

# VETERANS BENEFITS ADMINISTRATION QUALITY ASSURANCE PROGRAM (MILLENNIUM ACT)

VBA maintains a quality assurance program independent of the field stations responsible for processing claims and delivering benefits. The following information about our programs,

including compensation and pension, education, vocational rehabilitation and employment, housing, and insurance, is provided in accordance with title 38, section 7734.

Cases Reviewed and Employees Assigned by Program		
	Cases Reviewed	Employees Assigned
Compensation and Pension	11,301	20.0
Education	1,541	1.0
Vocational Rehabilitation and Employment (VR&E)	3,243	5.0
Housing	30,518	7.0
Insurance	10,799	3.6

## Summary of Findings and Trends

### Compensation and Pension

Our current quality review methodology, Statistical Technical Accuracy Review (STAR), is outcome-based. Separate reviews are conducted for three distinct work areas: rating-related work products (disability or death determinations); authorization-related work products (generally not requiring a disability or death determination); and fiduciary work products.

Two separate categories are measured for the rating and authorization reviews. Benefit entitlement review ensures all issues are addressed, that VCAA-compliant claim assistance was provided, and that the resulting decision was correct, including effective dates. Decision documentation/ notification review includes adequate and correct decision documentation and proper decision notification. Following are 2002 results for rating and authorization reviews:

	Rating		Authorization	
	Reviewed	Accuracy	Reviewed	Accuracy
Benefit Entitlement	5,102	80%	3,597	79%
Decision Documentation & Notification	5,102	91%	3,597	76%

Fiduciary reviews include all review categories in a single overall report. The fiduciary review in 2002 resulted in an accuracy rate of 83 percent based on a review of 2,597 cases. This represented a great improvement over the prior year's accuracy rate of 67 percent. Close to 90 percent of the errors were in the area of protection, while benefit entitlement issues accounted for the remainder of the case errors. "Protection" includes oversight of the fiduciary/beneficiary arrangement, analysis of accountings, adequacy of protective measures for the residual estate, and any measures taken to ensure that VA funds are used for the welfare and needs of the beneficiary and recognized dependents. If any of the components of entitlement or protection are in error, the entire case is in error.

C&P STAR reports are based on the month that a case was completed, not when the case was reviewed. Cases worked during September were requested for submission for review no later than the end of the first week of November. Review of these cases continues. Their addition is not expected to significantly change the overall final accuracy for 2002.

### **Education**

Of the 1,541 cases reviewed, there were 110 decisions with payment errors and 340 with service errors (some cases had more than 1 service error). Eligibility and entitlement determinations constituted approximately 6 percent of the service errors. Development errors and due process notification errors were 21 and 22 percent, respectively, of the service errors. From 2001 to 2002, payment accuracy improved slightly from 92.0 percent to 92.6 percent.

### **Vocational Rehabilitation and Employment**

In 2002, VR&E conducted quality reviews on a total of 3,243 cases. The reviews were conducted over a 12-month period. The goal was to review at least 50 cases from each station. The actual number of cases reviewed ranged from 44 for smaller stations to 102 for larger stations. The difference

in the number of cases occurred as a result of the transition from the regional to local station reviews. Each station was reviewed twice during the year.

Following are the results from the balanced scorecards:

- Accuracy of entitlement determinations was 91 percent.
- Accuracy of evaluation planning and services delivery was 81 percent.
- Accuracy of fiscal decisions was 88 percent.
- Accuracy of outcome decisions was 81 percent.

An additional special review of 79 cases for independent living services was conducted during 2002.

### **Housing**

The housing program reviewed over 30,518 cases during 2002 under its statistical quality control program. These case reviews involved specific "yes" or "no" answers to over 118,049 separate questions. During these case reviews, approximately 2,665 defects were found (some cases reviewed had more than 1 defect) resulting in a national defect rate of 3.17 percent. The quality review results are provided to all loan guaranty divisions each month. The current national accuracy index is 96.83 percent.

The housing quality assurance program includes elements other than review of cases. The Lender Monitoring Unit performed 49 on-site audits and 53 in-house audits of lenders participating in VA's home loan program. The Portfolio Loan Oversight Unit (PLOU) is now an out-based element of Loan Guaranty Service, under the offices of the Assistant Director for Loan Management. PLOU reviewed billing invoices and completed contractor audits in addition to solving problems associated with portfolio loans and management of properties. In-house reviews are conducted on a continuous basis (over 47,800 were completed in 2002). Eight of PLOU's auditors participated in on-site reviews (involving 30 topics) of the contract servicer, Countrywide Home Loans, Inc. (CHL), at their Simi

Valley offices (November 2001). All pending legal issues in CHL's Plano, TX, facilities were reviewed by Loan Management, PLOU, and attorneys from Regional and General Counsel (June 2002). PLOU on-site performance reviews are conducted in cooperation with VA's oversight review team, whose members include: Loan Guaranty Service (Loan Management); the Indianapolis RO-based branch of Loan Management (PLOU); the Office of Inspector General (Financial Audit Division); the Office of Financial Policy (Financial & Systems Quality Assurance Service); and the Office of Resource Management (Finance and Administrative Services). Loan Guaranty staff conducted 11 on-site reviews of regional loan centers and eligibility centers identifying 224 strengths, 121 weaknesses, and 94 best practices, and mandating 59 corrective actions. A summary of best practices was distributed to all loan guaranty divisions. Accomplishment of these actions required 37.5 FTE employees in addition to the 7 FTE devoted to statistical quality control reviews.

### **Insurance**

The insurance program's principal quality assurance tool is the statistical quality control (SQC) review. It assesses the ongoing quality and timeliness of work products by reviewing a random sample of completed or pending work products. These work products are generally grouped into two broad categories based on the operating divisions in which they are performed.

The Policyholders Services Division, whose work products deal with the maintenance of active insurance policies, had an overall accuracy rate of 98.3 percent for 2002. Work products included correspondence, applications, disbursements, record maintenance, refunds, and telephone inquiries. The Insurance Claims Division is responsible for the payment of death and disability awards, the issuance of new coverage, and the processing of beneficiary designations. The accuracy rate for insurance claims work products was 97.9 percent. Work products included death claims, awards maintenance, beneficiary and option changes,

disability claims, and medical applications. In total, 98.1 percent of all 2002 insurance work products were accurate.

Regarding timeliness, 96.3 percent of the work products measured in the Policyholders Services Division were within timeliness standards, and 97.9 percent completed in the Insurance Claims Division were timely as well. In total, 97.2 percent of all 2002 insurance work products were timely.

The insurance quality assurance program also includes internal control reviews and individual employee performance reviews. The internal control staff reviews 100 percent of all employee-prepared disbursements and also reviews insurance operations for fraud through a variety of Awards Data Entry (ADE) Special Reports and Inforce Matching Reports. The ADE Special Reports are generated daily and identify death claims cases based on specific criteria that indicate possible fraud. Primary end products processed by employees in the operating divisions are evaluated, based on the elements identified in the Individual Employee Performance Requirements.

### **Actions Taken to Improve Quality**

#### **Compensation and Pension**

Review for the first quarter of 2002 identified VCAA-compliant development of claims including providing proper notification of what is required to substantiate a claim as an area of concern. The Under Secretary for Benefits issued a directive requiring re-training in this critical area for all individuals involved in processing claims. Combined with ongoing feedback from STAR review error notices, immediate progress was made in this area. Errors were reduced from 23 percent for the first quarter to 9 percent for the third quarter. Overall benefit entitlement accuracy improved from 72 percent for the first quarter to 82 percent for the third quarter.

Training remains a VBA priority. A variety of mediums are utilized including satellite broadcasts, training letters, computer-assisted training, and local training based on needs identified through on-going

local individual performance reviews. Particular effort is made to ensure high quality centralized training for new Veteran Service Representatives and Rating Veteran Service Representatives.

A uniform national individual performance review plan has been implemented with standardized review categories, sample size, and performance standards.

A significant effort was made this fiscal year to improve the clarity of rating decision documents. Guidelines were issued requiring that rating decisions, while adequately documenting the decision process, be prepared primarily for the claimant. Emphasis was placed on conciseness, readability, and clarity of communication. The goal is to simply and clearly state why a claim was granted or denied or why a particular evaluation was assigned.

VBA is continuing to work closely with VHA through the joint C&P Project Office in Nashville to improve the quality of examination requests and reports. Efforts include measuring request and report accuracy, developing training materials including videotapes and satellite broadcasts, and sponsoring quality improvement training sessions for key medical center and RO staff.

In the fiduciary field, while the areas of measurement did not change from the last fiscal year, the number of STAR reviews significantly increased, providing more feedback on quality to each RO for training purposes. Common STAR error findings were used for discussions and training during scheduled site visits and as agenda items for quarterly fiduciary program teleconference calls. No changes in the review areas are contemplated for 2003, other than to increase the number of reviews by approximately one-third to provide an even larger sampling.

### ***Education***

As in previous years, the 2002 quarterly quality review results identified error trends and causes; these become topics for RPOs in conducting

refresher training. Annual appraisal and assistance visit reports provided recommendations for improving specific quality areas. Payment accuracy improved slightly, while service accuracy declined slightly this year. Due to personnel developments in 2001, about 50 percent of the Education adjudicators were trainees at the beginning of 2002. Although turnover decreased during 2002, the majority of Education adjudicators are still relatively inexperienced. As they gain experience, overall quality will continue to improve.

The service area of notification was virtually unchanged in 2002, and it remains the most problematic area. For 2002, the checklist used for quality assurance reviews was modified to distinguish between errors in due process notices (for disallowance, reduction, or termination of benefits) and other notification errors. This allowed Education Service to determine that most notification errors were not due process errors but were in other less critical areas of internal and external notification. Overall, the rate of both due process and other notification errors was approximately the same for both 2001 and 2002, indicating that periodic refresher training in these areas must be continued until improvement is shown.

Education Service is continuing its project to develop standardized training and certification for employees. The first phase, covering claims processing tasks, will be completed in July 2003. The project is expected to have a significant impact in raising quality scores and maintaining them at high levels when the project is fully implemented over the next few years.

### ***Vocational Rehabilitation and Employment***

In early 2002, VR&E Service contracted with Booz-Allen Hamilton to evaluate the VR&E quality assurance (QA) program. The completed study presented recommendations to improve the QA processes. Recommended areas for improvement included the development of QA reports to be made available nationwide, redesign of the QA

infrastructure, and enhanced reviewer training. Recommendations for the QA processes will be implemented in 2003.

VR&E Service sent an instruction letter to all stations to review at least 10 percent of local caseloads.

### *Housing*

The Loan Guaranty Service in Central Office distributes the results of SQC reviews to field loan guaranty divisions on a monthly basis. In 2002, Loan Guaranty also began releasing a trend report to the field. This report identifies negative trends and action items found during 2002 surveys. It was published to assist the field in identifying frequent problems facing loan guaranty management. The current national accuracy index is 96.83 percent, an improvement of .83 percent since 2001. Summaries of best practices employed by individual field stations are distributed each quarter to all field stations with loan guaranty activity. National training is provided to enhance the quality of service provided to veterans and to increase lender compliance with VA policies. Lenders who significantly failed to comply with policies were either required to enter into indemnification agreements with VA or immediately repay the agency for its losses. Liability avoidance from VA audits of lenders during 2002 amounted to approximately \$1.2 million. The Lender Monitoring Unit also recovered approximately \$70,000 in overcharges, refunded directly to veterans. Additionally, Loan Management/PLOU recovery of excessive contractor charges in 2002 exceeded \$166,000. Amounts identified by PLOU to be recouped from various GI lenders (related to real estate tax penalties) exceed \$100,000 as of the end of 2002. An industry trade group sponsored a national training session for VA-guaranteed loan servicers, with the actual training conducted by Loan Administration personnel from the VBA regional loan centers. These sessions focused on approaches to assist veterans experiencing financial difficulty in order to help them retain their homes or to reduce Government losses when home retention was not feasible.

### *Insurance*

The Insurance Service utilizes SQC and employee performance review programs to measure quality and timeliness on an overall and individual basis. Both programs are valuable as training tools because they identify trends and problem areas. When a reviewer finds an error or discrepancy during a review, he or she prepares an exception sheet that clearly describes how the item was processed incorrectly. The noted item is then reviewed with the person who incorrectly processed the form.

SQC reviews are based on random samples of key work products and evaluate how well these work products are processed in terms of both quality and timeliness. Exceptions are brought to the attention of the insurance operations division chiefs, unit supervisors, and employees who worked the case.

VBA evaluates the Insurance Service SQC programs periodically to determine if they are functioning as intended. Such a review is now underway. Among the issues that are being examined are error and discrepancy classifications and sample sizes. The Insurance Service is also developing a new SQC program for the Veterans' Mortgage Life Insurance operation.

Individual employee performance reviews are based on the primary end products of employees in the operating divisions. Performance levels are based on the critical and non-critical elements identified in the Individual Employee Performance Requirements. Each month, supervisory or lead staff review a set number of end products selected through random sampling for both quality and timeliness. Items with errors are returned to the employee for correction. At the end of the month, supervisors inform employees of their error rates and timeliness percentages as compared to acceptable standards.

The insurance program has implemented the first four of more than a dozen job aids under its Skills, Knowledge and Insurance Practices and Procedures Embedded in Systems initiative (SKIPPEs). This program captures 'best practices' for processing

various work items and makes them available on each employee's desktop. It is expected that the SKIPPEES job aids will further reduce error rates and improve timeliness.

### **Standards of Independence**

Each program has staff who are responsible for quality assurance. These employees are completely independent of the field station personnel who process claims and deliver benefits with the exception of the VR&E Service. VR&E's quality reviews are performed by teams consisting of three representatives from headquarters along with rotating VR&E officers from the field. The General Accounting Office (GAO) reviewed the C&P Service's plan to increase staffing and review sufficient samples

to independently assess RO claims processing accuracy. A report was issued titled, "Veterans' Benefits: Quality Assurance for Disability Claims Processing" (GAO-01-930R VBA Disability Claims Processing) in August 2001. GAO concluded, "VBA's planned modification would bring the STAR system into compliance with our recommendation regarding standards on segregation of duties and organizational independence."

Rigorous reviews are conducted under published guidelines using detailed schedules in program manuals. Our quality assurance programs are subject to external review by oversight agencies such as the VA Office of Inspector General and GAO.

