

KEY GOALS OBJECTIVES AND PERFORMANCE MEASURES

This section of the report discusses the subset of strategic goals, objectives, and performance measures VA leaders discussed and reached consensus on as critical to the success of the Department. Some of these deal with program outcomes; others pertain to the management of our programs. These highest priority goals and measures will form the basis for quarterly performance reviews with the Secretary. Other goals and measures deemed important by the program offices will continue to be monitored internally.

For each of the key goals, we present:

- associated objective or objectives;
- performance measure or measures used to gauge

progress toward achieving the goals and objectives;

- historical data;
- means and strategies used to determine the actual level of performance;
- crosscutting activities with other federal agencies and private organizations;
- descriptions of any relevant mission-critical management problems affecting goal achievement;
- source or sources of the performance information.

Resources shown represent those for the entire program, not just for achievement of a specific goal.

Unique Patients

General Goal: Improve the overall healthcare of veterans.

Objective 1: Increase the number of veterans identified as unique patients in the VA health-care system by 20%.

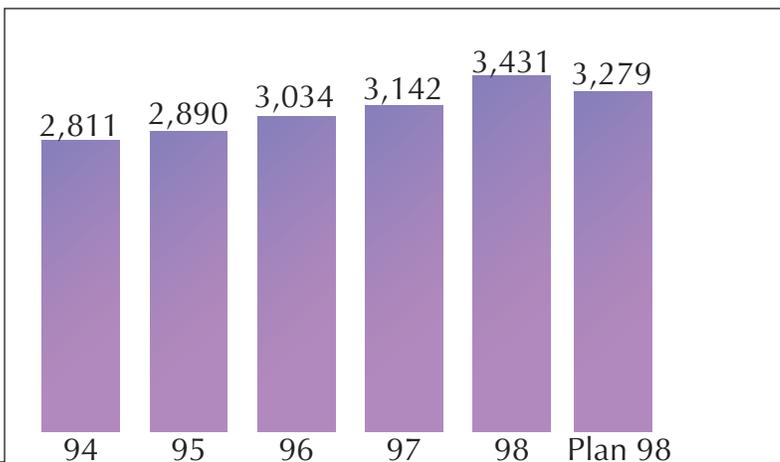
Performance Goal: Increase by 4.4% the number of unique patients treated in FY 1998.

The purpose of the medical care program is to meet the health-care needs of America's veterans by providing primary care, specialized care, and related medical and social support services. VA's objective to increase the number of unique patients by 20% from FY 1997 to FY 2002 is part of the Department's key 30-20-10 approach. VA intends to reduce per patient costs by 30%, increase the number of unique patients treated by 20%, and increase the share of the medical care operating budget coming from alternative revenue streams to 10%.

Means and Strategies

While experiencing the pressures of shifting from a system of basic hospital-centered care to the delivery of managed patient-centered primary care and specialty care, VA has responded by pursuing sustained program growth and by ensuring greater access to services. Sustained

Number of Unique Patients Treated (in thousands)



VA increased the number of unique patients treated by 9.2% in FY 1998.

growth is essential to the well-being of our high-quality, low-cost medical care system. Public Law 104-262, the Veterans' Healthcare Eligibility Reform Act of 1996, is the single most important factor in improving veterans' access to VA medical care.

In FY 1998, VA achieved a 9.2% increase in the number of unique patients treated, compared to a performance goal of 4.4%. One of the primary strategies used to improve veteran access, and thus increase the number of unique patients treated by VA, has been a gradual shifting of healthcare resources to ambulatory care programs. The following means were used to implement this strategy:

- Instituting primary care policies in all Veterans Integrated Service Networks (VISNs). The fundamental concept of primary care—identifying and intervening in disease processes or medical problems as early as possible—often allows for curative care or care that prevents (or delays) acute/chronic problems. A healthier patient requires fewer resources and frees resources to provide care for additional persons;
- Increasing the number and types of access points for medical care services, especially community-based outpatient clinics;
- Expanding primary care teams (adding clinical specialists in mental health and



VA is shifting healthcare resources to ambulatory care programs.

other medical specialties as appropriate) to improve access to a greater variety of services;

- Integrating tele-medicine technologies into ambulatory care delivery systems (for example, baseline tele-imaging networks for radiology, nuclear medicine, tele-psychiatry, tele-dermatology, tele-pain management, etc.);
- Increasing outreach through mobile vans and participation in health fairs or other community events;
- Strengthening liaison with Vet Centers, shelters, VSOs, and other stakeholders;
- Initiating telephone or mail contact with veterans who have used VA care, but not within the past 12 months.

Crosscutting Activities

Numerous sharing agreements with the Department of Defense (DoD) provided increased

access to quality medical care closer to where veterans live. Many of these collaborative efforts included important subgroups of patients, such as veterans with spinal cord injury, acute traumatic brain injury, or Gulf War illnesses, as well as those in need of prosthetic services. In cooperation with the Department of Health and Human Services, VA continued to pursue Medicare subvention in order to establish a program that would allow Medicare-eligible veterans to choose VA as their healthcare provider and bring their Medicare benefits with them.

Mission-Critical Management Problems

There are no mission-critical management problems that affected achievement of this performance goal.

MEDICAL CARE OBLIGATIONS \$17.9 BILLION FTE 188,705

Data Sources

The source of these data is the Veterans Equitable Resource Allocation Patient Database. An annual report documents the number of unique patients at the national level and for each of the VISNs. Internal control systems are in place to make sure social security numbers are not duplicated and records are valid. This measure is currently under review by the IG's Office of Audit and an assessment will be available in FY 1999. Our internal control systems will be adjusted as necessary if any deficiencies are found.

Chronic Disease Care Index (CDCI) and Prevention Index (PI)

Objective 2: By FY 2002, exceed by 10% the proportion of patients of other large health-care providers who achieve maximum functional potential.

Performance Goal 1: Increase the scores on the CDCI to 90% in FY 1998.

Performance Goal 2: Increase the scores on the PI to 85% in FY 1998.

VA ensures the consistent delivery of healthcare by implementing standard measures, such as the CDCI and the PI.

Since a significant percentage of patients seek care for one or more chronic diseases, investment in effective chronic disease management has resulted in an improved level of health for veterans and reduced the need for additional services. Additionally, improvements in the management of chronic disease can result in reductions in inpatient costs, admissions, and lengths of stay.

Although underutilized by the healthcare industry, disease and injury prevention is an effective tool used by VA to improve veterans' health.

Means and Strategies

The CDCI consists of 14 clinical interventions used to measure how closely VA follows nationally recognized guidelines for five high-volume diagnoses: ischemic heart disease, hyper-

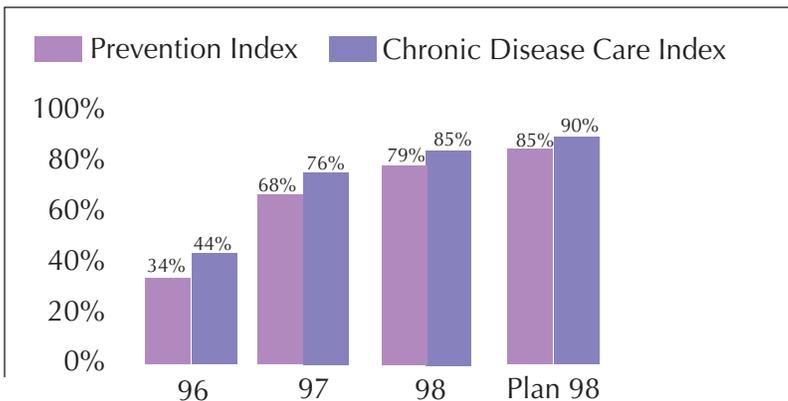
tension, chronic obstructive pulmonary disease, diabetes mellitus, and obesity. The PI consists of nine medical interventions to assess how well VA follows national primary prevention and early detection recommendations for eight diseases with major social consequences. In the past three years, the CDCI and PI have provided useful information that has improved the quality of care delivered throughout the system.

In FY 1998, VA made significant progress but did not achieve all of its performance goals. One reason is the continued refinement of interventions such as screening or administered tests; the performance goal is affected by the cumulative effect of modifications to one or more medical interventions. Additionally, the projected index for FY 1998 was based on limited historical data.

Where comparable data exist, VA outperformed the private sector in certain chronic disease interventions. Specific achievements include the rate of aspirin therapy for patients following a heart attack (95% versus 76%) and the percentage of diabetics whose blood sugar control is monitored annually by a blood test (91% versus 38%).

In delivering preventive services, we outperformed the private sector on comparable interventions for screening and counseling. VA has surpassed the U.S. Public Health Service *Healthy People 2000* goals for four of the interventions: immunizations for pneumococcal vaccination and

Chronic Disease Care and Prevention Indices



for influenza; screenings for breast cancer and cervical cancer.

To increase both the CDCI and the PI in FY 1998, the Department employed specific strategies:

- implementing the automated medical record, along with a system of clinical prompts and reminders for first-time users;
- expanding the use of clinical guidelines;
- developing patient education programs;
- educating staff.

To emphasize the importance of continuous improvement for the CDCI and PI, VA's management has included these measures in the network directors' individual performance plans.

Crosscutting Activities

In conjunction with DoD, VA has continued to develop clinical practice guidelines with a long-range view toward assuring continuity of care and a seamless transition for a patient moving from one system to the other. These guidelines are recommendations for the use (or exclusion) of specific procedures (or services) derived through rigorous methodological approaches.

Mission-Critical Management Problems

There are no mission-critical management problems that



affected achievement of this performance goal.

Data Sources

The External Peer Review Program (EPRP), a contracted, on-site review of clinical records, is the source of data for the CDCI and PI. EPRP serves as a functional component of VHA's quality management program.

The contractors evaluate the validity and reliability of the data. In addition, inter-rater reliability assessments are per-

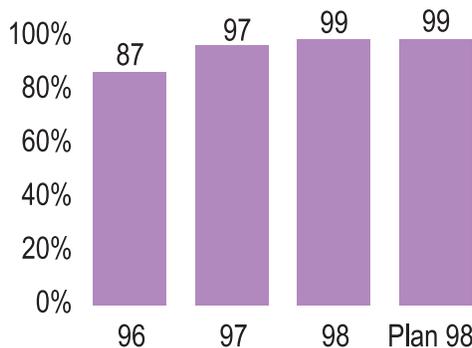
formed quarterly for each abstractor in the review process.

Research Projects Relevant to VA's Healthcare Mission

General Goal: VA medical research programs meet the needs of the veteran population and contribute to the Nation's knowledge about disease and disability.

Objective: Increase the proportion of medical research projects that are demonstrably related to

Percent of Research Projects Relevant to VA's Healthcare Mission



VA's R&D reached its FY 1998 performance goal. Designated Research Areas are focused on problems particular to veterans.



the healthcare of veterans or to other Departmental missions.

Performance Goal: In FY 1998, increase to 99% the share of funded research projects relevant to VA's healthcare mission in Designated Research Areas (DRAs).

The research program contributes to the Nation's knowledge about disease and disability. In meeting its mission, VA Research & Development (R&D) continued realigning its priority areas to target research resources among basic and applied research—ensuring that a mutually supportive role exists between the discovery of new knowledge and the application of these discoveries to clinical practice. DRAs focus on problems of particular importance to our veteran patient population. Project areas for FY 1998 include aging, chronic disease, mental illness, substance abuse, sensory loss, trauma-related ill-

ness, health systems, special populations, and military occupations and environmental exposures. As would be expected, aging and chronic disease accounted for the greatest number of projects. As a result of VA management policies, R&D was successful in achieving its FY 1998 performance goal.

Means and Strategies

The R&D program supports VA medical center employees conducting research projects, initiated on the basis of their own scientific interest or in response to invitations from the R&D office. To receive funding, project proposals must be submitted for scientific peer review. R&D's policy is to accept for peer review those projects that fit within one or more of the DRAs.

In an effort to provide increased objectivity to the process, action was taken in FY 1998 to organize and charter a National Research Council, a

group of external advisors who examine the research portfolio and recommend changes or improvements.

Crosscutting Activities

Historically, VA has contributed significantly to enhancing the quality of life for veterans and the Nation through the application of science to clinical practice. Our researchers participate on a wide range of technical panels and interdepartmental sharing committees. VA cooperates with the National Institutes of Health, the Department of Defense, nonprofit foundations, and the private sector. During FY 1998, for example, investigators from VA and Harvard University found new evidence that routine panoramic dental X-rays may help reduce some people's risk of stroke by detecting dangerous artery blockages.

Mission-Critical Management Problems

There are no mission-critical management problems that affected achievement of this performance goal.

Data Sources

Data is derived from the Research and Development Information System (RDIS), which is maintained by R&D and is continually updated by the research administration offices. Verification of the data entry is audited through random R&D administrative site visits.

**MEDICAL
RESEARCH
OBLIGATIONS
\$725
MILLION
FTE 2,758**

Compensation and Dependency and Indemnity Compensation (DIC) Program Outcomes

General Goal: Recognize and reward veterans for their contributions and sacrifices made in defense of the Nation; recognize and reward the surviving spouses of veterans whose deaths are determined to be service-connected.

Objective: As appropriate, modify the compensation and DIC programs to better meet the needs of service-connected veterans and survivors.

Performance Goal: VA is in the early stages of developing compensation and DIC program outcomes, measures, and goals; as a result, there were no performance goals for FY 1998.

The purpose of the compensation program is to provide monthly payments and ancillary benefits to veterans in accordance with rates specified by law, in recognition of the average potential loss of earning capacity caused by disability, disease, or injuries incurred in, or aggravated during, active military service. The program also provides monthly payments to surviving spouses, dependent children, and dependent parents in recognition of the economic loss caused by the veteran's death during active military service or, subsequent to discharge from military service, as a result of a service-connected disability.

As a first step in the development process, VA has identified seven interim outcome goals and performance measures:

- Recognize and reward veterans for their contributions and sacrifices made in defense of the Nation. (Measure: percentage of compensation recipients who perceive that VA compensation recognizes the contributions and sacrifices made by veterans during military service.)
- Redress the effects of a service-connected disability in diminishing the quality of life. (Measure: percentage of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life.)
- Offset the average loss of earning capacity due to service-connected disability. (Measure: percentage of veterans in receipt of compensation whose total income exceeds that of like circumstanced non-veterans.)
- Provide incentive for future military service by assuring prospective servicemen and servicewomen of the Nation's obligation to provide for those who are disabled as a result of military service. (Measure: percentage of recently inducted servicemen and servicewomen who report that the existence of the VA compensation program was a factor in helping them decide to enter military service.)

- Recognize and reward the surviving spouses of veterans whose deaths are determined to be service-connected. (Measure: percentage of DIC surviving spouses who perceive that the DIC program recognizes the sacrifices made by veterans during military service.)

- Ensure a minimum standard of living and an acceptable level of income for surviving spouses in receipt of DIC. (Measure: percentage of surviving spouses in receipt of DIC who have higher incomes than like circumstanced non-recipients.)

- Provide a level of income that brings surviving parents up to a standard of living that ensures dignity in their lives. (Measures: percentage of parents' DIC recipients who rely on welfare for part of their support; percentage of recipients of parents' DIC who have higher incomes than like circumstanced non-recipients.)

These interim outcome goals and measures are presented as one way of sparking discussions among VA, Congress, OMB, and veterans service organizations about the purpose of the compensation program and appropriate ways in which to measure its success.

Means and Strategies

During 1998, VA completed a program scan as part of the Department's Strategic Plan to evaluate the compensation pro-

COMPENSATION
BENEFIT
OBLIGATIONS
\$17.2
BILLION

gram and determine its effectiveness. VA will now determine what data are needed to establish a baseline and a method for collecting reliable data. We will then set performance goals and develop appropriate means and strategies.

During FY 1998, representatives from C&P Service, Office of Planning and Analysis, and VBA's Strategic Planning and Analysis Staff participated in a two-day training session for senior managers and personnel involved in drafting program outcomes. Shortly after completing the training, C&P Service representatives identified the compensation and DIC program outcomes.

Crosscutting Activities

Currently, there are no crosscutting activities. However, during VA's assessment of the adequacy and effectiveness of the DIC program, we expect to obtain income information about recipients from other federal agencies, including DoD and SSA.

Mission-Critical Management Problems

There are no mission-critical management problems that affected achievement of this performance goal.

Data Sources

Measuring how veterans perceive the compensation and DIC programs, or the impact the programs have on the quality of their lives, is dependent on data not currently available.

Pension Program Outcomes

General Goal: Recognize and reward veterans for their contributions and sacrifices made in defense of the Nation during wartime.

Objective: As appropriate, modify the pension program to better meet the needs of nonservice-connected veterans and survivors.

Performance Goal: VA is in the early stages of developing pension program outcomes, measures, and goals; as a result, no performance goals were established for FY 1998.

The purpose of the pension program is to provide monthly payments, as specified by law, to needy wartime veterans who are permanently and totally disabled as a result of disability not related to military service. The program also provides monthly payments to needy surviving spouses and dependent children of deceased wartime veterans.

As a first step, we have identified three interim outcome goals and performance measures:

- Recognize and reward veterans for their contributions and sacrifices made in defense of the Nation during wartime. (Measure: percentage of pension beneficiaries who perceive that the VA pension program recognizes the sacrifices made by veterans during wartime.)

- Provide a level of income that brings veterans and their survivors up to a standard of living that ensures dignity in their lives. (Measures: percentage of VA pension recipients who have higher total family incomes than like circumstanced non-recipients; percentage of VA pension recipients who rely on welfare for part of their support.)

- Provide incentive for future military service by assuring prospective servicemen and servicewomen of the Nation's obligation to provide for those who defend the country in wartime military service. (Measure: percentage of recently inducted servicemen and servicewomen who report that the existence of the VA pension program was a factor in helping them decide to enter military service.)

These interim outcome goals and measures are presented as one way of stimulating discussions among VA, Congress, OMB, and veterans service organizations about the purpose of the pension program and appropriate ways in which to measure its success.

Means and Strategies

During FY 1998, representatives from C&P Service, Office of Planning and Analysis, and VBA's Strategic Planning and Analysis staff participated in a two-day training session for senior managers and personnel involved in drafting pension program outcomes.

PENSION
BENEFIT
OBLIGATIONS
\$3.0
BILLION

During FY 1998, VA completed a program scan as part of the Department's Strategic Plan to evaluate the pension program's effectiveness. VA will establish baselines and determine the best method for collecting reliable data. We will then set performance goals and develop appropriate means and strategies.

In addition, VBA established a special project team during FY 1998 to look at potential legislative proposals for reforming the pension program.

Crosscutting Activities

There are no crosscutting activities to support achievement of this performance goal.

Mission-Critical Management Problems

There are no mission-critical management problems that affected achievement of this performance goal.

Data Sources

Data are not currently available to measure how veterans perceive the pension program.

Insurance Program Outcomes

General Goal: Ensure the insurance program meets the needs of veterans and their families.

Objective: Improve the ability of veterans to enhance their financial security through life insurance and related benefits.

Performance Goal: VA is in the early stages of developing insurance program outcomes, measures, and goals; as a result, there were no performance

goals for FY 1998.

The purpose of the program is to provide veterans and servicemembers life insurance benefits not available from the commercial insurance industry because of lost or impaired insurability resulting from military service. For the benefit of veterans, servicemembers, and beneficiaries, VA administers six life insurance programs and supervises the administration of a seventh and eighth. The total amount of insurance in force under these programs is more than \$504 billion.

During FY 1998, VA made significant progress in developing an initial set of outcome goals and measures. We identified outcomes for four programs that are still open to new participants: Service Disabled Veterans Insurance (SDVI), Servicemembers Group Life Insurance (SGLI), Veterans Group Life Insurance (VGLI), and Veterans Mortgage Life Insurance (VMLI). VA also developed outcomes for the four programs that are not open to new participants: National Service Life Insurance (NSLI), United States Government Life Insurance (USGLI), Veterans Reopened Insurance (VRI), and Veterans Special Life Insurance (VSLI). The outcomes and their associated measures are as follows:

- Provide disabled veterans the ability to obtain life insurance at standard premium rates, without regard to their

service-connected impairments, for a limited time period following separation. (Measure: compare life insurance available under the SDVI program with the average American's ability to purchase insurance in reasonable amounts at competitive rates and with comparable policy features.)

- Offer insurance coverage to servicemembers and reservists that is comparable to group life insurance offered to civilian employees by large-scale employers. Servicemembers and reservists being separated from duty are provided with the same opportunity to convert their group insurance to individual commercial policies as would be available to healthy employees being separated from large-scale civilian organizations. (Measure: compare life insurance available under the SGLI/VGLI programs to coverage offered to employees of large-scale companies, including face amounts, premium rates, policy features, and conversion privileges.)
- Make available mortgage life insurance to severely disabled veterans at standard premium rates. (Measure: compare mortgage protection life insurance available under VMLI with the average American's ability to purchase mortgage insurance in

reasonable amounts at competitive rates and with comparable policy features.)

- World War I, World War II, and Korean Conflict veterans who were issued government life insurance policies are provided with continued insurance protection and benefits. (Measure: compare maintenance practices and services being provided on contemporaneous commercial policies with those provided for the USGLI, NSLI, VSLI, and VRI policyholders. Compare the financial value provided to these policyholders with that provided on contemporaneous commercial policies, using the Best Policy Reports surrender cost index.)

These outcomes and measures are presented as ways of sparking discussions among VA, Congress, OMB, and veterans service organizations about the purpose of the insurance programs and appropriate ways in which to measure their success.

Means and Strategies

Several studies are currently underway which are expected to shed light on the extent to which the VA life insurance programs are achieving their intended outcomes.

Public Law 105-368, signed by the President on November 11, 1998, mandated an assessment of the effectiveness of veterans' insurance and survivors' benefits programs for

veterans with service-connected disabilities. The results of that study will be an important consideration in determining appropriate strategies for improving the SDVI, SGLI, VGLI and VMLI programs.

A comparison of life insurance available under the SDVI program has revealed that SDVI premium rates are not competitive with those offered on commercial policies. One step to correct this may be to lower SDVI premiums to a competitive level. Another could be to eliminate term insurance premium increases after the renewal at age 70. Term "capping" as it is called, is already included in the World War II and Korean War insurance programs (NSLI and VSLI). The addition of this feature to the SDVI program would help to make that program more equitable when compared to those programs, as well as better meeting the intended program outcomes. These changes could only be accomplished through an increased subsidy to the program. These recommendations for changes will await completion of the study mandated by Public Law 105-368.

VA has initiated a comparative analysis to ensure that coverage comparable to group insurance offered by large-scale employers is available to servicemembers and reservists under the SGLI and VGLI programs. The analysis includes face amounts, premium rates, policy features and conversion privileges. The strategy for improvements in the basic SGLI

program will await completion of this analysis. The same analysis has revealed that VGLI premiums are too high to be competitive with commercial rates. However, recent improvements in VGLI mortality rates and the program's financial position will allow us to reduce premiums considerably in 1999. Any further options to make VGLI premiums even more competitive with commercial rates will await completion of the Public Law 105-368 study discussed above.

An analysis is also underway comparing mortgage life insurance available to severely disabled veterans under the VMLI program with that available to the average American. Recommendations for changes in the VMLI program will await completion of this analysis and the Public Law 105-368 study.

Also in 1998, a comparison of the financial value provided to our policyholders with that provided on commercial policies, using the Best Policy Reports surrender cost index, was completed. This index—which includes premiums, dividends, cash values, and the time value of money—is an excellent benchmark. Comparisons are made for a whole life policy, issued at age 55, using two indices: payment and surrender cost. The payment index takes into account premiums and dividends; the surrender cost index uses premiums, dividends, and cash value. The indices account for the time value of money at 5% interest.

INSURANCE
BENEFIT
OBLIGATIONS
\$2.5
BILLION

The VA plan was more beneficial in three out of four instances when compared with the USAA Life Insurance Company, which ranks first in the industry for these indices.

Crosscutting Activities

There are no crosscutting activities to support achievement of this performance goal.

Mission-Critical Management Problems

There are no mission-critical management problems that affected achievement of this performance goal.

Data Sources

Information on data sources will be provided once the comparative analyses involving non-VA insurance programs are completed.

Montgomery GI Bill Usage Rate

General Goal: Eligible veterans will be assisted in their readjustment to civilian life as a result of educational services provided by VA.

Objective: Improve the educational opportunities provided to veterans.

Performance Goal: During FY 1998, VA learned that the eligible Montgomery GI Bill (MGIB) veteran population had been overstated, deflating the actual usage rate. Because of this error, the annual performance goal was invalid.

The mission of the education program is to honor and reward

veterans for sacrifices made in service to the Nation by assisting them and eligible dependents in achieving their educational or vocational goals.

The extent to which eligible beneficiaries use their earned benefit is one measure of program success. A greater number of veterans using the MGIB will result in a more highly educated and productive workforce, thus enhancing the Nation's competitiveness.

Veterans use the benefit to readjust to civilian life and achieve educational or vocational objectives that might not have been attained had they not entered military service. The Department of Defense has used the educational benefits available under the MGIB as a successful recruiting tool.

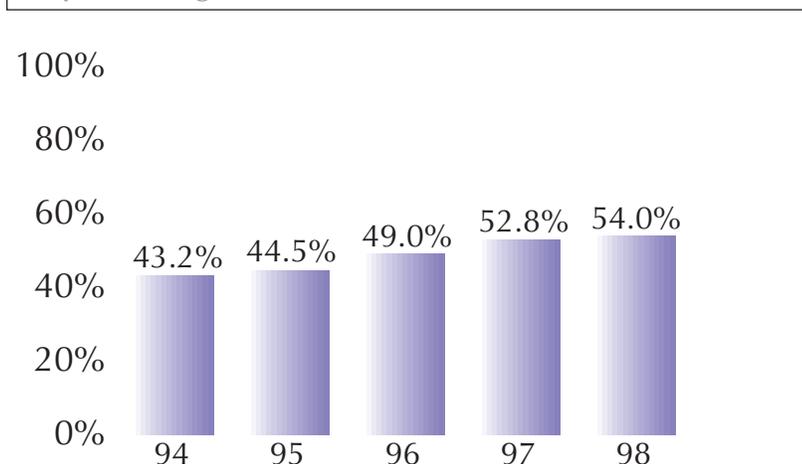
This is an interim measure that the program is using until an end outcome and associated data are developed. In January 1998, a VA-sponsored task force—which included repre-

sentatives from colleges and universities, technical schools, national education organizations, the Department of Defense, and state approving agencies—focused on measuring the extent to which VA-administered education programs are achieving their intended purposes. While some aspects of these programs are dramatically different, each benefit appears to share a common goal—enriching our Nation by providing education or training opportunities to those who have sacrificed for America's security.

Several program outcomes and associated performance measures are under consideration:

- Assist veterans in readjusting to civilian life. (Measure: MGIB usage rate.)
- Provide affordable higher education. (Measure: debt level at completion of education program.)

Montgomery GI Bill Usage Rate (in percentages)



Our Nation's competitiveness is enhanced through a higher MGIB usage rate.

- Provide educational opportunities. (Measure: percentage of veterans who say their use of the GI Bill or their military experience changed their occupational goal.)
- Enhance our Nation's competitiveness. (Measures: graduation or completion rate; achievement index.)

School officials agreed to examine some possible outcome measures, such as retention rates and graduation or completion rates, to determine possible methods of comparing veteran performance with non-veteran performance. Retention rates would indicate how successful veterans are in progressing toward their educational objectives; graduation or completion rates would establish their relative success at achieving those objectives.

Data for these measures are currently being collected and tested. VA will continue to refine and enhance these interim outcome goals and performance measures in response to feedback provided by Congress, OMB, veterans service organizations, school officials, and other stakeholders.

In FY 1998, VA initiated a formal program evaluation for each major education benefit, which will be completed by the end of FY 1999. This evaluation will help us fill existing data gaps and assess the extent to which the education programs are meeting their legislative intent, while providing the infor-

mation needed to refine program goals and propose potential changes.

VA's goal for 1998 was to achieve an MGIB usage rate of 40%, based on data that showed a cumulative 1997 usage rate of 37%. Discussions with DoD personnel during 1998 revealed that, because the population of eligible MGIB veterans was overstated, the MGIB usage rate was understated. A further review of the DoD data indicates the cumulative MGIB usage rate through 1998 was 54%.

Means and Strategies

VA will provide detailed information on the MGIB to eligible service personnel before they leave military service, enabling separating servicemembers to make future educational plans.

Outreach will be improved by providing servicemembers and other potential beneficiaries better access to education specialists. By working with officials at military posts, education and training institutions, and program approving entities, potential beneficiaries will enhance their knowledge and awareness of VA education programs. Education benefits specialists will provide information and assistance in locations with the greatest access to the largest portion of the targeted population.

After Congress enacted legislation, effective October 1, 1998, to raise the full-time monthly rate payable to \$528, an increase of 20%, VA began an intensive public awareness cam-

paigned to make sure that all current beneficiaries received notification of the increase. Press releases targeted the general population and beneficiaries not currently in training. State approving agency personnel and school certifying officials assisted us by disseminating the good news. Usage is expected to improve as a result of this benefit increase, the largest since the MGIB was enacted in 1984.

Crosscutting Activities

Increasing the MGIB usage rate requires coordination between VA and organizations currently performing, or planning to perform, outreach activities. In addition to this partnering, a coordinated effort with DoD is underway to identify eligible service personnel, then build upon existing counseling and outreach activities at military bases.

Mission-Critical Management Problems

In 1985, the MGIB-Selected Reserve (chapter 1606) provided immediate eligibility for benefits to qualified members of the Selected Reserve. A simple automated system, with heavy reliance on manual input, permitted prompt payment of the benefit. However, because this interim system made frequent erroneous payments, it does not comply with the Federal Managers' Financial Integrity Act and has been declared a material weakness.

VA determined the best way to resolve the material weakness is to install an enhanced MGIB-

EDUCATION
PROGRAM
OBLIGATIONS
\$938

MILLION
FTE 927

Selected Reserve automated system. The correction date is scheduled for the first quarter of FY 2000.

Data Sources

The MGIB usage rate is calculated by dividing the number of individuals who began a program of education under the MGIB by the overall number of potentially eligible veteran beneficiaries. DoD's Defense Manpower Data Center tabulates the annual usage rate, using their records and data from VA's Education Master Record File.

Vocational Rehabilitation and Counseling (VR&C) Rehabilitation Rate

General Goal: Enable service-connected disabled veterans to become employable and to obtain and maintain suitable employment.

Objective: Increase the number of disabled veterans who acquire and maintain suitable employment and are considered to be rehabilitated.

Performance Goal: Because this performance measure was redefined in FY 1998 to more accurately portray VR&C program achievements, a performance goal was not established.

The VR&C program assists veterans with service-connected disabilities to achieve functional independence in daily activities. It provides the services necessary to enable service-disabled

veterans to become employable, and to obtain and maintain suitable employment. The outcome is the placement of service-disabled veterans in suitable employment or the achievement of independence in daily living, following a program of rehabilitation services.

During FY 1998, VA measured success in rehabilitating veterans by using a rate of rehabilitation effectiveness that did not capture all of the necessary data. As a result, VR&C changed the measure of rehabilitation success to give an accurate picture of the positive program outcomes enumerated in the enabling legislation for VA's vocational rehabilitation program. The new measure, rehabilitation rate, is established by comparing the proportion of veterans who receive planned services and are rehabilitated with all veterans who leave a program of services.

Veterans who participate in a program of vocational rehabili-

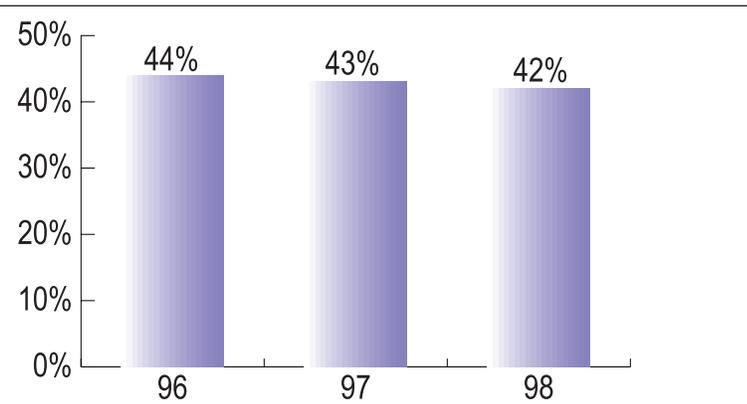
tation, but do not complete a sufficient portion of the program to move into successful employment, represent a less than optimal gain to the program, the veterans, and the taxpayers. VA is working to improve program retention by making sure proper evaluation and planning take place. Of greatest importance is the assurance that the veteran, after completing the program, is a job-ready individual who can successfully obtain and maintain suitable employment. VA has put greater emphasis on the quality of placements, resulting in a temporary decrease in the number of veterans who were rehabilitated during FY 1998.

Means and Strategies

VA has made significant progress in the program shift to emphasize suitable employment for our veteran participants at the earliest possible time. This shift has resulted in a more thorough evaluation of veterans' transferable employment skills and the placement of veterans in

VR&C PROGRAM OBLIGATIONS \$517 MILLION FTE 919

Disabled Veterans Rehabilitation Rate
Percent Who Acquire Suitable Employment



training programs that will make maximum use of prior developed skills. We have seen an increase in the number of veterans receiving employment counseling, including an increase in those veterans who benefit from employment services without additional job training.

In FY 1998, VA services were augmented by contract service providers, allowing improvements in timeliness and quality. By FY 1999, VA will implement a national acquisition strategy to bring greater effectiveness and efficiency to the contracting and procurement areas.

Crosscutting Activities

VA partnered with the Department of Labor (DOL) to conduct training on employment assistance and techniques, with the aid of a new transferable skills inventory.

Mission-Critical Management Problems

Federal/Departmental acquisition regulatory, policy, and procedural requirements have not been universally followed in the

procurement of contracted services, supplies, and equipment for veterans participating in VA's vocational rehabilitation program. VA's VR&C Service has established a task force to examine the issue and make recommendations. As a result, a national acquisition strategy has been developed, with the goal of bringing greater consistency, effectiveness, and efficiency to the procurement process. The new strategy is undergoing pilot testing in one of VBA's Service Delivery Networks and, after evaluation, will be implemented in all VR&C locations.

Data Sources

VA currently uses two separate information systems for resource allocation, work measurement, and productivity measurement for the VR&C program. These have proven to be unreliable information systems that do not provide the data necessary to make well-informed decisions. These systems are also inadequate for assessing operations.

To solve this problem, VR&C

has developed the WINRS case management system to track the progress of each program participant, while providing data for services and decisionmaking.

Percentage of Veterans Served by a Burial Option

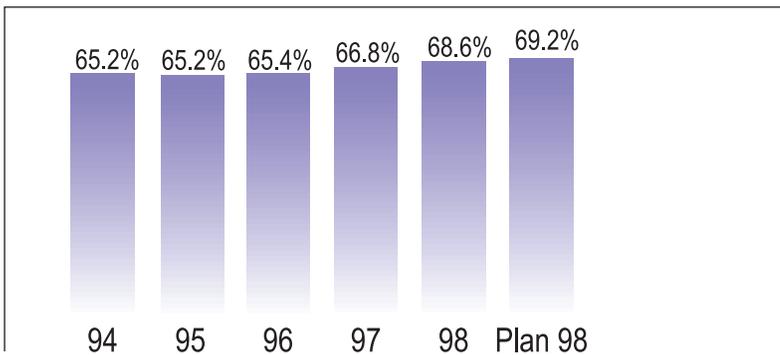
General Goal: Assure that the burial needs of veterans are met.

Objective: Increase the percentage of veterans served by a burial option within a reasonable distance of their residence to 80%.

Performance Goal: In FY 1998, increase the percentage of veterans served by a burial option in a national or state veterans cemetery within a reasonable distance (75 miles) of their residence to 69.2%.

The mission of the National Cemetery Administration (NCA) is to honor veterans with a final resting place and lasting memorials to commemorate their service to our Nation. According to NCA data from recent years, about 80% of persons interred in national cemeteries resided within 75 miles of the cemetery at time of death. With the increase in interments and total gravesites used, cemeteries deplete their inventory of space and are no longer able to accept full-casketed or cremated remains of first family members. As a result, fewer burial options are available to veterans. At the end of FY 1998, of the 115 existing national cemeteries, only 57

Percentage of Veterans Served by a Burial Option



contained available, unassigned gravesites for the burial of both casketed and cremated remains; 33 accepted only cremated remains and remains of family members for interment in the same gravesite as a previously deceased family member; and 25 performed interments of family members only in the same gravesite as a previously deceased family member.

Means and Strategies

To meet the burial needs of veterans and the FY 1998 performance goal, VA opened a new national cemetery in a previously unserved area in the State of Washington; expanded existing national cemeteries where appropriate; developed more effective use of available burial space; and worked in partnership with the states to develop state veterans cemeteries through the State Cemetery Grants Program (SCGP).

In FY 1998, 68.6% of the veteran population was served by a burial option. This is an increase over the FY 1997 level of 66.8%, but slightly less than the FY 1998 performance goal of 69.2%. During FY 1998, interment operations began at the new Tahoma National Cemetery in the State of Washington, and a new state veterans cemetery opened in Boscawen, NH. The opening of these two new veterans cemeteries increased the number of veterans served by more than half a million. This increase in service was partially offset, however, by two national cemeteries deplet-

ing their inventory of grave space to provide a first interment option, whether for full-casketed or cremated remains.

VA is exploring alternative burial options for those who would not otherwise be served. For example, in FY 1998, cremation gardens, which are areas designated for the scattering of cremated remains, were introduced in national cemeteries. VA published a new policy authorizing cremation gardens in any national cemetery that has an appropriate area to accommodate cremated remains in this manner.

VA is constructing four new national cemeteries in the vicinities of Albany, Chicago, Dallas-Fort Worth, and Cleveland. When open, these cemeteries will provide a burial option to about 2.2 million veterans not currently served. VA will expand existing national cemeteries by completing phased development projects.

VA will continue to identify national cemeteries that will close due to depletion of grave space and determine the feasibility of extending the service period of those cemeteries by acquiring adjacent land or by constructing columbaria. These actions, which would depend on such factors as the availability of suitable acreage and the cost of construction, are not possible in every case.

Crosscutting Activities

To complement the system of national cemeteries, VA administers the SCGP, which provides states with grants of up to 50% of the cost of establishing, expanding, or improving state veterans cemeteries. The state veterans cemetery that opened in Boscawen, NH, was constructed through a federal-state partnership under the SCGP. To date, 38 operating state veterans cemeteries, serving 2.6 million veterans, have been established, expanded, or improved using the SCGP.

Mission-Critical Management Problems

There are no mission-critical management problems that affected achievement of this performance goal.

Data Sources

VA calculates the percentage of veterans served by a burial option within a reasonable distance of their residence by analyzing census data, openings of new national or state veterans cemeteries, and changes in the service delivery status (i.e., open, cremation only, closed) of existing cemeteries. (Multiple counts of the same veteran population are avoided in cases of service-area overlap.) The IG's Office of Audit is currently assessing the reliability and validity of veteran population data. Results of this IG audit will be available in FY 1999.

**BURIAL
PROGRAM
OBLIGATIONS
\$284
MILLION
FTE 1,328**

Community-Based Outpatient Clinics (CBOCs)

General Goal: Ease of access - A veteran, beneficiary, or representative will be able to access VA in the fastest possible time, by the easiest possible means, and receive one-stop assistance.

Objective 1: Increase the number and types of access points for services.

Performance Goal: In FY 1998, increase to 430 the number of CBOCs at which veterans and eligible dependents can receive outpatient care.

One of the Secretary's three priorities for the Department is to deliver goods and services to the Nation's veterans as **"One VA."** A primary feature of this is our strategic goal to provide world-class customer service. A key component in achieving this goal is to improve each customer's ability to access the

offices, facilities, and services of the Department. Increasing the number of CBOCs contributes to this goal by providing outpatient care for patients who find it difficult (due to geographic location or medical condition) to travel to a VA medical center, independent outpatient clinic, or satellite outpatient clinic.

Means and Strategies

During FY 1998, veterans experienced greater access to VA healthcare as a result of the increase in new CBOCs. The number of CBOCs was 36% higher in FY 1998 than in FY 1997; still, the target level of performance was not achieved.

VA has been in the forefront of advocating strategies that emphasize providing customers with choices in locations of care and opening additional locations to provide outpatient healthcare. Another strategy includes using diagnostic and other services to expand our

technological capabilities for transferring information from remote locations.

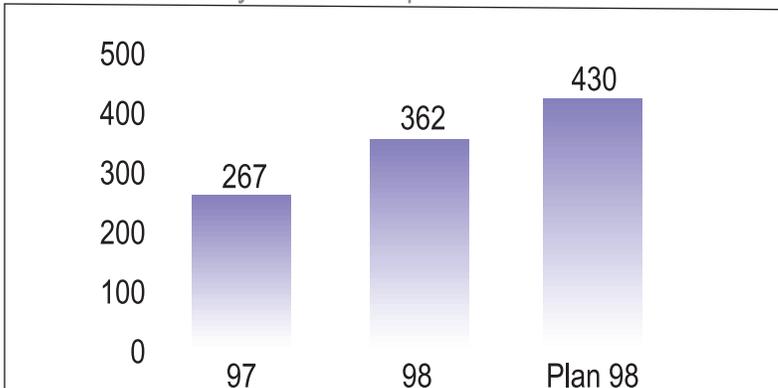
The Department worked closely with veterans' representatives, VA field staff, and Congressional representatives to identify acceptable sites. The role of the modern VA CBOCs continues to evolve, and new services are being added as necessary.

Not all CBOC locations are under direct VA supervision; the specific management model is a local determination.

During FY 1998, VISNs improved access in newly established CBOCs through a variety of approaches: networks educated their staffs and veteran customers about the new CBOCs; some issued videos, prepared marketing guides, established planner positions, and conducted market analyses; others developed outreach programs—direct mailings to users and non-users, visits to prisons, and health promotion newsletters. A number of networks emphasized their CBOC planning programs and established methodologies, policies, and data needs for CBOCs on a VISN-wide basis. Networks also developed and tested evaluation criteria for assessing the effectiveness of VISN CBOCs in meeting objectives.

CBOCs openings are generally financed from existing funds. Locally, new financing is made possible by the shifting of workload and the resultant funds from inpatient to outpatient activities. VISN directors have

Community-Based Outpatient Clinics



designed balanced inpatient and outpatient treatment programs that will continue to be monitored to make sure the VA healthcare system provides value for the taxpayer-supplied healthcare dollars.

Crosscutting Activities

VA policy encourages VISN managers to enter into community arrangements to provide comprehensive medical care for veterans in remote areas. Along with eight other Federal agencies (Department of Agriculture, Department of Commerce, Department of Defense, Department of Health and Human Services, Federal Communications Commission, NASA, OMB, and the Appalachian Regional Commission), VA participates in the Joint Working Group on Telemedicine, which is part of the Vice President’s National Information Infrastructure Initiative. VA also works with the National Cancer Institute and American Diabetes Association.

We are collaborating with DoD on developing a memorandum of understanding to gain access to each other’s Central Cancer Registry. In addition, the Department has arranged for veterans to receive medical care from both VA and DoD, depending upon a facility’s proximity to their residence.

Mission-Critical Management Problems

There are no mission-critical management problems that affected achievement of this performance goal.

Data Sources

The data source for this measure is kept current by using periodic surveys and an inventory of approved clinics maintained at VA Headquarters. A comparison of periodic surveys, review of Congressional approvals, and the history of station numbers authorized for CBOCs validate the data.

Abandoned and Blocked Call Rates

Objective 2: Improve telephone access to information.

Performance Goal: During FY 1998, our performance goal for the blocked call rate was 52%; there was no performance goal established for the abandoned call rate.

VA recognizes that its abandoned and blocked call rates are too high. Approximately one-half of those who call us get a busy signal. We believe this is a result of both a lack of staff to answer the phone and the lack

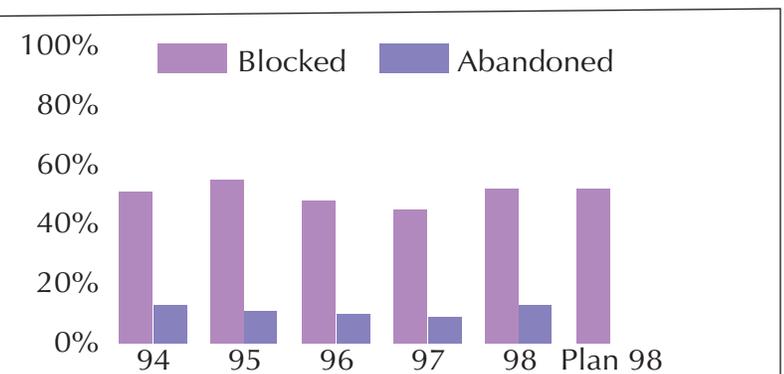
of a flexible, up-to-date phone system.

Abandoned calls increased during each month of FY 1998 compared to FY 1997. This increase was apparently related to the increase in the number of available circuits. From October 1997 to September 1998, the number of circuits available on 1-800-827-1000 increased from 815 to 942.

During FY 1998, we anticipated a performance setback in blocked calls, as reflected in the 1998 plan. Most of the setbacks occurred from October 1997 through March 1998, when many offices were engaged in division merger activities. In the second half of FY 1998, the blocked call rate was 40%, an improvement from the 44% rate during the same period in FY 1997.

Abandoned calls and blocked calls are intricately related. VA has initiatives underway to provide better service and easier access. In the future, business

Abandoned and Blocked Call Rates (in percentages)



process reengineering initiatives, coupled with IT solutions, will allow us to further reduce the abandoned and blocked call rates.

Means and Strategies

The reengineered claims processing environment for C&P includes more frequent personal contact between VA employees and claimants or their service representatives. As claimants interact more directly with VA personnel processing their claims, we anticipate we will be able to provide the service and information claimants expect.

Several IT initiatives are underway which will allow callers more options and longer hours for access to information. Providing an automated solution will allow more callers who need personal service to reach a veterans service representative. Three initiatives are currently in progress:

N-ARS (National Automated Response System) is a menu series of programmed messages that allow a caller to receive general benefits information on all of VBA's business lines. The interactive voice response capability allows a veteran to determine the status of education or disability benefit payments. The caller has the option of transferring to a VA representative at any time in the messaging system. N-ARS contains a full messaging system capable of routing the caller to the C&P regional office of jurisdiction. The capability does not yet exist to route a caller to the appropriate educa-

tional processing office, regional loan center, or the Philadelphia Insurance Center, but this limitation will be addressed as the initiative is expanded. Expanding N-ARS allows all 1-800 calls to be serviced by five regional offices routed through the national system: Houston, Nashville, Roanoke, San Diego, and Winston-Salem.

SDN—Virtual Information Center. The purpose of the SDN (Service Delivery Network) initiative is to test the feasibility, efficiency, and effectiveness of employing the resources within an SDN as a virtual information center. All stations within SDN 2—consisting of the regional offices in Newark, Wilmington, Philadelphia, Pittsburgh, Cleveland, Detroit, and Indianapolis—will participate in the test. The targeted implementation time frame is the third quarter of FY 1999.

Case-Specific Call Routing. This initiative is concerned with developing the ways and means of routing case-specific calls through N-ARS to the appropriate case manager or case management team. In October 1998, a decision was made to prompt callers at the beginning of the N-ARS messaging system for their case manager's telephone extension number. This number would be given to claimants in their initial expectation letters and development letters, as well as during personal interviews. The extension number would be a unique five-digit number (or set of numbers) linked, through the N-ARS programming logic, to a

phone number in a particular regional office.

During FY 1998, these initiatives were still being formulated. Project teams were established for each initiative.

Crosscutting Activities

There are no crosscutting activities to support achievement of this performance goal.

Mission-Critical Management Problems

There are no mission-critical management problems that affected achievement of this performance goal.

Data Sources

The abandoned call rate is determined by using data from the Distribution of Operational Resources report, which is generated monthly. The blocked call rate is based on data received monthly from Sprint in the "24 hours a day/7 days a week" report.

Customer Satisfaction

General Goal: Service will meet or exceed veteran expectations.

Objective: Increase, to the highest level possible, customer satisfaction of veterans, their dependents and beneficiaries, and stakeholders who interact with VA employees.

Performance Goal 1: In FY 1998, increase to 75% the percentage of customers rating VA healthcare service as very good or excellent.

VA obtains continual feedback from customers on their sat-

COMPENSATION
AND
PENSION
PROGRAMS
OBLIGATIONS
\$20.7
BILLION
FTE 6,770

isfaction with healthcare service through surveys, focus groups, complaint handling, direct inquiry, and comment cards. This feedback, used to build a database on what customers expect and experience, provides useful information upon which to revise performance goals and identify areas in need of service improvement. As appropriate, specific groups of customers—such as Persian Gulf veterans, minority veterans, and women veterans—are surveyed to determine their special needs and levels of satisfaction.

Means and Strategies

Anticipated customer satisfaction levels were not achieved in spite of measures taken to improve performance. In addition to organizational performance being reported, the 1998 VISN directors’ individual performance plans included two measures related to customer satisfaction.

The following efforts are underway at the VISN level to improve satisfaction scores:

- provider/patient communication through education programs;
- post-discharge telephone calls;
- quick cards;
- patient representative visits to new admissions;
- product line managers in charge to resolve complaints;

- quarterly awards programs at each facility;
- patient/provider treatment team roster;
- routine surveys of staff and patients to head off emerging problems and reinforce positive trends.

In addition, VISNs continue to explore strategies to improve patient access to care by creating CBOCs and Community Service Centers, opening weekend clinics, employing case managers, building permanent clinic screening teams, and making infrastructure improvements such as a VISN-wide Guest Services Program. VA seeks input from veterans service organizations to ensure access, reduce friction, improve the quality of care, and evaluate veteran satisfaction.

Crosscutting Activities

There are no crosscutting activities to support achievement of this performance goal.

Mission-Critical Management Problems

There are no mission-critical management problems that affected achievement of this performance goal.

Data Sources

The sources of the data are the National Customer Feedback Center surveys. An annual report is available on VISN performance. The validity and reliability of the findings is ensured by a research team, using standard survey practices.

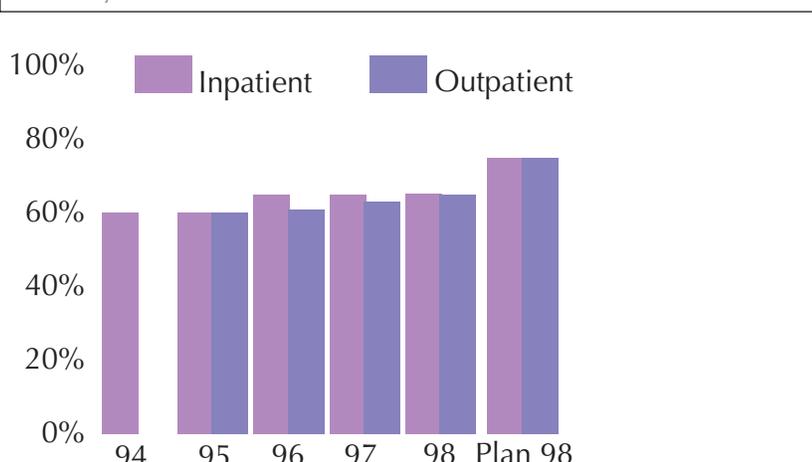
Performance Goal 2: Because this is a new key measure, there was no performance goal for the percentage of C&P claimants satisfied with the handling of their claims in FY 1998.

Means and Strategies

We will continue to seek feedback through customer surveys to ascertain claimants’ satisfaction with VA’s handling of their claims.

MEDICAL CARE PROGRAM OBLIGATIONS \$17.9 BILLION FTE 188,705

Percentage of Customers Rating VA Healthcare Service As Very Good or Excellent



COMPENSATION
AND
PENSION
PROGRAMS
OBLIGATIONS
\$20.7
BILLION
FTE 6,770

In November 1998, a customer satisfaction team comprised of field managers and staff members of the Office of Field Operations, Program Management (C&P), and the Office of Surveys and Research was established. The primary purpose of the team is to review the results of the Survey of Veterans' Satisfaction and to concentrate on those areas where less than 70% of veterans indicated satisfaction. The team will develop proposals and initiatives to improve performance by focusing on the biggest problem areas and implementing countermeasures. Implementation is scheduled for April 1999.

As we take action to improve our technical accuracy and the professional skills of our employees, we anticipate the level of customer satisfaction will improve as well. Traditional Adjudication and Veterans Assistance Divisions will be blended into Service Centers.

This new structure will provide closer contact with customers. The traditional veterans claims examiner and benefits counselor positions will be merged into a single veterans service representative position, resulting in improved ownership of claims and a better understanding of customers' concerns. Case managers will have the authority to interact with veterans, identify and resolve issues, and make decisions at the earliest opportunity. Outbased Customer Service Centers will allow more claimants to interact directly with VA personnel responsible for processing their claims.

Crosscutting Activities

There are no crosscutting activities to support achievement of this performance goal.

Mission-Critical Management Problems

There are no mission-critical management problems that affected achievement of this performance goal.

Data Sources

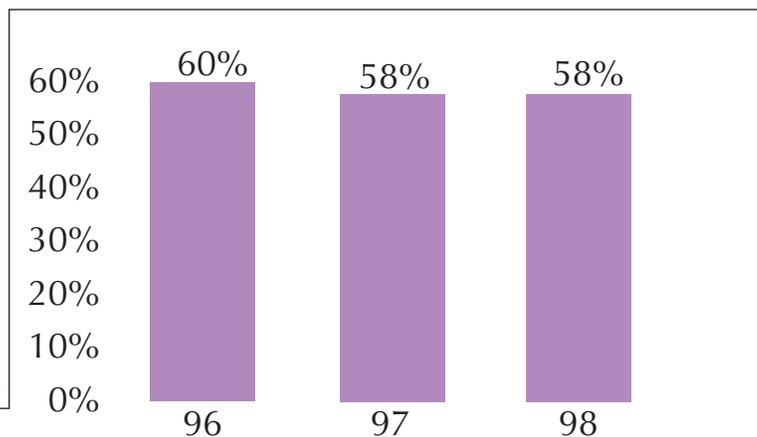
The percent of C&P customers satisfied with the handling of their claim is determined through the annual "Survey of Veterans' Satisfaction with the Compensation and Pension Claims Process." VBA's Surveys and Research staff oversee the survey process to make sure professional standards are met and reliable results are obtained.

Performance Goal 3: Increase to 88% the percentage of survey respondents who rate the quality of service provided by national cemeteries as excellent in FY 1998.

Performance Goal 4: Increase to 80% in FY 1998 the percentage of survey respondents who rate the appearance of the national cemeteries as excellent.

Our goal is to make sure the Nation's veterans and their families are satisfied with the cemetery services provided by VA. The Department strives to provide high quality, responsive service in all of its contacts with veterans and their families. Our responsibility is to maintain the cemeteries and graves as national shrines, so that bereaved family members are comforted when they come for an interment or to visit the grave of a loved one. America's veterans have earned the appreciation and respect not only of their friends and families, but also of the entire Nation. Our national cemeteries are enduring testimonials to that appreciation and should be places to which ve-

Percentage of Compensation & Pension Claimants Satisfied



VA concentrates on those areas where less than 70% of veterans are satisfied.

terans and their families will be drawn for a dignified burial and lasting memorial. While the two NCA customer satisfaction scores were slightly below the plan level, the data indicate a continuing high level of satisfaction.

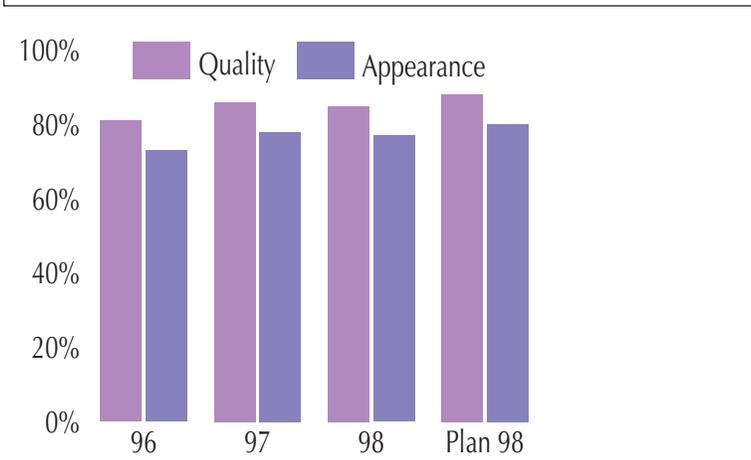
Means and Strategies

In order to improve service to veterans and their families, VA provides weekend scheduling of the interment in a national cemetery for a specific time in the ensuing week. In FY 1998, VA provided weekend scheduling for over 4,600 interments.

Kiosks assist cemetery visitors in finding the exact gravesite location of individuals buried there. In addition to providing the visitor with a cemetery map for use in locating the gravesite, the kiosk information center provides such general information as the cemetery’s burial schedule, cemetery history, burial eligibility, and facts about NCA. By the end of FY 1998, VA had installed kiosks at five national cemeteries.

During FY 1998, a revised NCA Homepage went on-line. Rated among the top 5% of all web sites on the Internet by Lycos, a popular search engine company, the site provides information on eligibility and planning for burial in a VA national cemetery. It includes sections on burial regulations, military honors, headstones and markers, locating veterans, and obtaining replacement medals, as well as information about the history of

Percent of Survey Respondents Rating the National Cemeteries as Excellent



Veterans and their families are highly satisfied with national cemeteries.

NCA and listings for each national cemetery.

Numerous ceremonies and memorial services were held during FY 1998 at national cemeteries to honor those who made the supreme sacrifice. For example, Beverly National Cemetery hosted a ceremony commemorating D-Day. Ceremonies were held at the National Memorial Cemetery of the Pacific to honor American war dead. A special interment service for First Lieutenant Michael J. Blassie, identified through DNA testing after a 14-year interment in Arlington National Cemetery’s Tomb of the Unknowns, was held at Jefferson Barracks National Cemetery.

In order to ensure the appearance of cemeteries meets the standards our Nation expects of its national shrines, VA performs a wide variety of grounds maintenance functions. Headstones were set, aligned, or realigned to maintain uniform height and spacing. Headstones that

became soiled were cleaned. Veterans and their families expect national cemeteries to have green grass and appropriate, well-cared-for shrubbery and trees. In-ground gravesites (casket and cremains) require maintenance to correct ground sinkage. To maintain columbaria, VA cleaned stains from stone surfaces, maintained the caulking and grouting between the units, and repaired the surrounding walkways. While attending to these highly visible aspects of our national shrines, VA also maintained roads, driveways, parking lots, and walks; painted buildings, fences, and gates; repaired roofs, walls, and irrigation and electrical systems. Cemetery acres that have been developed into burial areas, and other areas that are no longer in a natural state, also require regular maintenance.

BURIAL PROGRAM OBLIGATIONS \$284 MILLION FTE 1,328

Crosscutting Activities

While VA does not provide military honors, we have continued to work closely with DoD and veterans service organizations to facilitate the provision of military honors and logistical support for military honors teams at our national cemeteries. Veterans and their families have emphasized that providing military honors for those who served their country with courage and honor is important to them. In FY 1999, DoD and VA will host a Military Funeral Honors Executive Roundtable to identify ways to improve the availability of military funeral honors for veterans.

An Interagency Agreement with the Bureau of Prisons provides for the use of selected prisoners to perform work at national cemeteries. This agreement has provided, at no cost to VA, a supplemental source of labor to assist in maintaining our national cemeteries.

Mission-Critical Management Problems

There are no mission-critical management problems that affected achievement of these performance goals.

Data Sources

The source of these data is the NCA Visitor Comment Card Survey, an annual survey conducted over a period of 90 days. The measure for customer satisfaction is the percentage of respondents who rate the quality of interaction with cemetery staff as excellent. The measure for

cemetery appearance is the percentage of respondents who rate the appearance of the cemetery as excellent.

Respondents are asked to rate the appearance of cemetery grounds, headstones and markers, gravesites, and facilities. Cemetery appearance is considered the average of excellent scores in each of the four areas rated. VA staff oversee the survey process and provide an annual report at the national, area, and cemetery level.

National Accuracy Rate - Core Rating Work

General Goal: Do it right the first time—accurate and complete benefits and services will be delivered with zero defects. If it is not done right the first time, there will be candid acknowledgment of mistakes and a priority assignment to correct the mistakes.

Objective: Assess and improve the level of accuracy for all work.

Performance Goal: The 64% baseline national accuracy rate for core rating work was first established during 1998, based on a special review of a sample of cases.

Improvement in technical accuracy is the #1 priority for the C&P business lines. This priority is reflected on the C&P Balanced Scorecard, with accuracy weighted as the heaviest of the five performance categories.

Accuracy review processes

for C&P claims were modified in FY 1998 to standardize and improve the review process. This revised process, called Systematic Technical Accuracy Review (STAR), provides for reviews in three separate, but complementary, program areas: core rating work, core authorization work, and fiduciary cases. Measures for all three reviews are part of the balanced scorecard. The national accuracy rate for core rating work is a key measure, because this workload represents the most significant and complex cases that come to VA for adjudication. The STAR process requires a comprehensive review and analysis of all processing elements associated with a specific claim. During FY 1999, VA will begin implementing the new STAR program.

Means and Strategies

During FY 1998, all necessary steps to implement the STAR review process in FY 1999 were accomplished. To establish current processing baselines and evaluate the STAR review sheets, VA conducted separate studies for samples of rating-related end products, authorization end products, and fiduciary work.

VA has established a long-term project to develop training programs for the core service delivery positions. Since April 1998, three comprehensive training programs have been issued through VBA's Intranet. The first program is designed to assist the field stations in training new Veteran Service Representatives (VSRs); the second focuses on analyzing and

developing claims; and the third is a total revision of VBA's ADVISOR program, which provides general information about the full range of VA benefits and services.

Long-term plans call for developing formal, computer-based training programs, using the industry-recognized model of instructional systems design. This initiative, called Training and Performance Support Systems (TPSS), involves a number of training modules covering the job tasks for each of the reengineered positions. As modules are completed, tested, and validated, they will be rolled out onto the VBA LAN over the next five years. The first training module, "Certify a Case to the Board of Veterans' Appeals," designed to train field staff who review and prepare cases on appeal, was released on April 30, 1998.

During FY 1998, VA recruited 75 prospects to fill key VSR positions in its reengineered environ-

ment. After completing four weeks of classroom instruction at the VBA Training Academy in Baltimore in October 1998, they are now pursuing a newly designed training program that will run about a year.

Crosscutting Activities

There are no crosscutting activities to support achievement of this performance goal.

Mission-Critical Management Problems

There are no mission-critical management problems that affected achievement of this performance goal.

Data Sources

The C&P Service will determine accuracy rates by reviewing a statistically valid sample of cases for each Service Delivery Network (SDN). The national accuracy rate will be calculated by compiling the results from the nine SDNs. The sample size is large enough to ensure a 95%

confidence level, with a sampling error rate of +/- 5%. Each SDN sample will reflect a regional office's relative share of its respective SDN's total completed workload. The accuracy rate for the Nation will be a compilation of the C&P Service review results for the nine SDNs, weighted to reflect relative share of the national workload.

Average Days to Process Compensation & Pension Claims

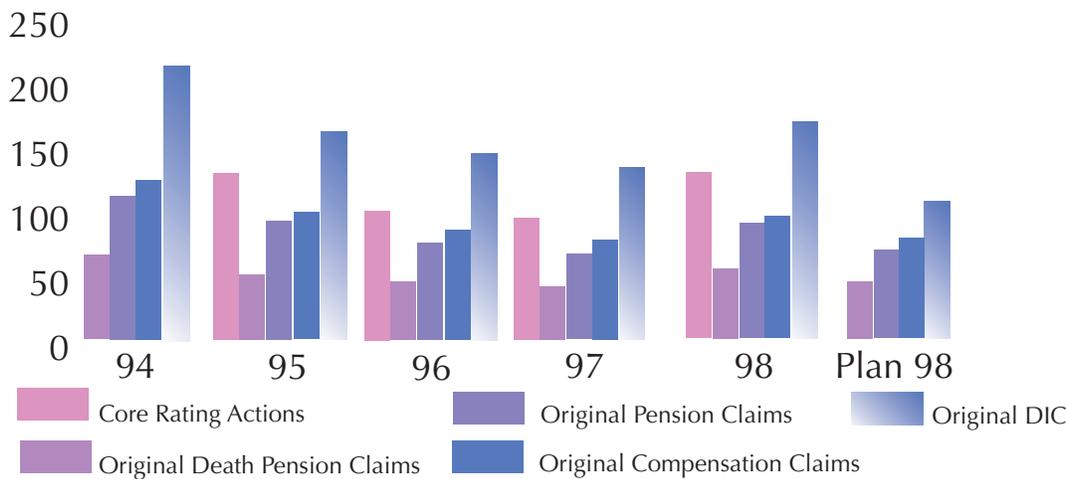
General Goal: Prompt delivery of services and benefits—timeliness of service delivery will meet or exceed customer expectations and will be analyzed against the best in business.

Objective: Improve customer satisfaction with timeliness of service.

Performance Goal 1: VA's performance goals for FY 1998 were to reduce the average number of

COMPENSATION AND PENSION PROGRAMS OBLIGATIONS \$20.7 BILLION FTE 6,770

Average Days to Process Compensation and Pension Claims



days for completing original compensation claims to 106 days, original pension claims to 77 days, original dependency and indemnity compensation (DIC) claims to 68 days, and original death pension claims to 44 days. There was no performance goal for core rating actions in FY 1998 because this is a newly developed measure.

In the past, VA has reported timeliness by specific claim types (i.e., original compensation, original pension, original DIC, original death pension). To keep the entire organization focused on its vision and the results it needs to achieve success, VBA has implemented the Balanced Scorecard as the key element in its strategic management system. Under the balanced scorecard, we are moving away from traditional timeliness measures in favor of average days to process rating-related and non-rating actions. Beginning in FY 1999, our performance goals will be based on these two bundles of claim types.

By moving to the bundling approach to measure the timeliness of C&P decisionmaking, we are more closely reflecting the actual average times to make typical rating and non-rating decisions. The rating and non-rating bundles constitute 72% of the total claims decided.

Core rating actions include original compensation claims, original DIC claims, original pension claims, reopened compensation claims, reopened pen-

sion claims, review examinations, and reviews due to hospitalization. Non-rating actions include dependency issues, income issues, income verification matches, eligibility verification reports, burial or plot claims, claims for accrued benefits, original death pension claims, and special eligibility determinations.

Means and Strategies

Processing C&P claims on time continues to be a major issue. During FY 1998, VA fell short of achieving its claims processing timeliness goals.

Achieving the reengineered vision is not possible without cost. The first stage of the evolutionary process to move into our reengineered environment has required stations to undertake major organizational and cultural changes, as they blend Adjudication and Veterans Service Divisions into Veterans Service Centers. This reengineered claims environment requires extensive cross-training of personnel. As employees have undergone training, there has been some degradation in the service we provide.

With our focus on streamlining and improving our claims process, we are conducting multiple pilot tests for different aspects of the claims process. While these pilot tests are necessary in order to ensure that effective efforts are implemented, they disrupt workflow and consume resources.

Decisions made by the Court of Veterans' Appeals over the

course of the past several years have had, and continue to have, long-term effects on the C&P decisionmaking process. Overall, the Court's impact has been positive, but it has had a negative influence on workload and timeliness of claims processing.

The Wingo decision, for example, requires that we complete ratings to evaluate deceased veterans' service-connected disability claims, if their surviving spouses apply for death benefits, even though the veteran never applied for benefits. Further, the Epps decision revised the definition of well-grounded claims, while the Hodge decision eased the definition of new and material evidence. Decisionmakers who now rate cases must do so increasingly by case law, rather than a static body of regulatory law—a more complex and time-consuming process.

During FY 1998, VA pursued a number of actions that will lead to improvements in this key area as our initiatives are deployed nationwide. The following paragraphs describe important efforts in that regard.

The Benefits Delivery at Discharge initiative allows veterans to file for compensation benefits before separation and receive benefits soon after separation. During FY 1998, approximately 112,230 original compensation claims were completed in an average of 168 days. By comparison, during FY 1998, approximately 9,370 claims were decided under the Benefits Delivery at Discharge initiative.

Preliminary results show that the average Benefits Delivery at Discharge claim is decided within 30 days of the veteran's discharge.

Automated Medical Information Exchange (AMIE) capitalizes on VHA record system enhancements to provide regional offices with electronically available VA clinical and treatment records that are crucial for resolving many veterans' pending claims. A pilot test of AMIE II in the Florida VISN 8 (involving the St. Petersburg and San Juan regional offices and their seven affiliated medical centers), begun in September 1997, was monitored and evaluated for two months. In February 1998, there was a beta installation in the St. Paul Regional Office and seven affiliated medical facilities. During May 1998, the St. Louis and Wichita regional offices and the Records Management Center were brought online, along with 14 affiliated medical centers. Following the test and beta installations, AMIE II was approved for national deployment, which was completed in October 1998.

The vast majority of requests for veterans' service medical records or verification of military service go to the National Personnel Records Center (NPRC) in St. Louis. The Personnel Information Exchange System (PIES) gives VA the capability of significantly reducing the time required to process a claim by using automated responses to requests for information from NPRC. During FY

1998, VA developed system architecture and software. In November 1998, PIES training for VA regional office personnel was completed and technical instructions were provided to field stations for installing the system. Effective November 23, 1998, PIES became available nationwide.

Crosscutting Activities

VA continues to work with DoD to formulate proposals supporting claims development and the physical examinations process prior to separation. National, state, and county veterans service organizations are also encouraged to be an integral part of the planning and execution of this initiative.

The PIES initiative required VA to work with DoD and NPRC to create the LAN that allows electronic control and exchange of military medical records and service verification. The PIES initiative is responsible for establishing a work unit at NPRC devoted exclusively to processing requests for information.

Mission-Critical Management Problems

Timeliness in processing claims and appeals remains among the most important issues affecting the veteran population. VA claims processing backlogs continue to grow, while timeliness in benefits claims and appeals processing continues to deteriorate. Since veterans view the benefit claims and appeals activities as a single process, gains made in discrete areas of the

overall process can be accepted only as partial solutions to the larger problem.

Data Sources

Claims processing timeliness is measured by using data from a central management information system, Distribution of Operational Resources.

The IG conducted reviews in FY 1998 focusing on timeliness in the processing of original disability pension claims and of original and reopened disability compensation claims. The IG found the input of inaccurate data resulted in computations of average processing times shorter than actual processing times. According to the IG, VA can improve the reliability and integrity of its timeliness in processing claims through improved management review and oversight.

The Under Secretary for Benefits has stated on several occasions the data in current management reporting systems are not accurate. To ensure all management reports are accurate, he has asked station management to review operating practices, workflow, data entry methods, and management reports. He has also asked station management to promote a culture in which the integrity of our data is a top priority. To further ensure we make an institutional commitment to accurate data, the C&P Service periodically extracts claims information from the Data Processing Centers to identify questionable end product actions. VA will

**BOARD
OF VETERANS'
APPEALS
OBLIGATIONS
\$38
MILLION
FTE 483**

once again conduct on-site station surveys.

Appeals Resolution Time

Performance Goal 2: Decrease the number of days for resolution of an appeal.

In October 1998, VBA and the Board of Veterans' Appeals (BVA) adopted a joint performance indicator as a system-wide measure of appeals resolution timeliness. Appeals resolution time is defined as the average length of time it takes the Department to process an appeal, from the date a claimant files a Notice of Disagreement (NOD) until the case is resolved, including resolution at a regional office or a final decision by the Board.

Means and Strategies

Appeals resolution time replaced total appellate processing time as the primary indicator of the overall length of time it takes VA to handle claims for

compensation and pension benefits. Appeals resolution time takes into account cases resolved by either a final regional office or Board determination. This measurement, expressed in days, is a composite average of the elapsed time from NOD receipt through resolution, wherever that may occur. Not included are cases returned to the Department's system as a result of a Court of Veterans' Appeals remand action.

Success in reducing the appeals resolution time will require qualitative improvements in VA's appellate operations. As a primary strategy for achieving this goal, VA is committed to reducing the remand rate by taking the following steps.

First, VA will make extensive use of videoconferencing for training, because enhanced training for VA staff is a critical component in lowering the remand rate.

Second, BVA staff will expedite the answers to medical questions by getting direct input from VA physicians, rather than remanding cases in instances where additional medical information is needed.

Crosscutting Activities

There are no crosscutting activities to support achievement of this performance goal.

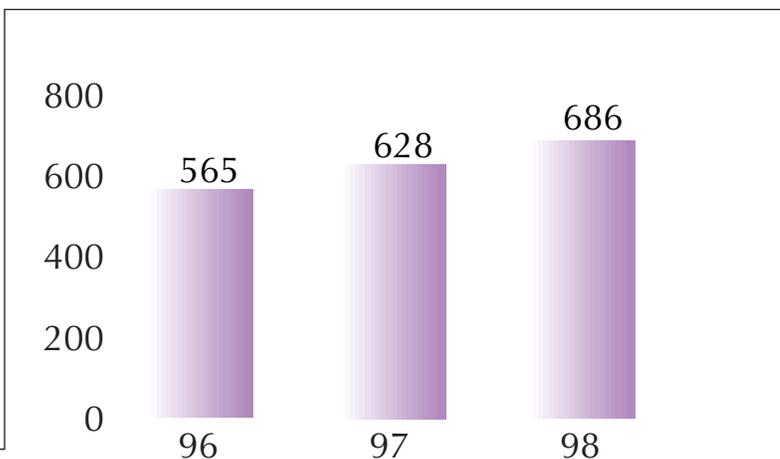
Mission-Critical Management Problems

There are no mission-critical management problems that will affect achievement of this performance goal.

Data Sources

By mid FY 1999, the Veterans' Appeals Control and Locator System (VACOLS), VA's joint appeals tracking system, will serve as the exclusive source of all data used to calculate appeals resolution time. Until VACOLS has been modified to include all of the data elements necessary to produce this system-wide timeliness measurement, a combination of VACOLS and VBA's Appeals Tracking System data is being employed to compute appeals resolution time.

Appeals Resolution Time in Days



Although the appeals resolution time was developed and adopted in October 1998, computed performance figures are included to provide context for this new measure.

Average Days to Process Education Claims

Performance Goal 3: In FY 1998, process original and supplemental education claims in an average of 19 days and 11 days, respectively.

While our plan was to process original claims in less than 19 days, it took an average of 26 days. Supplemental claims processing timeliness slipped from 11 to 16 days. This slippage is due in large part to technical difficulties encountered by Atlanta and St. Louis during the imaging conversion. Significant start-up problems associated with the conversion hampered claims processing during peak workload periods. St. Louis was able to recover in a shorter time frame because that station was merely converting from one image-enabled environment to another. Atlanta's problems were compounded by a much steeper learning curve in converting from a paper-based environment to an image-enabled one.

Means and Strategies

During 1998, VA implemented the first phase of our electronic data interchange/electronic transfer accounts (EDI/ETA) initiative. The EDI/ETA initiative, including a rules-based application, was developed and installed to process without human intervention the most straightforward student re-enrollment information VA receives electronically from colleges and universities. The time required to process a claim electronically

was reduced to one workday.

Imaging technology, now in use for MGIB-Active Duty (chapter 30) claims processing in the Atlanta and St. Louis regional centers, will be extended to Muskogee and Buffalo in 1999 and 2000, respectively. Other education programs will be converted into an image-enabled processing environment as well.

Imaging has many benefits. It reduces dependency on paper. It allows the submission of electronic enrollment information from training institutions directly into the imaging system, which immediately sends the information to claims examiners for processing. By reducing the number of times information is handled, we eliminate the inevitable delays caused by misrouting. This results in fewer inquiries; those received are resolved more quickly.

Crosscutting Activities

There are no crosscutting activities to support achievement of this performance goal.

Mission-Critical Management Problems

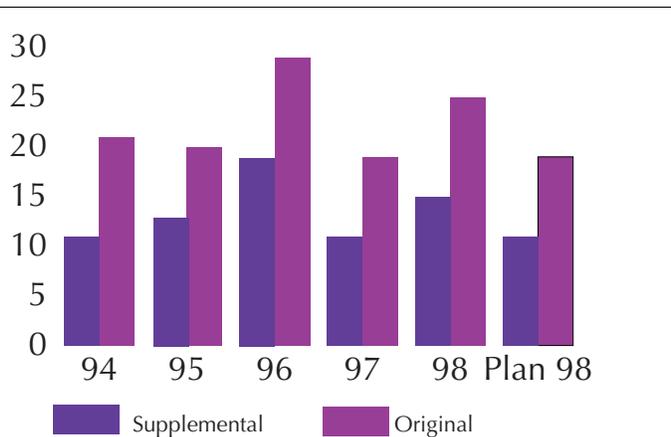
There are no mission-critical management problems that affected achievement of this performance goal.

Data Sources

The education timeliness is measured using data from a central management information system, Distribution of Operational Resources. Education Service personnel in VA Central Office validate reported data through periodic quality assurance reviews.

EDUCATION PROGRAM OBLIGATIONS \$938 MILLION FTE 927

Average Days to Complete Education Claims



**MEDICAL
CARE PROGRAM
OBLIGATIONS
\$17.9
BILLION
FTE 188,705**

Revenue Stream for the Healthcare System

General Goal: Reduce costs and improve the revenue stream for the healthcare system.

Objective 1: Decrease the average cost (obligations) per patient by 30%.

Performance Goal: From FY 1997 to FY 1998, reduce by 4.5% the average cost per patient.

Objective 2: Increase the percentage of the medical care

operating budget obtained from alternative revenue streams to 10%.

Performance Goal: In FY 1998, increase to 4.4% the share of the medical care operating budget derived from alternative revenue streams, such as medical cost recoveries, Medicare, and other sharing revenues.

Reducing the average cost per patient by 30% and increasing the share of the medical care operating budget derived from

alternative revenue streams to 10% are two of the three components of VA's critical 30-20-10 strategy. The other element is increasing the number of unique patients by 20%. Taken together, these 30-20-10 targets represent the major performance goals associated with VA's ongoing effort to transform the healthcare system to one that is patient-centered, community-based, and results-driven.

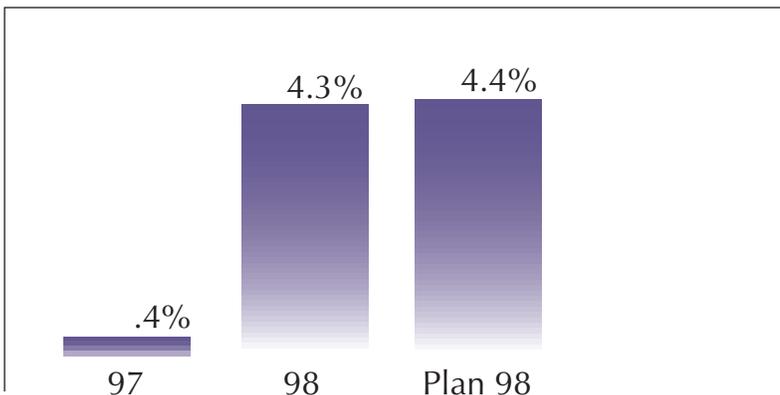
Means and Strategies

VA significantly reduced the average cost per patient in FY 1998. The primary strategy for bringing about the reduction was the shifting of healthcare resources and patient treatment modalities from inpatient to outpatient care. A computerized patient medical record system (CPRS) was implemented, as well as an enrollment system to streamline the registration process and support managed care. In addition, telemedicine systems were expanded.

Specific actions taken in the VISNs include:

- reducing the number of excess beds;
- decreasing bed days of care;
- transferring long-term psychiatric patients to residential care settings;
- shifting inpatient care to various outpatient locations;
- consolidating duplicative services;

Percent of Healthcare Funds from Alternative Revenue Streams



Cost (Obligations) Per Patient



- contracting out for certain services;
- reducing costs through improved purchasing agreements.

VISNs also continued to refine the use of various managed care techniques using drug formularies, employing clinical pharmacists and other health-care providers, and marketing or sharing excess VA services such as laboratory tests.

In FY 1998, VA pursued alternative revenue streams, including medical cost recoveries and obtaining approval from Congress for a pilot Medicare reimbursement initiative. This initiative would allow VA to bill Medicare for the cost of providing healthcare to certain veterans. Although we made some improvement in medical cost recoveries, VA was unsuccessful in receiving Congressional approval for Medicare subvention.

Specific strategies employed by VISNs include:

- establishing a Network Alternative Revenue Team or Coordinator to ensure that collection objectives are regularly monitored and persistent problems receive timely management attention;
- acquiring billing software;
- increasing insurance positions;
- conducting preregistration;
- entering into an agreement with other networks for telephone triage services;
- hiring a collection agency to follow up on bills over 90 days past due;
- designating a site-specific insurance expert to clean up insurance files.

Additional VISN strategies used to supplement appropriated funds were related to the selling of excess capacity. Ancillary medical and travel services, joint ventures, enhanced-use contracts, and contracts with TRICARE contributed to the level achieved.

Crosscutting Activities

As part of VA's efforts to reduce the cost per patient, we are collaborating with HHS and TRICARE to access information on non-VA benchmarks for the number of bed days of care. VA uses this information to set its own target levels on bed days of care as a means of reducing inpatient activity whenever possible. VA is working with the Health Care Financing Administration to obtain Congressional authorization for Medicare subvention.

Mission-Critical Management Problems

There are no mission-critical management problems that affected achievement of this performance goal.

Data Sources

The source of the data on cost per patient is the Automated Allotment Control System (AACS). An annual report is available on VISN performance. AACS and the General Ledger, maintained by VHA, is the source of the data on the share of the medical care operating budget derived from alternative revenue streams. As with data on cost per patient, a VISN-specific report is produced annually.

Foreclosure Avoidance Through Servicing (FATS) Ratio

General Goal: Reduce benefit delivery costs and improve productivity.

Objective: Reduce administrative costs of benefits programs by 15% by 2002.

Performance Goal: Achieve a FATS ratio of 40% in FY 1998.

VA measures its success in assisting veterans who are facing foreclosure with the Foreclosure Avoidance Through Servicing (FATS) ratio, which measures the extent to which foreclosures would have been greater had VA not pursued alternatives. For example, a FATS ratio of 40 means that for about 40% of the loans headed toward foreclosure, a foreclosure was avoided because of VA's servicing efforts.

When VA is able to pursue an alternative to foreclosure, the costs to the government are reduced. Veterans are able either to save their home or avoid dam-

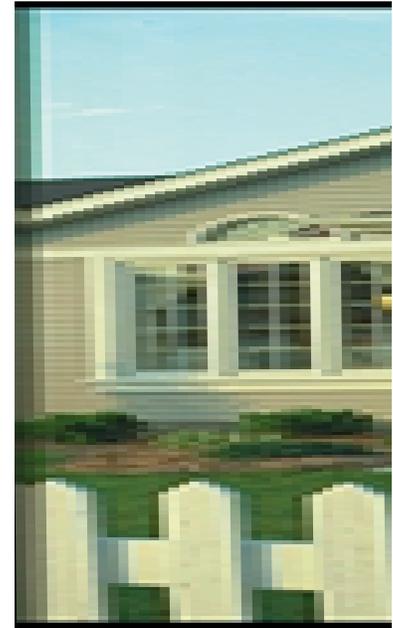
age to their credit rating. There are four alternatives to foreclosure:

1. Successful Intervention - VA may intervene with the holder of the loan on behalf of the borrower to set up a repayment plan or take other action that results in the loan being reinstated. Reinstatements without VA assistance are not counted.

2. Refunding - VA may purchase the loan when the holder is no longer willing or able to extend forbearance, but VA believes the borrower has the ability to make mortgage payments, or will have the ability in the near future.

3. Voluntary Conveyance - VA may accept a deed in lieu of foreclosure from the borrower if it is in the best interest of the government.

4. Compromise Claim - If a borrower in default is trying to sell the home, but it cannot be sold for an amount greater than, or equal to, what is owed on the loan, VA may pay a compromise



claim for the difference in order to complete the sale.

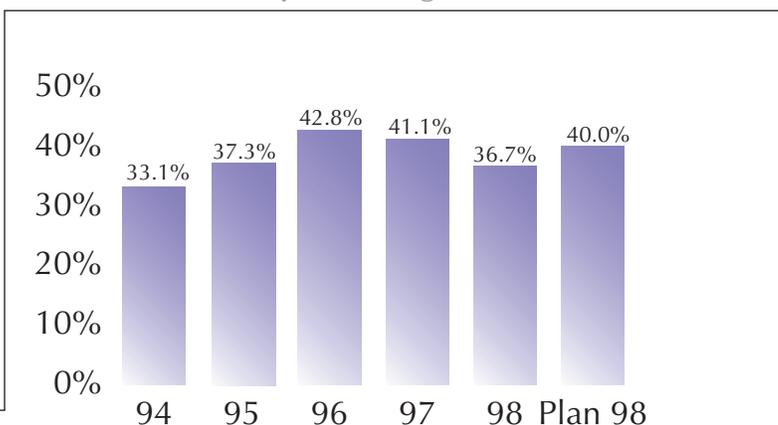
Since different approaches are appropriate in different situations, VA does not have goals for each alternative. Field stations have discretion to decide which alternative to pursue in each situation. FATS was devised to measure the overall level of success VA is experiencing in assisting veterans facing foreclosure.

Aggressive outreach to defaulted borrowers is often necessary to convince them of the seriousness of the situation and prod them to take action to avoid a foreclosure. Foreclosure avoidance has a dual benefit: it helps veterans, and it reduces costs to the government.

Disruption of operations, due to loan guaranty field operations restructuring, resulted in VA's inability to meet our performance goal for FY 1998. The

HOUSING
PROGRAM
OBLIGATIONS
\$1.5
BILLION
FTE 2,075

Foreclosure Avoidance Through Servicing (FATS) Ratio (in percentages)





restructuring plan calls for consolidating the servicing of all outstanding guaranteed loans in the continental United States to nine locations called regional loan centers (RLCs).

FY 1998 was a period of transition as servicing the workload was transferred from smaller regional offices to RLCs. Restructuring for the most part will be completed in FY 1999. Concentration of human resources at nine sites, as well as a new IT system for servicing, should lead to improved FATS ratios.

Means and Strategies

During FY 1998, the Loan Guaranty Service conducted three separate training efforts directly related to delinquent guaranteed loans. One training program was in the form of a self-directed, computer-based learning exercise for VA employees; the other two were satellite broadcasts to lenders, with

emphasis on helping veterans avoid foreclosure.

To improve VA's ability to assist veterans who are delinquent on their mortgages, VA needs to implement state-of-the-art information technology designed specifically for this purpose. Success in this activity requires person-to-person contact with the veteran, usually by telephone. There is a need to automate the default servicing and foreclosure management so that VA staff can direct their efforts toward helping veterans avoid foreclosure.

An automated system will enable us to track the variety of actions taken by VA, the lenders, and the borrowers during the default period. The Loan Service and Claims (LS&C) system will automate routine and repetitive activities, improving efficiency and giving employees more time to concentrate on supplemental loan servicing. This system is tar-

geted for implementation in FY 2000.

Crosscutting Activities

There are no crosscutting activities to support achievement of this performance goal.

Mission-Critical Management Problems

The LS&C component of the housing program has been struggling, with reduced personnel and an antiquated computer system, to manage supplemental servicing of GI loans more efficiently. As a result, in FY 1998, claims against the Loan Guaranty Revolving Fund and the Guaranty Indemnity Fund exceeded half a billion dollars. Because of its outdated system, VA has not been able to take advantage of electronic data interchange capabilities offered by the mortgage lending community. It is the only major player in the mortgage lending industry without an up-to-date

automated loan servicing system.

Data Sources

The data to calculate the FATS ratio comes from the Liquidation and Claims System and the Distribution of Operational Resources System.

VA Highlights

■ VA prepared a document, *One VA: Vision of Information Technology Enhanced Customer Service*, that focuses on making the Department function as a single entity. The IT Vision is expressed as a set of 12 IT-enhanced capabilities or concepts, each of which contributes to an environment of integrated customer service.

The concepts fall into six categories:

- customer service
- customer self-service
- internal data sharing and exchange (Federal Government)
- external data sharing and exchange (non-Federal Government)
- customer outreach
- feedback.

Some of the concepts are already being addressed. In FY 1998, a One VA toll-free number working group was established to develop a single call-in point for customers; the benchmarking

team on access made several related recommendations concerning a call center. Efforts are underway to establish a public key infrastructure (PKI), which will provide the security needed to enable customers to access records and submit applications on-line.

Application forms are now available on VA's Web site. Once the PKI is in place, customers will be able to submit them with an electronic signature. In addition, VHA and VBA have projects to scan documents that are not available electronically so that each veteran's electronic record will be complete and easily accessible.

■ VA became the first cabinet-level Department to develop a capital-planning process that could allow trade-offs among all types of capital expenditures. VA personnel developed a capital investment guide and methodology to assist the VA Capital Investment Board for making FY 2000 capital decisions.

■ In FY 1998, VA awarded contracts totaling \$1 million for program evaluations. The three primary education programs selected for study will be completed in September 1999. The Department also completed an integrated program evaluation schedule that will allow major VA programs to be evaluated during

a 4 year time frame.

■ VA's Office of Resolution Management, after meeting all requirements established by Public Law 105-114, obligated over \$23.6 million to:

- open 12 field offices and 12 satellite centers;
- hire 245 full-time EEO professionals;
- transfer 3,000 reported cases from VA facilities and assume responsibility for 700 new cases;
- train 5,000 VA employees on the new discrimination complaint process;
- establish a nationwide toll-free number using area code routing.

■ The Office of Employment Discrimination Complaint Adjudication (OEDCA) was established in 1998 to issue the Department's final agency decision on complaints of employment discrimination filed by employees or applicants for employment. OEDCA reduced the backlog from 446 cases transferred from the Office of General Counsel to a current backlog of 163 cases, a reduction of 63.5%. Additionally, OEDCA significantly reduced the average length of time cases have been pending a final agency

decision from 5 months to 2.4 months.

■ VA submitted its first Annual Performance Plan to Congress as an integral part of our 1999 budget request. Tied directly to the Department's Strategic Plan, the 1999 Performance Plan presented:

- the Department's general goals and objectives;
- the performance measures used to gauge progress toward meeting those goals and objectives;
- annual performance targets;
- a description of the means and strategies necessary to meet our performance targets;
- information on partnerships VA has established with other government entities; and
- a summary of efforts to make sure our performance data are valid and reliable.

Congress rated VA's 1999 Performance Plan as the second best among all Federal departments and agencies.

Mission-Critical Management Problems

In addition to those mission-critical management problems previously identified, the Department is facing other major management issues.

While most of these are material weaknesses, other management challenges exist that could potentially disrupt service delivery to veterans if not addressed soon. The following discussion presents actions taken by VA to address these challenges.

Y2K

The Year 2000 (Y2K) computer problem is one of the most critical management issues confronting agencies of the Federal Government. We need to ensure when January 1, 2000, arrives, VA computers continue to process benefit checks to veterans and all critical systems and software continue to function smoothly without interruption.

VA is making significant progress in resolving Y2K problems. VA's strategy is to make existing systems compliant in their current environment. We have identified our mission-critical systems, prepared detailed plans and inventories, and assigned levels of priority to the applications supporting these systems. Detailed reporting requirements have been established to measure our progress. VA is following the standardized, governmentwide Y2K best practices, established by OMB in conjunction with the Federal CIO Council Subcommittee on Year 2000.

Current Status

VA has renovated 99% of its applications, validated 88% of the applications, and implemented 73% of the renovated applications.

Clean Audit Opinion

The President has set a goal that all government financial statements will receive a clean (unqualified) opinion by FY 1999. VA received a qualified opinion on its FY 1997 financial statements. The qualifications were related to two funds: the Housing Credit Assistance and Medical Care Collections Funds. Although not serious enough to result in an audit qualification, the FY 1997 Audit identified Information System Security Controls as an area that needs strengthening.

Current Status

Plans are in place to resolve all issues and obtain a clean audit opinion for FY 1999. The FY 1998 Financial Audit validated the effectiveness of fixes completed through September 1998.

Housing Credit Assistance Fund

- poor audit trail for financial reporting (Correction date: September 1998)
- direct loan portfolio unreconciled (Correction date: December 1998)
- sold loans not being accounted for properly under credit reform (Correction date: May 1999)

Medical Care Collections Fund (MCCF)

- accounts receivable unreconciled (Correction date: September 1998)

Information System Security Controls

- quality of information security needs strengthening (Correction date: December 1998)

Adequacy of Cost Accounting Systems

The Department's three administrations are in different stages of implementing cost accounting. The adequacy of these systems will become verifiable after implementation and evaluation.

- VHA's Decision Support System (DSS) is a cost allocation system. DSS captures costs at the facility level from our financial management system. Overhead costs from VHA headquarters and VISN-related costs are distributed to facilities and included in DSS.
- VBA is in the process of implementing activity-based costing for its administrative activities.
- NCA has hired a cost accountant to lead an initiative in developing an activity-based cost accounting and management system.

Current Status

VHA DSS personnel are in the process of establishing mechanisms to capture Departmental overhead costs and unfunded costs. The estimated completion date is FY 1999. DSS has begun a pilot process for capturing outside revenue information to allow for the matching of costs

with revenue. The estimated completion date is FY 2000.

VBA implemented cost accounting for its administrative activities in October 1998. The cost accounting system will not include the benefit program costs until late FY 1999.

Beginning in FY 1999, NCA will acquire the software to initiate pilot testing at several cemetery locations. A system-wide roll out is planned in FY 2000.

Workers' Compensation

VA pays out \$140-145 million per year to injured federal workers. According to the IG, VA's Workers' Compensation program lacks effective management in key areas. For example, current claimants do not always return to work promptly when they are no longer disabled.

Current Status

The following actions were taken in 1998:

- implemented and enhanced the Tracking System Upgrade, which allows faster and more efficient service to claims managers, while providing up-to-date information and analyses to program managers;
- promoted greater access and use of the tracking system (in accordance with Privacy Act requirements) to agency claims managers;
- sponsored a Workers' Compensation-Management

Information System (WC/MIS) users group. This group provides information and obtains user feedback for system operations and improvements;

- developed on-going program guidance for VA claims managers throughout VA and acted as a facilitator for issues involving the claims managers, the Office of Workers' Compensation Program (OWCP) claims examiners, and regional officers;
- maintained return-to-work and rehabilitation programs that offer ill or injured employees the maximum opportunity to recover;
- provided the data used in evaluating VISN directors and in supporting the VHA program that ensures management accountability for eliminating unsafe or unhealthy working conditions.

VA FY1999 plans include sponsoring a National Federal Workers' Compensation (WC) Conference in August 1999. The Conference will provide VA WC claims managers opportunities to enhance their skills in risk management, injury prevention, and return-to-work programs, as well as gain new perspectives through interaction with other Federal agency representatives and OWCP.

Healthcare Quality Management

VA faces many challenges, but one of the most serious, and perhaps most volatile, is the need to not only maintain a highly effective healthcare quality management (QM) program, but also to adapt the QM program to rapidly changing Department needs. One challenge to the QM program is the transition from the inpatient setting to the ambulatory care setting. Because ambulatory care is far more fast-paced, there is a commensurate increase in the potential for serious error.

Current Status

American healthcare everywhere is remaking itself. Unfortunately, neither the U.S. nor any other country can yet claim to have a healthcare system that fully satisfies all the demands for access, quality, user service, and cost. A central tenet for VHA's reengineering has always been to improve the consistency and predictability of the quality of care provided. While progress has not been uniform and problems remain, the quality of VA healthcare has measurably improved in the last 3 years. In fact, on standard quality of care measures employed by the private sector, VA's performance is now superior across the board. One of the Under Secretary for Health's five key principles is that VHA must ensure the provision of consistent and predictable high-quality care. Reducing unexplained or inappropriate variations in the

level of service across the system will result not only in higher quality outcomes, but also in greater cost effectiveness.

Resource Allocation

IG audits have shown resource allocations (VHA funding patterns) have not been adequately addressed. Disparities in clinical and administrative staffing levels have resulted because VHA has not yet developed and implemented reasonable staffing guidelines or methodologies.

Current Status

VHA management is addressing staffing and other resource allocation disparities as part of initiatives to restructure the VA healthcare system. Some of the most significant initiatives include:

- **Resource Allocation Model.** VHA expects to correct resource and infrastructure imbalances by changing the method used to fund VA medical centers. This methodology, called the Veterans Equitable Resource Allocation (VERA) model, is being phased in during FY 1997-1999. The VERA model will allocate funding based on workload (patients treated), rather than on incremental increases to prior year allocation. This should result in reduced funding to some VA medical centers, which have seen significant reductions in workload but have continued to receive funding proportionate to prior levels.
- **Improved Management Information and Performance Measurement.** In FY 1998, VHA began implementing a new cost-based data system to provide more useful performance measurement information on resources (inputs) and the workload produced (outputs) for clinical and administrative production units. Developments of performance measures for administrative activities will help managers evaluate their clinical productivity and efficiency.
- **Staffing Reductions and Adjustments.** VHA has given network directors new authority to reduce physician levels through layoffs in over-staffed specialties. Some networks have begun reducing and shifting staffing as part of the consolidation, attrition, and reduction-in-force process. VHA is also reducing or re-allocating 1,000 resident training positions.

Long-Term Healthcare Needs

As the number of veterans aged 65 and older increases, their needs will continue to shift from acute hospital care toward nursing home and other long-term care services. The expected limitation on funds available for these services poses a major challenge to VA's commitment to meet veterans' long-term care needs.

Current Status

Long-term care is a crucial component of VA's healthcare system. VA's long-term care has won national acclaim for providing high-quality services. We have pioneered significant innovations in caring for the elderly, the disabled, and the chronically ill. These ventures range from specialized care for the chronically ill in VA nursing homes to medical care in VA's Home-based Primary Care Program to interdisciplinary team training in geriatrics. VA also supports

Geriatric Evaluation and Management programs as well as the largest program of geriatric medicine training in America. These have served as incubators for the development of national leaders in academic geriatrics and research in long-term care.

The Eligibility Reform Act of 1996 (PL 104-262) substantially enhanced VA's capacity to provide clinically appropriate acute care. Eligibility for nursing home, domiciliary, and adult day healthcare, however, was not changed by the Act; these remain limited discretionary services. In March 1997, the Federal Advisory Committee on the Future of VA Long-Term Care convened to study the adequacy of, and anticipated need for, long-term care in the coming decade. In June 1998, the Committee concluded long-term care must remain an integral part of the veterans' healthcare system and it should be strengthened to meet

increased demand. A VA workgroup was appointed to review the Committee's recommendations and weave them into a comprehensive VA strategy. This workgroup will complete its study in FY 1999.

Data Verification and Validation

VA is committed to ensuring those who use the Department's reported performance information to make decisions can do so with the assurance that VA's data are reliable and valid.

During FY 1998, the Department initiated the process of addressing both the data verification methods used by our three administrations and the data limitations. To support VA in its efforts to articulate the right goals, establish the right measures, and provide the right data to decisionmakers, the IG's Office of Audit began auditing key performance measures.

When IG auditors met with VA managers and staff, they

Comparison of Average Processing Days in FY 1997 for Selected VBA Claims

Description of Sample	VBA'S Automated System	IG Audit	Difference in Days	Percent Difference
Original disability compensation claims	128.2	150.8	22.6	18%
Reopened compensation claims	109.0	145.6	36.6	34%
Original disability pension claims	71.5	80.0	8.5	12%

identified 36 essential performance measures. Of these, 11 were determined to be most critical, based on the importance of the data to the operational mission, susceptibility of the data to manipulation, and susceptibility of the data to erroneous reporting.

These 11 measures represent VA's three major operational units:

VBA

1. Average days to complete original compensation claims;
2. Average days to complete reopened compensation claims;
3. Average days to complete original disability pension claims;
4. Number of veterans rehabilitated;
5. Foreclosure avoidance through servicing ratio.

VHA

6. Number of unique patients;
7. Chronic disease care index;
8. Prevention index;
9. Addiction severity index;
10. Cost per patient.

NCA

11. Percent of the veteran population served by the existence of a burial option within a reasonable distance of place of residence.

The initial audit of the 11 measures is being accomplished in phases. Phase I, covering the three VBA timeliness measures and completed in the summer of

1998, provided a comparison of IG findings between reported data and audited data. Specifically, the IG found that the input of inaccurate data resulted in computations of reported processing times shorter than actual processing times. The table, Comparison of Average Processing Days, shows the reported and audited processing days for each of the three samples.

As a result of the audit, VA is taking action to correct the deficiencies. The Under Secretary for Benefits has asked regional office management to review operating practices, workflow, data entry methods, and management reports to make sure all management reports are accurate. In addition, to strengthen our institutional commitment to accurate data, we will review extracts from the Data Processing Centers to identify any stations that appear to be manipulating data. VA will reinstate on-site station surveys.

Phase II of the audit, dealing with the number of unique patients (VHA) and the percentage of the veteran population served by the existence of a burial option within a reasonable distance of place of residence (NCA), began in August 1998. These and several other performance audits will be completed during FY 1999. Validity and reliability of the NCA measure will be based on a review of adjustments made by VA personnel to veteran population data

received from the Census Bureau, an evaluation of the decision to define a cemetery's service area (in most cases, as the area within a 75-mile radius), an assessment of the mapping software used by NCA personnel, and data input and output for a stratified random sample of cemeteries.

VA recognizes that performance measure auditing should not be the only source for ensuring validity, reliability, and integrity of our data. As we meet our responsibility for providing accurate performance reports, we need to establish additional mechanisms for ensuring data quality. We recognize that VA must develop, implement, and monitor a Departmental policy on data verification methodologies to reduce, and ultimately eliminate, questions about the quality of our data.