4%
2019-2020	2,521	92	2%
<b>Total</b>	<b>8,131</b>	<b>305</b>	<b>4%</b>

**Table 65 – DEC clients by region and age (completed Rehabilitation Program between April 1, 2019 and August 22, 2022)**

<b>Region<sup>141</sup></b>	<b>Age at Rehab Exit</b>	<b>Total Exits</b>	<b>Veterans with DEC</b>	<b>DEC Rate</b>
Atlantic	29 and under	37	13	35%
Central	29 and under	120	27	23%
Western	29 and under	54	10	19%
Atlantic	30 to 39	409	322	79%
Central	30 to 39	979	545	56%
Western	30 to 39	377	182	48%
Atlantic	40 to 49	789	679	86%
Central	40 to 49	1337	965	72%
Western	40 to 49	505	321	64%
Atlantic	50 to 59	1345	1183	88%
Central	50 to 59	1877	1465	78%
Western	50 to 59	826	598	72%
Atlantic	60 to 65	567	520	92%
Central	60 to 65	781	623	80%
Western	60 to 65	332	249	75%
Atlantic	66 to 75	107	64	60%
Central	66 to 75	139	69	50%

<sup>141</sup> Does not include Territories or Veterans outside Canada.

Western	66 to 75	67	43	64%
Atlantic	75 and over	22	10	45%
Central	75 and over	22	8	36%
Western	75 and over	6	3	50%

**Table 66 – DEC clients by region and in receipt of a disability benefit for a psych condition**

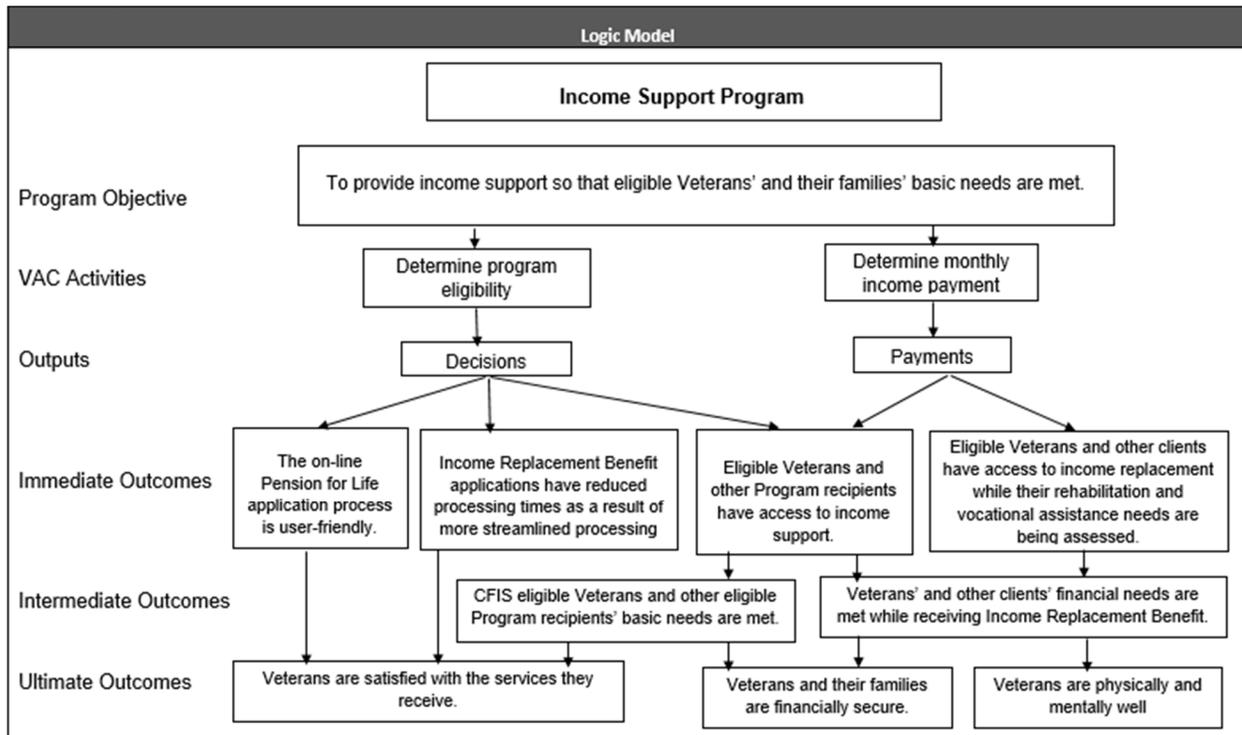
<b>Region<sup>142</sup></b>	<b>Total Rehab Exits</b>	<b>Psych Condition Disability Benefit</b>	<b>DEC</b>	<b>DEC Rate</b>
Atlantic	2771	Yes	2481	90%
Central	4079	Yes	3210	79%
Western	1753	Yes	1265	72%
Atlantic	500	No	305	61%
Central	1159	No	479	41%
Western	408	No	138	34%

<sup>142</sup> Does not include Territories or Veterans outside Canada.

## Appendix H: Income Support Program logic model

The following logic model in Figure 18 was in place during the period the evaluation was conducted. It should be noted that the logic model is currently under review and being revised.

**Figure 18 – Income Replacement Benefit logic model**



## Appendix I: Analysis of employment income of Veterans receiving Income Replacement Benefits

### Methodology

- Employment Income data originates from CSDN and was collected as of November 3, 2023. Records were excluded that are marked as “Monthly Forecasted” as those do not represent actual employment earnings. Records with dates beginning in 2021 were included.
- “Actual” employment records beginning in December 2020 were also included with end dates in 2021. In this scenario, income amounts were adjusted by the proportion of days in 2021 compared to the total working days in the income period.
- In total, 358 Veterans were found receiving income classified as profit sharing, bonuses, retro payments, etc.
- Veterans who only received profit sharing, bonuses, retro payments, etc. in the calendar year were excluded as they did not work during the year.
- It is assumed the number of days worked cannot exceed 365 days during the year. It is assumed profit sharing, bonuses, retro payments, etc. will count as having worked 0 days.
- A predictive model was developed to estimate the number of days worked beyond 1 month in duration (32+ days.) due to the presence of data entry errors involving the start date and end date. Records with less than 1 month in duration were used to train the model and estimates were produced. Estimates were considered more accurate than the raw data if the difference between the estimate and actual days exceeded 50% (details below).
- Employer Names were entered as text and required classification into groups to analyze. Names were organized into groups utilizing a manual identification process to determine the top 10 employers for Veterans in receipt of IRB.
- Income Records for a particular client-employer were excluded if the number of days between release and the last day worked was less than 30.
- Veterans were considered to have met DEC criteria if they received a “criteria met” DEC Decision prior to the beginning of any income period.
- Poisson regression<sup>143</sup> was used to estimate the number of days worked for a client’s income record based on their median daily pay rate (records one month or less in duration) in addition to their earnings for the period. These factors were found to be statistically significant with 95% confidence.

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<sup>143</sup> In statistics, Poisson regression is a type of analysis that helps predict how often something will happen (like how many times a person will go to the doctor in a year) based on different factors (like age or health status). This type of analysis is specifically used when the thing being predicted is counted in whole numbers (like number of visits) and comes from a contingency table, which is a type of table that displays how different categories are related.

## Employers of Veterans receiving IRB

It is estimated Veterans receiving IRB worked for 2344 unique employers during the 2021 calendar year. Given that employers are typed in as text, this estimate may be high as input errors were observed during the analysis. All employers with 10 or more Veterans receiving IRB are listed below in Table 67. Note that the employer was listed as “unknown” 21 times in the data the evaluation team reviewed.

**Table 67 – Employers with 10 or more Veterans receiving IRB**

<b>Employer</b>	<b>Total Veterans</b>	<b>Meet DEC Criteria</b>	<b>Average Earnings</b>	<b>Estimated Average Days Worked</b>
Government of Canada	390	21	\$26,124	131
DND	336	20	\$28,688	154
Commissionaires	103	16	\$14,331	181
CAF	35	1	\$4,589	32
Calian	23	4	\$17,614	116
Government of Alberta	18	1	\$24,264	118
Canada Post	16	2	\$26,072	221
Alberta Health Services	15	1	\$23,669	154
Halifax Regional Municipality	13	0	\$54,424	203
RCMP	11	1	\$19,769	95
Canadian Pacific	10	0	\$28,229	117
City of Edmonton	10	1	\$21,225	91
Home Depot	10	2	\$15,090	218

## Veterans with Employment Income

According to the employment income data, there were 1,380 Veterans found with employment income that exceeded \$20,000 in annual income.

**Table 68 – Employment Income**

<b>Veterans</b>	<b>Total Earnings</b>	<b>Average Earnings</b>	<b>Veterans Earning 20k+</b>	<b>Percent Earning 20k+</b>
2,961	\$71,181,250	\$24,040	1,380	47%

**Table 69 – Employment Income by CAF Service**

<b>CAF Type</b>	<b>Veterans</b>	<b>Total Earnings</b>	<b>Average Earnings</b>	<b>Veterans Earning 20k+</b>	<b>Percent Earning 20k+</b>
Regular Force Only	1,683	\$40,299,485	\$23,945	797	47%
Regular Force and Reserve Service	1,070	\$25,620,650	\$23,945	481	45%
Reserves Only	208	\$5,261,115	\$25,294	102	49%
<b>Total</b>	<b>2,961</b>	<b>\$71,181,250</b>	<b>\$24,039</b>	<b>1380</b>	<b>47%</b>

**Table 70 – Employment Income by Marital Status**

<b>Marital Status</b>	<b>Veterans</b>	<b>Total Earnings</b>	<b>Average Earnings</b>	<b>Veterans Earning 20k+</b>	<b>Percent Earning 20k+</b>
Married or Common-Law	1,164	\$28,619,377	\$24,587	545	47%
Separated or Divorced	121	\$3,103,875	\$25,652	57	47%
Single	1,657	\$39,137,857	\$23,620	770	46%
Survivor or Widowed	11	\$195,702	\$17,791	4	36%

Unknown	8	\$124,439	\$15,555	4	50%
<b>Total</b>	<b>2,961</b>	<b>\$71,181,250</b>	<b>\$24,039</b>	<b>1380</b>	<b>47%</b>

**Table 71 – Employment Income by Community Type**

<b>Community Type</b>	<b>Veterans</b>	<b>Total Earnings</b>	<b>Average Earnings</b>	<b>Veterans Earning 20k+</b>	<b>Percent Earning 20k+</b>
Urban	2,274	\$56,162,637	\$24,698	1,085	48%
Rural	661	\$14,432,277	\$21,834	282	43%
Unknown	26	\$586,336	\$22,551	13	50%
<b>Total</b>	<b>2,961</b>	<b>\$71,181,250</b>	<b>\$24,039</b>	<b>1380</b>	<b>47%</b>

**Table 72 – Employment Income by Written Language Preference**

<b>Language</b>	<b>Veterans</b>	<b>Total Earnings</b>	<b>Average Earnings</b>	<b>Veterans Earning 20k+</b>	<b>Percent Earning 20k+</b>
English	2,352	\$56,832,352	\$24,163	1,113	47%
French	609	\$14,348,898	\$23,561	267	44%
<b>Total</b>	<b>2,961</b>	<b>\$71,181,250</b>	<b>\$24,039</b>	<b>1380</b>	<b>47%</b>

**Table 73 – Employment Income by Sex**

<b>Sex</b>	<b>Veterans</b>	<b>Total Earnings</b>	<b>Average Earnings</b>	<b>Veterans Earning 20k+</b>	<b>Percent Earning 20k+</b>
Female	562	\$12,224,007	\$21,751	232	41%
Male	2,398	\$58,929,854	\$24,575	1,147	48%
Unknown	1	\$27,389	\$27,389	1	100%
<b>Total</b>	<b>2,961</b>	<b>\$71,181,250</b>	<b>\$24,039</b>	<b>1380</b>	<b>47%</b>

**Table 74 – Employment Income by Age**

<b>Age</b>	<b>Veterans</b>	<b>Total Earnings</b>	<b>Average Earnings</b>	<b>Veterans Earning 20k+</b>	<b>Percent Earning 20k+</b>
29 or less	86	\$1,647,418	\$19,156	36	42%
30 – 39	729	\$17,147,218	\$23,522	329	45%
40 – 49	780	\$19,952,085	\$25,580	385	49%
50 – 59	1,072	\$25,554,975	\$23,839	501	47%
60 – 69	294	\$6,879,554	\$23,400	129	44%
<b>Total</b>	<b>2,961</b>	<b>\$71,181,250</b>	<b>\$24,039</b>	<b>1380</b>	<b>47%</b>

**Table 75 – Employment Income by Duration**

<b>Time Employed</b>	<b>Veterans</b>	<b>Total Earnings</b>	<b>Average Earnings</b>	<b>Veterans Earning 20k+</b>	<b>Percent Earning 20k+</b>
< 1 Week	40	\$61,403	\$1,535	1	3%
1 Week - 1 Month	210	\$979,293	\$4,663	5	2%
1 - 3 Months	765	\$8,696,765	\$11,368	114	15%
3 - 6 Months	970	\$21,640,758	\$22,310	521	54%
6+ Months	976	\$39,803,031	\$40,782	739	76%
<b>Total</b>	<b>2,961</b>	<b>\$71,181,250</b>	<b>\$24,039</b>	<b>1380</b>	<b>47%</b>

**Table 76 – Employment Income by DEC Indicator**

<b>DEC Indicator</b>	<b>Veterans</b>	<b>Total Earnings</b>	<b>Average Earnings</b>	<b>Veterans Earning 20k+</b>	<b>Percent Earning 20k+</b>
Yes	329	\$6,571,349	\$19,974	111	34%
No	2,632	\$64,609,901	\$24,548	1,269	48%
<b>Total</b>	<b>2,961</b>	<b>\$71,181,250</b>	<b>\$24,039</b>	<b>1380</b>	<b>47%</b>