



Office of Inspector General

SUMMARY REPORT ON VA CLAIMS PROCESSING ISSUES

Actions, both ongoing and under consideration, can improve the timeliness and quality of claims processing for VA's disability compensation and pension programs.

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Office of Inspector General
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DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Memorandum to the Under Secretary for Benefits (20)

Summary Report on VA Claims Processing Issues

1. Over the past several years, numerous studies, reviews, and audits have addressed timeliness and quality issues within the Veterans Benefits Administration's (VBA) Compensation and Pension (C&P) claims processing system. The C&P system, which currently encompasses the adjudication and overall administration of \$18.5 billion per year in disability and pension payments to veterans, has existed in essentially the same form since World War II. In recent years, the system has become backlogged due to outdated claims processing methods which are unable to cope with increasingly complicated adjudication and appellate rules.
2. This report summarizes and consolidates recommendations made for improvement in the claims processing system by the Department of Veterans Affairs (VA) Office of Inspector General (OIG), the General Accounting Office (GAO), Congressional commissions, and several task forces established by VA which have addressed various issues affecting VBA claims processing. We reviewed the Department's responses to the major recommendations as well as to more general issues which have been raised in the course of these reviews. In addition, we examined the current status of proposed reforms to VBA's claims adjudication and appeals processes and offer our observations and perspectives on several of the proposed changes and on what we believe are the highest priority issues facing the C&P claims processing system.
3. The reviews have resulted in more than 200 recommendations, suggestions, and discussion points for improving C&P claims processing. We categorized these recommendations into 84 groups as having the potential for major impact on claims processing timeliness and quality. Of these, VA fully or partially agreed with 71 and rejected 13. We believe that the timeliness and quality of claims processing can be greatly improved by implementing those recommendations which the Department has agreed to. Further, if the recommendations which were agreed to are properly implemented, many of the potential benefits intended by the recommendations which VA rejected may still be realized while at the same time offering VA beneficiaries C&P programs which are more equitable and responsive to their needs.

4. From our perspective, the highest priority issue facing VBA in its administration of the C&P programs is the delivery of benefits to veterans in a manner consistent with the intent of public law and meeting the needs of veterans themselves. In order to do this, we believe it is essential that three goals be vigorously pursued: (1) development of a “corporate” level database which would provide the basis for making informed decisions on the nature of any proposed program changes, (2) development and coordination of a VBA staffing and re-organization plan in conjunction with VBA’s ongoing efforts to reengineer its claims processing methods, and (3) reform and simplification of the statutes and regulations governing the pension program.

5. In addition to the long-term priority issues cited above, specific near-term actions have been recommended which we believe, if emphasized, can provide more immediate improvement to the timeliness and quality of claims processing and increase veterans overall satisfaction with VA claims services. These include: (1) improving the timeliness of medical examinations for veterans applying for C&P benefits, (2) consolidating authority and responsibility so that a single individual is accountable for the timely and complete adjudication of any particular C&P claim, (3) expanding the opportunity for veterans to choose their appeals hearings to be held locally, and (4) routinely and frequently informing veterans of the status of their claims. VA management has, for the most part, agreed to take action to address these areas and has either already initiated specific actions or is in the process of developing implementation plans.

6. The report includes recommendations which can provide opportunities for improvement in the timeliness and quality of claims processing and increase veterans overall satisfaction with VA claims services.

7. The Acting Under Secretary for Benefits indicated a general agreement with the report recommendations and provided positive comments and a status of VBA’s actions/intentions concerning each recommendation area. However, the Acting Under Secretary advised that, at this time, he will defer on providing a final concurrence and implementation plan for each recommendation. The Acting Under Secretary noted that the Department is in the process of preparing a comprehensive response to the final National Academy of Public Administration (NAPA) report which also includes key recommendations and key issue areas that are summarized in this report. The Acting Under Secretary also stated that “the Department is in a state of transition as we await a new Secretary and a new Under Secretary for Benefits. The two individuals appointed to these positions will rightfully have much to say about the issues contained in the four key recommendations and the final response of VA and VBA. For this reason as well, I defer on providing a final concurrence and a final implementation plan with targeted completion dates.”

8. We accept the Acting Under Secretary's decision to defer action on providing a final concurrence and implementation plan for each recommendation contained in the report. We recognize the importance for the Department to address the final NAPA report findings and recommendations which are highlighted in this report. We also recognize that a new Secretary and Under Secretary for Benefits should have the opportunity to consider these important veterans' claims processing issues before a final Department implementation strategy is undertaken. We consider the report resolved, but the recommendations are unimplemented. We will follow up on VBA's future actions to address the report recommendations including preparation of appropriate implementation plans until they are completed.

Original signed by

MICHAEL G. SULLIVAN
Assistant Inspector General
for Auditing

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INTRODUCTION

A. Background

Since the early 1990's, members of Congress, Veterans Service Organizations (VSO), and Department of Veterans Affairs (VA) managers have expressed concerns about the timeliness and quality of the Compensation and Pension (C&P) claims adjudication system. The C&P system, which currently encompasses the adjudication and overall administration of \$18.5 billion per year in disability compensation and pension payments to 3.3 million veterans, widows, children, and parents has existed in essentially the same form since World War II. However, in recent years, the C&P system has become backlogged due to claims processing methods which are unable to cope with increasingly complicated adjudication and appellate rules.

In response to the increasing backlog of casework, numerous studies, reviews, and audits have been conducted with the goal of identifying the causes and solutions to timeliness and quality problems. Several studies have pointed to the 1989 establishment and subsequent decisions of the Court of Veterans Appeals ("the Court" or "CVA") as the precipitating event leading to the problems experienced by the claims processing system. These include: (1) claims that take too long to process, and (2) claims that are not adequately adjudicated. The consequences of VA's inability to meet the timeliness and quality expectations of Congress, veterans, and the public has been a loss of confidence in the fairness by which veterans claims are decided and how resources are expended. If VA is unable to correct these problems, it risks losing support for important programs which compensate veterans for their service and sacrifice.

B. Claims Processing Timeliness

The length of time required for VA to process claims (and in particular, compensation claims) needs to be reduced. Veterans applying for their first (i.e., original) claim for monthly compensation based on an injury or illness resulting from their military service can expect to wait over 5 months for VA to approve or disapprove the claim - about twice as long as the Veterans Benefits Administration's (VBA) goal and about three times longer than veterans expect. Further, veterans applying for an increase in an already approved, or existing claim (85 percent of all compensation applications) will wait a similar length of time (4 months). In both cases, an appeal by the veteran of VA's decision will extend the wait on average to 36 months - compared to an average of 6 months as recently as 1990. Although these time frames would suggest that compensation claims are extremely complex, the average original claim for compensation requires only 7 hours of actual hands-on work by VA employees, with the remaining time spent waiting

for information. *(A flow chart of the claims adjudication/approval process is in Appendix IV, on page 93.)*

In response, VBA's Adjudication Division staffing increased from 3,700 in Fiscal Year (FY) 1990 to 4,200 in FY 1993 and the worsening trend in timeliness and backlogs was reversed by FY 1996. However, since VBA staffing is projected to decline significantly over the next several years (by about 1,500 by FY 2002) and workload will likely remain static or at best only slightly reduce, timeliness can be expected to become an even bigger problem unless changes in organizational and business processes occur. VBA recognizes this and has begun redesigning its claims processing procedures, with complete implementation (and the anticipated improvements) several years away. *(A diagram of the claims adjudication process before and after Business Process Reengineering (BPR) is in Appendix V, on page 95.)* A significant factor that could increase VA's compensation workload beyond today's level is the potential for awarding service connection to veterans who began smoking during military service. While the potential increase in claims workload is unknown, it is not unreasonable to assume a significant increase in claims processing workload. *(The timeline for BPR implementation is in Appendix VI, on page 97.)*

C. Quality of Claims Adjudication Decisions

The most frequently cited evidence that the quality of claims adjudication is inadequate is the high rate at which appealed cases (90 percent of which are compensation cases) are remanded (sent back) by the Board of Veterans' Appeals (BVA) to the originating VA Regional Offices (RO) for additional information or reconsideration. Currently, about half of all appealed cases are remanded - which can add an additional 2 years to the veterans wait for a decision of their benefits claim. The high remand rate, combined with BVA ruling in favor of veterans in 20 percent of the appealed cases, plus another 10 percent of appealed cases reversed by the ROs themselves on remand, is interpreted by VSO's (which represent veterans before BVA) as proof that the ROs are not properly adjudicating veterans claims. *(See chart on page 41 for an analysis of appeals workload.)*

However, a different perspective can be taken from several studies which have concluded that the high remand rate is a result of CVA rulings which have required VA to more fully elaborate its decisions and to expand its efforts to assist veterans in their claims development. Thus, while CVA decisions have significantly slowed the process down, the result has been an emphasis on more consistent and detailed VA decisions.

The effect is clearly shown in the average time required for BVA to render decisions - which grew from 240 days in 1992 to a high of 781 days in 1994. Although BVA has recently implemented several initiatives to reduce its response time (to just under 600

days for FY 1996) and has established a goal of 504 days for FY 1997, this will still be over twice as long as was achieved before CVA was created.

D. Corrective Actions

Although VA managers were unprepared for the effect that CVA would have on claims processing and appeals operations, some deterioration in productivity and response time was, in our opinion, unavoidable given the fundamental changes imposed by some of the Court's initial and precedent setting decisions. However, the lack of prompt and effective corrective action by the Department, in spite of several internal reviews and audits, has caused increasing concern. As a result, several efforts were initiated by Congress and GAO to independently examine the claims processing system.

Each review group examined the claims processing system from a somewhat different perspective. For example: (1) the committees and task forces convened by Congress and by the Department focused on global and strategic policy issues, (2) GAO focused on weaknesses in the Department's planning and coordinating activities which affect claims processing, and (3) OIG focused on improving and streamlining administrative processes.

The various perspectives offered by these reviews have resulted in numerous recommendations and many of these recommendations have caused contentious debates among VSOs, VA executives, Congress, and the reviewers themselves. The focus of most of these debates has been the global and strategic issues affecting the nature and scope of C&P benefits themselves. For example, suggestions that parts of the system of benefits itself are an underlying cause of processing timeliness and quality problems have been met with opposition by VSOs as attempts to cut veterans benefits.

Similarly, recommendations intended to speed up overall processing, by eliminating what are seen by some as unnecessary administrative steps, are seen by VA managers and VSOs as attempts to restrict veterans rights. For example, in his May 1997 testimony to Congress, the Deputy Secretary explained that the Secretary staunchly opposed recommendations that would bring about changes which in any way could adversely affect veterans. This was the result of the Secretary's belief, expressed in a speech at a VSO convention earlier in the year, that a threat existed to (at least parts of) the system of benefits itself. In keeping with this perception, VA has, as a matter of policy, rejected or resisted all recommendations and suggestions which have the potential to adversely affect any veteran's level of benefits or the process by which claims are decided. As a consequence, some reviewers and Congressmen have come to view VA leadership as "obstructionist". For example, in the most recent review of the C&P system, the National Academy of Public Administration (NAPA) concluded that VBA's leadership had failed

to develop essential planning, implementing, and reviewing capacities, and that its management lacked the capacity for strategic management.

Solutions must be found, veterans expect their claims to be decided in a timely and fair manner, and taxpayers expect effective programs which accomplish appropriate goals. In the following sections of this report we have categorized the most significant findings and recommendations of prior reviews in an effort to provide a consolidated and clear picture of the various corrective actions which have been offered. *(A summary of the recommendations and their implementation status is in Appendix III, on page 85.)*

RESULTS AND RECOMMENDATIONS

Actions, Both Ongoing and Under Consideration, Can Improve Claims Processing Timeliness and Quality

During the past several years more than a half dozen separate groups have offered over 200 recommendations, suggestions, and discussion points for improving C&P claims processing. We categorized these recommendations into 84 groups as having the potential for major impact on claims processing timeliness and quality. Of these, VA fully or partially agreed with 71 and rejected 13. (*A summary of the recommendations and their implementation status is in Appendix III on page 85.*) We believe that the timeliness and quality of claims processing can be greatly improved by implementing those recommendations which the Department has agreed to. Further, if certain recommendations which were agreed to are properly implemented, many of the potential benefits intended by the recommendations which were rejected may be realized while at the same time offering VA beneficiaries C&P programs which are equitable and responsive to their needs.

For the most part, the reasons for VA rejecting recommendations intended to improve the timeliness and quality of claims processing were based on the former Secretary of Veterans' Affairs position that these recommendations would reduce veterans' existing rights and prerogatives. In addition, several recommendations regarding the goals and objectives of the C&P programs were rejected because of concern that resulting public debate would only serve to subject all veterans benefits programs to possibly unfavorable scrutiny.

We believe that, with the exception of recommendations intended to stop efforts to replace the current computerized C&P payment system with a more efficient and capable system, the rejected recommendations could be implemented in a manner beneficial to all veterans without jeopardizing their existing rights if appropriate methods are developed to monitor the effect that any changes to the C&P programs have on veterans. For example, when the Veterans Claims Adjudication Commission (VCAC) concluded that the intent of VA's compensation program was unclear because the law was silent on the purpose of the program, VA responded that the intent was clear and the program was performing as Congress intended. As a consequence, a recommendation to clarify the program's purpose was rejected as unnecessary. In a related conclusion, the VCAC also found that, because the concept of "disability" was undefined for the purposes of monetary benefits, the fundamental purpose of the program was vague.

VA's opposition to these recommendations (as well as with most of the recommendations which were rejected) is based on a fundamental disagreement about the purpose of the compensation program. For example, GAO concluded that the rating schedule's focus on loss in functional capacity did not assure that veterans were compensated commensurate with their economic losses and, as a consequence, compensation funds were not distributed equitably among veterans. VA rejected this conclusion based on the Department's position that the program was working as intended. Additional evidence of the Department's sensitivity to the possibility of different interpretations of program intent include the rejection of a recommendation to establish a disability compensation advisory board to provide independent evaluations and allow for the introduction of a variety of perspectives to general areas of concern and to specific issues which are facing VA's disability compensation program.

A. Priority Recommendations and Issues

From our perspective, the highest priority issue facing VBA in its administration of the C&P programs is the delivery of benefits to veterans in a manner consistent with the intent of public law and which meets the needs of veterans themselves. In order to do this, we believe it is essential that three goals be vigorously pursued: (1) development of a "corporate" level database which would provide the basis for making informed decisions on the nature of any proposed program changes, (2) development and coordination of a VBA staffing and re-organization plan in conjunction with VBA's ongoing efforts to reengineer its claims processing methods, and (3) reform and simplification of the statutes and regulations governing the pension program.

I. Evaluating the Effects of Programs on Veterans.

The one recommendation which is essential to the implementation of all policy and strategy related recommendations is the development of a corporate database populated with the necessary demographic and economic information for making informed decisions on the nature of any program related decisions. Without this information, we believe that little constructive dialogue will result from any attempts to reform the C&P system. In addition, if properly implemented the database would help VBA overcome current internal system restrictions on sharing information between other VA programs (loan guaranty, education, health care, etc.) and would contribute significantly to the effective implementation of the Government Performance and Results Act's (GPRA) requirement for objective program performance measures.

The Department has already begun to develop a corporate level database as part of the Veterans Service Network (VETSNET) program. However, NAPA recommended that the Department should stop development of VETSNET. VBA rejected this recommendation

because of VETSNET's key role in supporting the VBA corporate model and database (there are no existing alternatives), and the C&P reengineering effort. (*Details on the VETSNET system initiative are discussed on pages 71 to 73.*)

We believe that VETSNET development and implementation needs to continue so that VA can have access to the type of information necessary to evaluate the effect of C&P program reforms on veterans. In addition, VETSNET is the sole means by which the Department is addressing two material weaknesses identified under the Federal Manager's Financial Integrity Act (FMFIA): (1) Aging, Antiquated, Obsolete, and Proprietary Hardware Systems, and (2) C&P Systems - Lack of Adaptability and Documentation.

Recommendation 1

The Under Secretary for Benefits should continue development of VETSNET.

II. Coordinating Claims Processing Reengineering With Reorganization.

When VBA recognized the need to reengineer its claims processing procedures several years ago it embarked on a wide ranging effort to identify and eliminate obstacles to the timely and efficient adjudication of C&P claims. That effort has resulted in a comprehensive redesign plan which is scheduled to be implemented system-wide during the next 4-5 years. The plan itself, and the changes in claims adjudication processes which it describes, addresses many of the deficiencies cited in the various internal and external reviews; however, this Business Process Reengineering (BPR) effort is, at its core, a redesign of work flow only. (*Details of the redesign of the C&P system are discussed on pages 64 to 78.*) It does not address the fundamental restructuring of VBA field operations which will result from the implementation of BPR as well as planned budget/staffing reductions.

NAPA, in its recommendation for VBA to begin the analysis and planning which will be necessary for this restructuring, noted that VBA had attempted to initiate this process in 1996. However, it had been rebuffed by the VSOs which were concerned that geographic reorganizations and consolidations would eliminate their ability to be co-located with VBA staff which in turn would reduce their effectiveness in representing veterans.

Since the BPR's Human Resources Team has also recognized the need for extensive additional planning in order to be prepared for staffing reductions, transfers, and realignments which will occur as BPR is implemented, there is general consensus that reengineering and reorganization should be more closely coordinated than is currently

evident. However, VBA's response to the recommendation was to point out that since previous attempts at reorganization had not been effective, no further attempts would be made until the reengineering process had been implemented.

Recommendation 2

The Under Secretary for Benefits should develop plans addressing regional office restructuring.

III. Pension Reform.

Although VA's pension program represents 17 percent of the annual costs and 25 percent of the combined number of C&P program participants, it requires approximately 43 percent of VBA's C&P field office staff to administer. If VBA is to address the large backlogs and timeliness problems which exist within the compensation program and avoid a future of even worse performance, the disproportionate amount of resources currently devoted to the pension program will need to be redirected. However, before this can be done, legislative and regulatory changes are needed in order to free up these resources. (*Details on pension and rules simplification are discussed on pages 76 to 78.*)

For several years, the Department has known about the need to reform and simplify the pension program. Several reviews have offered suggestions on the nature of these reforms including: (1) the possibility of eliminating the requirement for total and permanent disability when a veteran reaches a certain age, (2) more closely aligning Social Security Administration (SSA) and VA disability criteria, (3) eliminating the requirement that pensions be reduced on a dollar for dollar basis for income earned by a pensioner, and (4) eliminating medical expense deductions in favor of a flat rate reimbursement for all pensioners.

In response, formal proposals developed by a special VBA task force (the Rules and Pension Simplification Team working under the auspices of the BPR effort) are under consideration. These include variations on the above suggestions as well as process changes in the way the income of dependents is considered, and the elimination of predetermination notices to speed up adjustments. Although the final design of the reformed pension program will not be made until early 1998, the goals of simplification and reduced administrative costs remain the primary focus.

Recommendation 3

The Under Secretary for Benefits should implement the recommendations of the BPR Rules and Pension Simplification Team report.

B. Other Significant Recommendations and Issues

In addition to the above long-term issues, specific near-term actions have been recommended which we believe, if emphasized, can provide more immediate improvement to the timeliness and quality of claims processing and increase veterans overall satisfaction with VA claims services. These include the following:

(1) Improving the timeliness of medical examinations for veterans applying for C&P benefits offers the single most important opportunity for improving the overall timeliness of claims processing. Although most medical exams are completed within 30 days of the initial request, almost 1/4 take significantly longer (up to 2 to 3 months with rescheduling). Although the Veterans Health Administration's (VHA) and VBA's goals are to reduce this waiting time (and a recent audit by OIG found the overall average timeliness for completing C&P exams has improved slightly), little improvement in the exam completion rate has been achieved during the past 3 years. *(Details on exam completion improvement opportunities are discussed on page 26.)*

(2) Consolidating authority and responsibility so that a single individual is accountable for the timely and complete adjudication of any particular C&P claim will eliminate the delays caused by the numerous claims folder "hand-offs" and "refilings" which are part of the current assembly-line processing methods. VBA recognizes that this effort is critical to reducing delays and increasing accountability and, in response, has developed plans to accomplish this goal. However, success depends on establishing and maintaining momentum and providing encouragement to employees and managers who may be unwilling or unable to change. *(Details on redesigning the C&P system work process are discussed on pages 64 to 78.)*

(3) Expanding the opportunity for veterans to choose their appeals hearings to be held locally could reduce the overall time it takes to process some appeals. VBA recognizes that the current appeals process is complicated and time consuming, and is developing plans as part of BPR to reorganize

the process to include an expanded role for local hearing officers. However, the revised process, referred to as post decision review, will require regulatory changes since, to be effective, several processes must be changed - such as the current practice of not allowing initial claims decisions to be changed even in the veteran's favor unless the initial decision was based on a clear and unmistakable error. *(Details on appeals process issues are discussed on pages 40 to 48.)*

(4) Routinely and frequently informing veterans of the status of their claims would reduce the frustration which causes many veterans to conclude that quality service is not a VA priority. Although VBA is addressing the need to establish a VBA-wide process to keep claimants informed of the status of their claims, it is based on veterans initiating the inquiry. Rather than waiting for the inquiry to be made, at which point the claimant may already be dissatisfied, efforts should also include routine notifications at predetermined stages of a claims progress throughout the system. *(Details on planned improvements in veteran communication and outreach are discussed on page 75.)*

VA management has, for the most part, agreed to take action to address these areas. Some implementation actions are in process. We believe that top management's emphasis of the above areas will improve the likelihood of full implementation.

Recommendation 4

The Under Secretary for Benefits should emphasize the need to implement the recommended actions described above.

Acting Under Secretary for Benefits Comments

The Acting Under Secretary for Benefits indicated a general agreement with the report recommendations and provided positive comments and a status of VBA's actions/intentions concerning each recommendation area. The Acting Under Secretary's comments noted that "VBA fully intends to complete the development of VETSNET for all the sound business reasons cited in the Inspector General's report." The comments also discuss the fact that "VA is pursuing a long-term strategy of consolidation of our field functions. VBA remains fully committed to, and recognizes the potential value of, the consolidation of benefits servicing activities. This is evident in our work over the past few years in the education, insurance, and loan guaranty business lines." The Acting Under Secretary also advised that a proposal has been developed and is under review by the Department to address the recommendations of the Business Process Reengineering

Rules and Pension Simplification Report discussed in our report. The Acting Under Secretary's comments also discussed the efforts in process to address some near term actions discussed in the report that can improve claims processing timeliness and quality. These actions include improvement in the timeliness of medical examinations, consolidating authority and responsibility for processing claims, expanded opportunity for veterans to have appeals held locally, and informing veterans of the status of their claims.

While the Acting Under Secretary's comments provide a status of VBA's actions/intentions concerning each recommendation area, he advised that, at this time, he would defer on providing a final concurrence and implementation plan for each recommendation. Before any implementation strategy can be completed, the Department will need to complete its response to the final National Academy of Public Administration (NAPA) report that includes key claims processing issue areas that have been summarized in our report. Also, these issue areas will need to be considered by a new Secretary of Veterans Affairs and Under Secretary for Benefits before a final Department implementation strategy is undertaken.

(See Appendix VII on page 99 for the Acting Under Secretary's comments.)

Office of Inspector General Comments

We accept the Acting Under Secretary's decision to defer action on providing a final concurrence and implementation plan for each recommendation contained in the report. We recognize the importance for the Department to address the final NAPA report findings and recommendations, which are also highlighted in this report. We also recognize that a new Secretary of Veterans Affairs and Under Secretary for Benefits should have the opportunity to consider these important veterans' claims processing issues before a final Department implementation strategy is undertaken. We consider the report resolved, but the report recommendations are unimplemented. We will follow up on VBA's future actions to address the report recommendations including preparation of appropriate implementation plans until they are completed.

DETAILS OF REVIEW

A. Summary of Reviews Which Have Identified the Need for Enhancements in Program Operations

A General Accounting Office (GAO) survey in 1993, found that more than one-third of the applicants for VA nonmedical benefits were unhappy with VA's handling of their claims, with the lack of timeliness by far the greatest source of dissatisfaction. Additional areas of complaints included a lack of fairness in VA's decisions, VA's lack of communication with veterans and their families, and the frequency with which applicants have to resubmit documents to VA in support of their claims.

In response to these concerns, VA began efforts to identify the underlying problems and possible solutions. As early as 1991, the Deputy Secretary of Veterans' Affairs ordered a review of the organization, structure, and functions of the Board of Veterans' Appeals (BVA) as part of a Departmental Task Force. This was followed in 1993 by the "Blue Ribbon Panel on Claims Processing" which was established by the Deputy Under Secretary for Benefits to develop recommendations to shorten the time it took to make decisions on disability claims and reduce the backlog of claims. In 1994, the Secretary of Veterans' Affairs formally convened the "BVA Select Panel" and charged it with the goal of determining ways to increase productivity at BVA. In the same time frames two additional, but less formal, reviews were undertaken within VA to address the causes of the high number of cases being remanded by both the Court of Veterans Appeals (CVA) and BVA.

GAO began reviewing VBA's information systems modernization effort in 1991 and post CVA claims processing timeliness in mid 1994. Throughout 1995, GAO issued several reports which addressed weaknesses in VA's planning and coordination. A total of 10 reports were issued by GAO on the subject of VBA modernization and claims processing between 1992 and 1996. In addition, a January 1997 GAO report addressed deficiencies in VA's disability compensation rating schedule. This report, while not directed specifically at claims processing timeliness, discussed inherent weaknesses in the process of adjudicating claims to the extent that the disability ratings do not reflect veterans actual economic losses.

The OIG reviewed VA claims processing timeliness in 1993 and issued a first report on the subject in early 1994. Since then, six additional reports have been issued which have specifically addressed claims processing timeliness and accuracy, with an additional six addressing related issues such as payment accuracy and rating criteria.

In addition to requesting the GAO reviews discussed above, Congress launched two major independent reviews of VA's claims processing activities. The first was mandated by Public Law (P.L.) 103-446 which charged a specially created nine member Commission with evaluating the efficiency of the current VA adjudication processes and procedures (including the effect of judicial review), and with determining the means for increasing efficiency, reducing the number of pending claims, and enhancing the claims processing system. The Commission's final report was issued in December 1996. The second Congressional review was initiated at the request of the Senate Appropriations Committee which called on the National Academy of Public Administration (NAPA), an organization chartered by Congress to improve governance at all levels, for a comprehensive assessment of VBA and a specific implementation plan to make claims processing more efficient and less time consuming. The final NAPA report was issued in August 1997.

B. Claims Processing Timeliness

For clarity and ease of presentation, we have grouped the recommendations addressing timeliness into the following areas: (I) strengthening the process and mechanism for policymaking and strategic management; (II) improving planning, direction, and coordination efforts; and, (III) streamlining and strengthening procedures for claims processing.

I. Strengthening the Process and Mechanism for Policymaking and Strategic Management

Findings and Discussion.

In its December 1996, report to Congress, the Veterans Claims Adjudication Commission (VCAC) concluded that two overriding themes emerged during its review of VA's claims processing system: (1) the absence of a coherent and accepted process and mechanism for policymaking, and (2) the consequent lack of strategic management. The Commission concluded that the situation was not a recent development, but had existed at least for decades, citing as an example a study conducted in the 1950s which reached the conclusion that VA's analysis of legislation and other problems showed a noticeable lack of basic factual data. The VCAC concluded that, 40 years later, VA still does not ask for nor provide the data and answers to key questions essential to effective policymaking. Also, the Congressionally requested NAPA review, which was started in late summer of 1996 and completed in June 1997, cited concerns with VA's strategic management capabilities, as well as the effectiveness of VA's policy formulation and implementation processes.

We believe that the focus by both of these groups on policymaking and strategic management weaknesses is a reflection of the significance that these areas have to the current timeliness problems in VA claims processing. The Commission, for example, goes into significant detail listing out the detrimental effects resulting from a lack of VA strategic planning. These include: (1) program information that has been carelessly collected and incompletely analyzed, which in turn has forced strategic planning and management assessments to be based on other than a rational, businesslike manner; (2) organizational elements, specifically VBA, BVA, and VHA, which are not coordinated so as to reciprocally support each other, leading to a culture of poor communication and lack of cooperation; and, (3) a lack of focus in the underlying philosophy driving VA programs resulting in a patchwork of disparate programs that lack unifying integrating goals.

NAPA similarly cites a lack of institutional capacity for strategic management which has prevented the accomplishment of sustained, long-term performance improvement. This has resulted in: (1) ineffective planning, (2) incoherent implementation, (3) inadequate review and analysis of program performance data, (4) an executive staff which is not held accountable for performance improvement, and (5) reliance on after-the-fact controls over quality rather than building it in at the beginning of the adjudication process.

VA executives are on record as recognizing that efforts to manage strategically are hampered by a lack of a process to set “cross-agency priorities”. For example, at a December 1996 VBA conference, the Acting Under Secretary for Benefits agreed with the criticisms of Congress and veterans concerning VA’s strategic management process. Part of the reason for this is the organizational design of VA, described as “stovepipe by program”, with the result that strategic decisions can only be made at the Secretary’s level. An example of the obstacle this creates is referred to in a 1992 GAO report which said VBA’s efforts to modernize its information resources infrastructure were not effective because VA’s Chief Information Resources Officer did not possess the essential authority (over VBA and VHA) to correct identified problems.

Also seen by the VCAC as an obstacle to successfully implementing a strategic management process, particularly for VBA, is the lack of clarity in the purpose of the C&P programs. This issue was so important to the VCAC that its first order of business was to develop its own database to describe who VA’s “customers” were and what the nature of their claims were. This information had to be developed by the Committee since VA did not have this information, for years instead having focused on workload data.

While the purpose of VA’s C&P programs may seem obvious to some, perspective plays a role in defining what that purpose is. The C&P program is variously referred to as a benefit, an entitlement, and an award. As a result, difficulties arise when efforts are made to measure program performance. The need to clearly define the purpose of VA’s programs is becoming more important as the requirements to measure and report on program performance come into effect. These requirements are the result of three major pieces of legislation directly affecting strategic management practices in federal agencies: (1) the Chief Financial Officers (CFO) Act of 1990, (2) the Government Performance and Results Act (GPRA) of 1993, and (3) the Clinger-Cohen Act (formerly known as the Information Technology Management Reform Act of 1995). These laws require VA to set goals and measure financial, program, and information technology performance.

An illustration of the lack of clarity in the purpose of VA’s compensation program is provided in a recent GAO report (*Disability Ratings May Not Reflect Veterans’ Economic Losses - GAO/HEHS-97-9*). This report concluded that VA’s disability compensation rating system was outdated and not based on the economic losses experienced by veterans

as a result of their service connected injuries. As a result, this has created obstacles in defining the goals of the program and how to measure progress towards those goals. In an article in a national publication, VA's response to the call for a new disability rating system which more closely reflects veterans losses in earnings capacity, was to oppose the idea of an income-based rating, saying "the current rating system is efficient, it works and we see no reason to validate the ratings solely from an economic perspective."

We believe this response provides a good example of what contributes to the opinion of critics of the Department who have concluded that "no one was seen to be leading the way". Since VA is required by law to "evaluate on a continuing basis, the impact of all programs", the response should have reflected that policy. This reluctance to "lead" is, in the Commission's view, the result of VA believing that the making of fundamental program policy has traditionally been a legislative function, resulting in confusion about the respective policy roles of Congress and VA. As a consequence, analysis is lacking of the key factors needed for policymaking and strategic management such as: (1) economic and social characteristics of veterans who are affected by VA programs, (2) degree to which existing programs meet the needs of veterans, (3) relationship between VA programs and those of other agencies, and (4) merits of the programs themselves in terms of, and within the context of, the underlying economic, social, and military circumstances of the nation.

Major Recommendations and Implementation Actions.

Recommendations directed at strengthening the process and mechanism for policymaking and strategic management have been made by both the VCAC and NAPA. These are intended to encourage the development and implementation of processes which will: (1) set directions and goals (including clearly defining program purposes); (2) develop performance measures; (3) establish action (or business) plans; and, (4) assess results. The following recommendations include a short explanation of the intent and a summary of the Department's response and implementation actions.

Recommendations Rejected By VA.

- **Clarify program purpose.**

This VCAC recommendation was intended to focus attention specifically on the compensation program which the VCAC believed has evolved to a point where its purpose is no longer clear. The recommendation was rejected by VA management based on the stated position that the purposes of the C&P programs were already clearly understood, even if not specifically stated within the authorizing statutes.

- **Establish a disability compensation advisory committee to provide independent evaluation.**

This December 1996, VCAC recommendation was intended to allow for the introduction of a variety of perspectives to general areas of concern and to specific issues which are facing VA's disability compensation program. The VCAC noted that, of the many existing "advisory committees" which were formed to address issues on current or long term interest to VA programs, none addressed the entire range of disability compensation benefits and the population receiving these benefits. The Committee was also concerned that the dialog which took place among interested parties was too limited; it therefore specifically included as part of the recommendation that the "advisory committee" include members of constituencies of disabled persons that currently provide little or no input to VA. The recommendation was rejected based on the position that such a committee would not add significant value.

- **Accelerate development of an integrated Department strategic management infrastructure.**

Although the Deputy Secretary established a Department level Strategic Management Group (SMG) in late 1995 and the Under Secretary established a VBA Strategic Management Committee (SMC) in early 1996, their initial activities were found to be limited to integrating existing initiatives. This recommendation by the VCAC (and a similar one by NAPA) is intended to encourage the Secretary and Deputy Secretary to take a stronger lead in setting strategic goals and developing an integrated Strategic Management Process. In addition, the recommendation is intended to increase the responsibilities of the two Assistant Secretaries who should be primarily responsible for integrating the efforts of all VA components. The recommendation was rejected based on the position that the Department's current strategic management effort was adequate.

Recommendations Agreed To and Being Implemented.

- **Initiate development of an urgent change management strategy starting with the selection of a new Under Secretary for Benefits and BVA Chairperson.**

This recommendation is actually a series of four interrelated recommendations made by NAPA, all focusing on correcting what they perceived was a lack of institutional capacity for leadership. This deficiency was described as a lack of executive accountability and a lack of long-term reform plans which include detailed, integrated, and sequenced implementation timetables. Also described was

the need to strengthen the influence of VA Central Office (VACO) C&P Service over field operations and the need to develop a comprehensive performance improvement plan which included plans to: (1) fix the year 2000 computer problem, (2) manage the large Regional Office (RO) appellate workload, (3) improve the existing BPR effort, and (4) improve information resources management. Although these executive positions remain unfilled and other important aspects of NAPA's basis for the recommendation remain valid (e.g., the need for long term reform plans), some actions agreed to as part of the VCAC recommendations cited elsewhere in this report indicate that the Department recognizes the need to reform its management strategies and will move to address the concerns which underlie this recommendation.

- **Congressional oversight is needed on an ongoing basis.**

This VCAC recommendation (and a similar recommendation by NAPA) is based on the reasoning that only Congress can create the external force needed to require VA to implement and sustain an effective strategic management process. By participating in the development of the plans, focusing on performance issues during hearings, and making legislative decisions based on the plan and performance measurement, Congress can help ensure that the provisions of the CFO, GPRA, and Clinger-Cohen acts are implemented. The recommendation was agreed to within the context of an existing obligation of the Department to comply with GPRA's requirement that federal agencies consult with Congress in the development of their strategic plans. Current plans call for the strategic plans to address Congressional concerns by the end of FY 1997.

- **Implement ongoing actuarial analysis.**

The intent of this VCAC recommendation is to provide for a scientific approach to estimating the long term costs of veterans benefits programs in order to ensure that financial obligations can be met. The VCAC also believes that this type of analysis would better allow for determining the effects of a proposed change in one program on another. The recommendation is planned for implementation by the end of calendar year 1998 when a final decision memorandum will be presented to the Secretary. Prior to that, several milestones have been established including: (1) establishing a protocol to guide the overall effort; (2) identifying which programs within VBA, VHA, and the National Cemetery Service (NCS) could benefit from actuarial data and analysis; (3) meetings with other agencies to study methodologies and to determine what personnel skills and resources will be needed; (4) determining the feasibility of providing actuarial support for each

program; and, (5) developing a formal proposal with cost estimates and implementation requirements.

- **Empower a corporate data collection and analysis activity.**

This recommendation is an outgrowth of the VCAC's initial attempts to learn about the characteristics of the veteran population served by VA's programs. The Commission believed that in order for it to understand what was needed to serve the needs of veterans and others who do, or may, receive VA services, it needed to know more about these people than existing VA information could provide. The Commission concluded that VA's efforts were too focused on workload measurement at the expense of demographic data, as well as other data which could describe the types and nature of claims, appeals, disabilities, and issues involved. The recommendation is being implemented with a prototype database having been developed. Future implementation plans call for broadening the data content, establishing data exchange procedures, developing a timing for Internet activation, and developing an operations guide.

- **Require an annual report that focuses solely on the disability compensation program.**

This VCAC recommendation is intended to concentrate attention on the compensation program because the Commission concluded that it was this program that was the focal point of concerns and criticisms rather than VA's other benefits programs (i.e., Education, Insurance, Loan Guaranty, or Vocational Rehabilitation). Additional reasons for a greater focus and separate report on the compensation program included the Commission's reasoning that the compensation program served a far greater number of claimants than the pension program and disability compensation determinations were more complex and were therefore more resource sensitive. The recommendation is planned for implementation by December 1997, when a decision memorandum will be issued by the Secretary based on studies of: (1) what existing reports and information can be used, (2) what the content and objectives of the report will be, and (3) timing, scheduling, and cost issues.

II. Improving Planning, Direction, and Coordination Efforts

Findings and Discussion.

VBA's efforts to modernize its C&P computer systems began in the mid 1980s when technical and program deficiencies began to be identified. The existing computer systems

were aging and becoming difficult and expensive to maintain. In response, plans were developed to replace the existing systems with flexible, decentralized computer architecture. To move to the new architecture, a three-stage procurement plan was devised to acquire the necessary hardware and software. However, in FY 1993 (before VA awarded the contracts to begin implementing the first stage of the modernization) GAO reported that the modernization effort was premature since VBA had not adequately analyzed what its future operations would look like and did not have a clear idea of how the effort would correct deficiencies and improve service.

GAO has continued with a similar theme in its subsequent reviews concluding that planning, direction, and coordination efforts have been inadequate and/or ineffective and that each stage of the modernization effort has been characterized by unauditable estimates, unmeasurable goals, and poor communications. For example, in a 1995 report on VA's plans to implement changes in claims processing structures and procedures, GAO concluded that VA had not developed adequate evaluation plans to allow it to judge the relative merits of the various initiatives or the circumstances under which they work best.

In another 1995 review, GAO reported on VA's difficulty in coordinating the efforts of VBA and BVA in integrating the expanded adjudication responsibilities brought about by the Veterans Judicial Review Act (VJRA) and CVA decisions. Of specific concern was that several autonomous organizations within VA independently set claims adjudication policies and procedures. Although recommendations had previously been made to improve coordination, GAO concluded that VA had not implemented them. However, VA officials noted that the intent of these recommendations were being met through other formal and informal mechanisms - primarily meetings among the staffs of the various organizations.

GAO's view that VA is disposed to embark on major initiatives and changes in a manner that lacks an adequate consideration of specific, measurable goals and objectives, was echoed by the VCAC. The VCAC also concluded that VA's management processes were weak, primarily because VA executives were not held accountable for coordinating their planning efforts and had never been required to plan strategically. Coordination was found to be lacking as a result of not integrating VBA, VHA, and BVA activities so as to reciprocally support one another's business needs. This has led to a "culture of insufficient communication and cooperation among organizational elements."

In addition to supporting GAO's overall conclusions regarding the need to strengthen planning, direction, and (internal) coordination, the VCAC also focused on the need for VA to strengthen the coordination of its activities with the VSOs. In the view of the

VCAC, the need to strengthen this “partnership” is in recognition of the significant role VSOs have in helping to ensure veterans are kept informed and treated fairly.

In addition to the reviews of VBA’s modernization by GAO and VCAC, the Office of Management and Budget (OMB), General Services Administration (GSA), the Center for Naval Analysis, OIG, and NAPA have also identified the lack of goals, performance measures, and valid cost estimates as being problematic for the claims processing system. The underlying theme of these reviews is the need for improved planning, direction, and coordination. In 1994, for example, the OIG found that a lack of coordination between VBA and VHA was responsible for the excessive number of C&P exams that were incomplete, canceled, or not performed by VHA. A recent follow-up review disclosed that, overall, little improvement had been made in reducing the number of incomplete exams.

In its recent review, NAPA found that VBA’s BPR effort needed to be re-examined and based on a more complete and detailed analysis of new workloads coming into the organization and their effects on appellate workloads in VBA and BVA. Overall, NAPA concluded that the BPR program was not well planned or managed and that VBA was not adequately postured to carry it out efficiently. In fact, the all-or-none approach to BPR was, in the opinion of the NAPA reviewers, evidence of VBA’s weaknesses in the areas of analysis, planning, integration, and program management.

The recommendations made as a result of these reviews are intended to encourage the development of modernization, restructuring, and business plans based on verifiable criteria and measurable goals. In addition, recommendations to improve communications among VA’s autonomous organizations were intended to result in a cultural change where planning within one part of VA was coordinated with and supportive of the entire organization.

Major Recommendations and Implementation Actions.

The following are the major recommendations made in recent years which have specifically addressed the need for better planning, direction, and coordination of VA’s claims processing activities. Included with each is a short explanation of its intent and a summary of the Department’s response and implementation actions.

Recommendations Rejected By VA.

- **Reexamine and improve the analysis, approach, and management of the Business Process Reengineering effort.**

This NAPA recommendation is directed at the concern that the BPR is not based on a complete and detailed analysis of VBA and BVA workload and that implementation plans were not evaluated in an operational setting to determine their effect on program performance and staffing requirements. Also of concern was what was perceived as a premature VBA budget proposal reducing resources based on unproved assumptions contained within BPR. The recommendation was rejected because of VBA's concern that altering the current path of process analysis and reengineering would interfere with the reengineering effort across other VBA business lines.

- **Information Technology plans should be re-prioritized.**

The intent of this NAPA recommendation is to focus attention on NAPA's conclusion that VBA's efforts to modernize its Information Technology (IT) infrastructure have been poorly planned, directed, and executed. NAPA also concluded that VBA's IT initiatives (including VETSNET, data center consolidations, and year 2000 plans) involved unnecessarily high risks. While comprised of 25 separate recommendations, all are directed at the goal of re-prioritizing VBA's IT plans (including the complete elimination of 2 highly visible projects - VETSNET and the data center consolidations). The recommendation was rejected because of VETSNET's key role in supporting the VBA corporate model and database and the C&P reengineering effort.

- **Postpone contract award for any procurements under the modernization effort.**

The intent of this GAO recommendation was to stop procurement of \$94 million in computer hardware and software in the first of a planned three stage VBA modernization effort. GAO concluded that the procurement was premature and should be postponed until VBA: (1) analyzed its current business processes and developed a clear understanding of the deficiencies and problems that the effort would resolve, (2) identified specific goals for improved service and developed a formal process to ensure that the modernized system met those goals, (3) completely defined its new information architecture, and (4) ensured the effective participation and communication between senior program and information resources management officials. The recommendation was rejected because VA

determined that the procurement was justified and needed in order for the modernization effort to progress.

- **Ensure that the Chief Information Resources Officer has the authority for implementing the modernization effort.**

Although VA had designated a senior official to serve as the Department's Chief Information Officer (CIO), GAO found that the office had not established guidance for developing program performance indicators and did not have explicit authority and responsibility to direct and control specific Information Resources Management (IRM) activities outside of its own offices (i.e., within VBA, BVA, VHA, etc.). GAO's conclusion was strengthened by the CIO's own statement (cited in the GAO report) that VBA's modernization effort may do little to improve service to veterans. The intent of the recommendation is to provide the position of the CIO with the authority needed to resolve problems with the modernization effort and ensure that systems hardware and software would improve service. This GAO recommendation was rejected because of the Department's position that this would conflict with the terms of the then existing agreement with the GSA which provided for a delegation of procurement authority direct to VBA under the "Trail Boss" program then in effect.

- **Replace existing economic assessment of VBA modernization effort with a new economic analysis.**

This GAO recommendation was intended to require VA to replace the original economic model it had used to estimate the life cycle costs of its modernization effort. GAO believed replacement was needed because it could not validate the estimates used in the model, in part because of a lack of documentation. Since the report was not provided to the Department to comment on, there was no formal response to the recommendation. Further, since the recommendation is still unimplemented and there is no indication of any action or effort to replace the original economic assessment, we concluded that VA, in effect, rejected the recommendation.

- **Selectively constrain modernization in the near term while preparing a structure to effectively manage and integrate modernization on a longer term basis.**

This recommendation was initially made by the Center for Naval Analyses (in a study initiated by VBA of its modernization effort), and GAO endorsed it in testimony on VBA's reengineering effort before a House Subcommittee in June

1995. The intent of the recommendation was to highlight GAO's position that it believed that VA's claims process itself needed to be fundamentally changed before moving ahead on the technical issues of modernization. Unlike many of its more formal reports, the report of this testimony reflects GAO's appreciation of the "enormity of the challenge" facing VBA. The recommendation was not presented formally to the Department since it was offered during GAO testimony; therefore, the Department had no official response, either initially or to the GAO endorsement. However, since modernization plans and efforts continued unchanged subsequent to the testimony, we concluded that the Department did not concur with the recommendation.

Recommendations Agreed To But Not Implemented.

- **Begin the analysis and planning which will be necessary to restructure VBA Regional Offices.**

This NAPA recommendation is predicated on the conclusion that VBA field operations will require a fundamental restructuring as a result of BPR and planned budget reductions. Although VBA recognizes this as necessary and desirable, earlier attempts were blocked by VSOs and there is a reluctance to try again. Thus, the recommendation also encourages Congress to require VBA to begin this process by involving the VSOs early on in discussions. The recommendation is being addressed to the extent that the BPR effort will require an organizational restructuring within each RO (e.g., merging the Veterans Services and the Adjudication Divisions) and a realignment of the functions within the Adjudication Division (e.g., development, authorization, and rating activities). However, additional restructuring issues have not been addressed. For example, the Veterans Services Division elements which do not perform C&P duties involve about 750 employees but are not addressed in the reorganization plan. In addition, the expected staffing reduction from the current level of 4,435 employees to less than 3,000 by FY 2002 will likely result in the need for numerous staffing transfers, training, and geographic realignments. Although the current implementation plan focuses on reconfiguring RO operations, there is no clear plan, as contemplated in the recommendation, addressing where future VBA offices should be located or how many there should be to accomplish program goals.

Recommendations Agreed To by VA and Implemented.

- **Designate a Department level official to monitor actions by the Board of Veterans Appeals, VBA, and VHA to identify and resolve intra-agency impediments to efficient claims and appeals processing.**

GAO concluded that VA operated in a legal and organizational framework which made effective interaction among the several autonomous organizations essential to fair and efficient claims processing. However, GAO reported that the recommendations of numerous studies which had found a need for improved coordination among these organizations were not implemented. As examples, GAO cited instances of where VBA officials were unaware of BVA interpretations, guidance, and practice. As a result, GAO found that veterans claims were being remanded. The intent of the GAO recommendation was to encourage senior VA executives to take a more hands-on approach in coordinating the activities of VBA, BVA, VHA, and the General Counsel's Office. The recommendation was agreed to and implemented by designating the Deputy Secretary as the coordinating official.

Recommendations Agreed To and Being Implemented.

- **The Under Secretary for Health and the Under Secretary for Benefits should take action to increase the rate of medical examinations completed for veterans applying for compensation and pension benefits.**

In an OIG report, we concluded that improving the coordination between VBA and VHA would reduce the number of C&P exams canceled or not performed by VHA which would improve overall timeliness of claims processing by avoiding the need to reschedule the exams. The recommendation was intended to highlight opportunities to improve exam timeliness including: (1) having VBA provide VHA with the veterans claims folder for the exam, (2) updating VHA's databases with the veterans latest address and mailing appointment notices direct to him/her and calling the veteran prior to the appointment, (3) reschedule exams at least once before canceling, and (4) sharing the experiences of facilities which have implemented innovative C&P case management techniques. The recommendation was agreed to and the issue closed in 1995. However, a follow-up review completed in May 1997 found that, although the overall average timeliness for completing C&P exams had improved slightly and the percentage of exams returned to VHA due to insufficiency had been reduced to 3.1 percent (near the VBA/VHA goal of 3 percent), the exam completion rate had not significantly improved.

- **Improve plans to evaluate the effectiveness of claims processing initiatives.**

GAO reported that VA had not developed adequate evaluation plans to allow it to judge the relative merits of various initiatives or the circumstances under which they work best. The recommendation was intended to correct this weakness by: (1) requiring ROs to evaluate their major improvement initiatives and provide guidance on how to do so; (2) identifying which analytical methods and which data VACO would use to evaluate the various initiatives; and (3) describing how VA would disseminate to ROs information on the experiences that other ROs had in implementing their initiatives. The recommendation is being implemented by requiring all initiatives to include performance objectives and indicators to measure effectiveness and impact. Each of VBA's five business lines (i.e., programs) are establishing national performance goals which are to be translated into area, regional, and support office plans with corresponding objectives and measures. Initiatives that are not consistent with these goals or do not have any performance objectives are to receive no support from the Agency's SMC during the development of the annual VBA business plan and budget request. This process was begun during the development of the FY 1998 VBA Business Plan and is to be expanded during the FY 1999 planning cycle. In addition, in response to a similar VCAC recommendation, VBA reported that it is developing a protocol for proposing projects including specific goals, benchmarks, assumptions, and post-implementation evaluation mechanisms and expects to publish these guidelines in January 1998.

- **VA and Veterans Service Organizations should build a claims processing partnership.**

This VCAC recommendation is intended to encourage VA and VSOs to strengthen their cooperative efforts in ensuring that veterans receive fair and timely service. Specific suggestions are included as part of the recommendation which, if implemented, the Commission believes will result in less emphasis on frequent and strong differences between VA and VSO opinions regarding claims processing issues. The specific suggestions include clearly and formally defining VA's and VSO's roles and responsibilities and negotiating a cooperative agreement based on those roles which are complementary. The recommendation will be implemented through establishing and publishing timeliness standards for claimants or representatives who submit completed claims (estimated to occur in January 1998), by deploying the BVA Veteran Appeals Control and Locator System (VACOLS) in April 1998, and by completing the construction of the VETSNET information system to support case management (currently planned for late 1999).

In addition, VBA is developing a detailed description of the partnership relation with veterans and briefed the service organizations in August 1997 on this effort.

- **Establish a VBA-wide process to keep claimants informed of the status of their claims.**

This VCAC recommendation is intended to improve VBA's communications with veterans and address what the VCAC felt was a significant source of frustration for many veterans (which was also borne out in a GAO survey of veterans conducted in 1994) namely, not being able to determine the status of their claims. The recommendation is being addressed by first outlining the baseline architecture for a simplified nationwide communication system between veterans and any VA office. Subsequent to this (which is expected to be completed in late 1997), a demonstration model is expected to be tested in mid 1998 with VBA-wide implementation by late 1998 and VA-wide deployment by late 1999.

III. Streamlining and Strengthening Procedures for Claims Processing

Findings and Discussion.

The current procedure used to process C&P claims, which includes adjudication and appeals activities, is universally recognized as cumbersome and outmoded. The process itself is the result of layering changes in benefits which have been legislated over the years without a wholesale revision to the underlying processing system. However, until the creation of CVA in 1988, the system was able to produce reasonably timely decisions and inefficiencies were not obvious.

The VCAC described the claims processing system, prior to CVA, as paternalistic which, without third party oversight, resulted in the system being accountable only to itself. With the introduction of judicial review, VBA's decisions became subject to review to ensure they were rational and complied with relevant statutory provisions. Because a characteristic of a paternalistic system is the absence of clear and definitive rules, the introduction of the adversarial system of judicial review created, in the view of the VCAC, a contradictory system and condemned it to inefficiency.

This inefficiency became apparent when CVA began issuing precedent setting rulings. This resulted in large numbers of cases which had to be reworked and re-examined because VBA's existing procedural and adjudicative rules were vague. The resulting backlogs and delays were therefore inevitable and will probably continue unless more efficient procedures for processing claims are designed and implemented.

Although each of the review groups (which have conducted reviews, audits, and studies of the C&P system during the last 5 years) has had a somewhat different approach and perspective, they have generally emphasized improvement within the existing framework which consists of 5 or 6 distinct processing steps for an original compensation claim plus a series of additional steps if an appeal is involved. For our purposes of presentation, we have divided the process into 5 steps: (1) claims establishment, (2) claims development, (3) rating activity, (4) authorization activity, and (5) appeals process.

We have introduced each step with a short overview of its procedures and a discussion of the significant findings and opportunities for improvement which have been identified in recent reviews and/or audits. Following this, recommendations which have specifically addressed the procedures related to the processing step are listed.

1. Claims Establishment

The claims process begins when a veteran (or a surviving spouse, child, or other eligible person) submits an application form. If the application is the first a veteran has submitted, it is referred to as an “original” claim, otherwise it is (usually) an application for an increase in an existing award. Total measurable C&P workload (including original and supplemental claims) involves about 2.5 million actions each year of which approximately 1.6 million are related to compensation. Of these, the VCAC found that about 75 percent are actions relating to an increase in an existing compensation award.

When an application is received in an RO, it is sorted, date stamped and forwarded to the Adjudication Division where it is assigned to a clerk who creates a computer record for tracking purposes. If an official claims file exists it is retrieved and associated with the application information. If an official claims file does not already exist, one is established, and if a claims file exists but is located in another RO, it is requested from that RO.

Few reviews have focused attention on this aspect of the overall process, and even fewer formal recommendations have been made. This is because the total time involved in receiving the application and establishing the claims folder averages 6 days (only about 4 percent of the total processing time), most of which is spent waiting for the claim to be worked on by clerks and/or waiting for an existing claims file to be retrieved from the filing activity or another RO. However, this activity is also responsible for establishing a computer record for each claim which is then used to monitor and manage pending workload and processing timeliness. Because of this, the OIG included this activity in the scope of two recent audits.

The first audit was a 1994 nationwide review of C&P claims processing which included the administrative activity. Four recommendations were made to improve the accuracy

and usefulness of claims data. In a 1997 audit, we completed a nationwide review of the reliability of claims processing workload data. The audit, which focused on original compensation claims, found that workload was overreported because duplicate claims were included and incomplete processing actions were incorrectly reported as completed. We also identified potential benefits in using certain existing demographic data for projecting future workload.

Major Recommendation and Implementation Actions.

The following recommendation was directed specifically toward RO administrative activities and procedures used to establish claims. Included is a short explanation of its intent and a summary of the Department's response (it was agreed to) and implementation actions.

Recommendation Agreed To and Being Implemented.

- **Improve the accuracy of data in the computerized case management database.**

The OIG made five recommendations addressing the accuracy of the computerized case management database (known as the Work-in-Progress, or WIPP system). The intent of these recommendations (four from a 1994 audit and one from a 1997 audit) was to improve the usefulness of the system as a management tool in monitoring claims workload productivity and timeliness. Based on findings that the data were inaccurate in almost a third of the cases we reviewed (incorrect dates of receipt and disposition, incorrect type of claim, claims erroneously marked as containing new issues, and pending claims recorded as having been completed) we concluded that workload was inflated and timeliness was worse than reported. We believe that action to improve the accuracy of claims workload data is in process as evidenced by a 1997 OIG audit which was performed as part of a larger VBA initiated data validation effort.

2. Claims Development

When the veterans application has been associated with an existing or newly created claims folder and the case management data has been entered into the database, the file is forwarded to the development activity (within the Adjudication Division). This activity is responsible for making an initial determination as to what evidence will be required to support the claim and to initiate action to acquire that evidence (the type of evidence needed to decide a claim differs depending on the type of claim and whether it is new or an increase to an existing award).

For all claims, military service must be verified (unless evidence exists from a previous claim). This includes determining the period(s) of service and the nature of discharge. If evidence of a medical exam is required and not available, a VA exam is requested for the veteran. The development activity is responsible for continually following-up with the veteran until all of the necessary supporting documentation is required. Under current rules, he/she is allowed 60 days to submit evidence from private sources.

Since development is usually where the most significant delays are encountered (it is a lengthy, paper intensive, and laborious process taking an average of over 100 days), a significant proportion of the reviews of the claims processing system have focused on ways to streamline this aspect of the process. For example, three OIG audits since 1994 have identified ways to eliminate or reduce delays in developing evidence. Similarly, much of the focus of the 1993 Blue Ribbon Panel on Claims Processing was on simplifying and speeding the development process. In all, almost 30 recommendations have been made to improve the timeliness of this single aspect of the claims processing system.

Major Recommendations and Implementation Actions.

The following recommendations were directed specifically toward RO claims development activities and procedures used to acquire evidence needed to adjudicate claims. Included with each is a short explanation of its intent and a summary of the Department's response and implementation actions.

Recommendations Agreed To But Not Implemented.

- **Establish alternatives to the current requirement of a written “due process” notice to veterans when a reduction in VA benefits is to be made.**

The intent of the OIG recommendation was to reduce the lengthy delay which occurs between the time a decision is made to decrease a veterans compensation or pension benefit and the time the decrease is effective. Although the delay is intended to provide veterans with an opportunity to submit evidence showing that the reduction in benefits should not be taken, it has evolved into an unnecessary burden for both the claims processing staff and veterans.

To illustrate, when some events occur which cause an award to be reduced (e.g., a period of hospitalization, certain instances of an estate exceeding statutory limits, or receipt of income information from a source other than the veteran), the beneficiary is sent a “predetermination notice” which explains that his/her award

will be reduced unless evidence is submitted within 60 days showing that the information was in error. After 60 days has lapsed, and the beneficiary has not responded (less than 5 percent do respond), the award is reduced retroactively, usually creating a 3-4 month overpayment which the veteran must repay immediately or have withheld from future benefit payments (the report estimates that overpayments resulting from hospital reductions total over \$24 million annually).

An alternative process was recommended which would involve notifying the veteran that a reduction in his/her award will occur unless he/she calls within 15 days and indicates that he/she wishes to submit evidence showing that the reduction should not be made. On receipt of the call any action to reduce the award would be postponed for 60 days to allow the veteran to submit written evidence. For the vast majority of veterans (over 95 percent) who do not challenge the changes in benefits, a large overpayment would be avoided, and for VBA staff, resources totaling over 23 Full Time Equivalent Employees (FTEE) would be available to focus on processing other claims.

The recommendation was agreed to by the Acting Under Secretary for Benefits but has not been implemented because of a State court consent decree resulting from a finding that VA's due process notice procedures were inadequate. However, when the consent decree expires later this year, we expect VBA to initiate the implementation of the recommendation.

Recommendations Agreed To and Being Implemented.

- **For claims requiring rating decisions assign specially trained examiners or rating specialists responsibility for: (a) determining evidence requirements, and (b) performing follow-up. Also, develop an automated checklist to document evidence requests and determine if requested evidence has been received.**
- **Prepare and implement position descriptions to consolidate responsibility for control, development, and award action in a single rating technician position; and create a rating activity responsible for control, development, rating, and authorization issues.**

These two related OIG recommendations were intended to improve claims processing timeliness by avoiding delays which were caused by RO personnel: (1) handling the claims too many times and by too many different people, (2) making errors when deciding what evidence to request, and (3) not monitoring the status of

requests for evidence. In addition, a number of “suggestions” to improve timeliness were also offered which focused on reducing the amount of work which was required to process claims. These suggestions included: (1) lessening restrictions on the types of evidence required to support certain aspects of claims (2) eliminating income verification reports for certain beneficiaries, and (3) incorporating some ancillary benefits into monthly compensation payments for related disabilities.

The intent of the second recommendation was to solve four specific problems that the Blue Ribbon Panel saw with the current claims development process, making it “highly inefficient”; (1) the assembly line approach to development was ineffective, (2) sequential development delayed claims, (3) there were too many “pass-offs” from rating board to development clerks, and (4) clerks could not make complete decisions. The Panel’s goal was to make the rating activity responsible for all actions necessary to process the claim and to encourage team work. The Panel did not believe that a single organizational scheme should be mandated, but that RO Directors be given the opportunity to submit locally designed plans.

In response, VBA’s “Blueprint for Change” was issued in June 1997 outlining the proposed reengineering of the C&P claims process including the elimination of the assembly-line process and its replacement with an organization involving fewer positions but with expanded responsibilities. At the center of the new organization is a new Veterans Service Representative (VSR) position which combines the duties of present day Veterans Claims Examiners and Veterans Benefits Counselors. This position will be responsible for interacting with claimants, determining evidence requirements, following up on evidence requests, approving awards (with those requiring complex rating decisions being completed to more experienced VSR’s). Although implementation of this organization will not be fully realized for several years, we believe it offers a reasonably good promise of claims processing improvements.

VBA’s “Blueprint for Change” also devotes an entire section to Rules and Pension Simplification which describes the implementation plan for this aspect of the BPR effort. Included in the plan are 11 specific rules changes needed to support BPR’s overall goals: (1&2) allowing contemporaneous notices for information received from any Federal Agency or Federal Employee and for self reporting via telephone, fax or other electronic means, (3) allowing decisions to be revised based on the same evidence (i.e., difference of opinion), (4) allowing extra-schedular pension ratings, (5) allowing National Service Organizations to certify military service documents, (6&7) changing methods to file and withdraw appeals, (8) eliminate some earnings verification reports, (9) eliminate the requirement to file

claims in writing, and (10&11) establish new regulations for Post Decision Review and Veterans Service Representatives. In addition, 10 more rule changes are needed to clarify or simplify claims processing. These include clarifying, defining, or otherwise changing laws and regulations governing: (1) individual unemployability criteria, (2) findings of mental unsoundness in suicide cases, (3) convalescence for Paragraph 30 ratings, (4) service connection by aggravation of pre-service conditions, (5) the allowing of basic vocational rehabilitation eligibility to be determined by Vocational Readjustment and Counseling (VR&C), (6) recognition of court appointed guardians, (7) supplementary allowances (e.g., clothing) by rating, (8) additional payments for dependents in claims for apportionment of Dependency and Indemnity Compensation (DIC) benefits, (9) estate limits in incompetent veteran cases, and (10) burial allowances when the first notice of death is processed.

- **Decrease the response time for obtaining evidence.**

The Blue Ribbon Panel concluded that a major contributor to excessive development time was excessive response time for requested evidence from all sources. Following are the several specific recommendations made to improve communications with veterans, VHA, the Social Security Administration (SSA), the Department of Defense (DoD), and others with the intent to speed up the process by making requests clearer, expanding avenues of communication, reducing paperwork, and eliminating unnecessary administrative requirements.

Veterans:

- a. Change the process to allow veterans to use other communications modes (phone, fax, personal, pagers, or e-mail) to supplement written communication.
- b. Revise forms/systems to include claimant phone numbers - both daytime and nighttime.
- c. Finish the redesign of VA Form 21-526 and the instructions.
- d. Design a new form to help veterans identify issues and evidence needed to support re-opened claims and claims for reevaluation of service connected liabilities.
- e. Develop a national letter package for use when writing to veterans.

VHA:

- f. Expand the Memorandum of Understanding between VBA and VHA to include C&P examination quality measures.
- g. Establish physicians' coordinators at VACO, medical centers, and regional offices.
- h. Establish a reporting scheme to monitor the quality of VHA C&P exams.

- i. Establish a joint VBA-VHA education and training effort on C&P exams.
- j. Transfer responsibility and associated resources for C&P exams from VHA to VBA.
- k. Improve the Automated Medical Information Exchange (AMIE) system.

SSA:

- l. Establish a high level dialogue with SSA to communicate VA evidence and other needs.
- m. Update and verify VBA procedures for obtaining SSA records.
- n. Establish a VA/SSA computer link to obtain SSA medical records.

DoD:

- o. Expand the current Service Medical Record agreement with Army to all branches.
- p. Assign VA personnel to DoD records centers to assist and perform liaison.
- q. Initiate national VA/DoD dialogue on separation exams to ensure they meet VA requirements.

Regulatory:

- r. Revise regulations to allow for the acceptance of photocopies and conduct a special review of regulations, manuals, and policies to refine them.

In response, VBA has (1) completed an initial redesign of the application form for disability benefits and continues work on further changes, (2) issued a revised memorandum of understanding with VHA focusing on the sufficiency of C&P examinations, (3) created work groups to focus on the examination process, (4) initiated a pilot program to explore the feasibility of transferring responsibility for C&P exams to VBA, and (5) continued to expand the Service Medical Record agreement with the Armed Forces.

Recommendations Agreed To and Implemented.

- **Establish, as the highest ADP priority within VBA, the development, testing, and implementation of the Claims Processing System (CPS).**

Underlying this general recommendation by the Blue Ribbon Panel are seven more specific recommendations intended to provide VBA with more adequate “tools” for claims development - primarily focusing on more and better automated support.

- a. Integrate claims status information and reports, including identification of all evidence requested and received, in the CPS.
- b. Develop and implement a PC-based standard, national letter package using input from all customers.
- c. Enhance the AMIE examination process.
- d. Provide on-line PC access to necessary reference material through implementation of the Automated Reference Material System (ARMS).
- e. Develop and Implement the Rating Board Automation (RBA) system.
- f. Implement the Control Of Veterans Records System (COVERS).
- g. Assure VETSNET design incorporates tracking of case status through the appeal process.

In response, VBA has: (1) begun to integrate claims information into a single system; (2) continued development of a PC-based standard, national letter package; (3) continued enhancing the automated exchange of medical information between VHA and VBA; (4) developed a CD-ROM based automated reference system and begun development of a WEB based version; (5) implemented an automated records control system; and, (6) continued development of the replacement system for the current generation C&P award payment system.

3. Rating Activity

After the development process, the claim is forwarded to the rating board. On receipt of the case file, a rating specialist will determine eligibility and level of disability (if additional evidence is needed, the file is returned to the Adjudication activity for further development). The rating specialist then prepares a rating decision which states all the issues involved, the evidence considered, and the reasons and basis for the decision on each issue. The file is then returned to a claims examiner for award processing.

The length of time cases remain in the rating activity vary, but averages about 30 days. The length of time is affected by the complexity of the case which varies according to the nature of the disability and the number of disabilities involved. For example, in FY 1995 the average number of service connected conditions approved for each veteran was 2.7. It is not known how many conditions were denied (even though each claimed condition requires the same level of research, examination, and rating).

The rating process derives its name from the VA Rating Schedule (and its adjunct Physician's Guide for Disability Evaluation Examinations) which is a register of standardized diagnostic codes and associated disability levels. Federal law requires VA to use this schedule to associate disability levels with clinical findings in order to determine a claimant's benefit entitlement.

Although the rating process is not, in most cases, the most lengthy aspect of the entire claims process, it is the most judgmental and therefore subject to the most scrutiny by veterans, their representatives, VA managers, and BVA. However, until the introduction of CVA, VBA's documentation of its decisions, while detailed, were not as critical since it's decisions were not subject to judicial review as they now are.

Although many of the reviews and audits of the claims processing system in recent years have addressed the rating activity and its associated processes, relatively few process oriented recommendations have been directed specifically toward the rating activity. The Blue Ribbon Claims Panel did make a number of recommendations in its 1993 report directed at improving the timeliness of the rating process, and a 1994 OIG report offered several suggestions (not formal recommendations) to improve rating timeliness. In addition, several of the recommendations presented under the Claims Development section of this report could have been listed under this section as well since the goal of these recommendations was to consolidate the development and rating activities. However, the rating process is essentially dictated by statute and offers few opportunities for fundamental change without legislation.

Both GAO and the VCAC recognized that the rating schedule itself was an issue in both the timeliness and quality of claims processing. Both essentially, although not formally, recommended that the current rating schedule be revised and/or abandoned. GAO made the case that the schedule was fundamentally unfair to a large proportion of veterans, while the VCAC focused on the inefficiencies that the rating schedule created.

Major Recommendations and Implementation Actions.

The following recommendations were directed specifically towards RO rating activity procedures. Included with each is a short explanation of it's intent and a summary of the Department's response (all were agreed to) and implementation actions. Additional issues relating more to the quality of ratings (including the quality of claims adjudication and changing adjudication standards) are discussed in detail in Section C of this report on pages 49 to 63.

Recommendations Agreed To and Implemented.

- **Provide PC word processing capability for the rating staff to include standardized formats and glossaries.**

The Blue Ribbon Panel found that, at the time of its review, many rating activities were still using manual typewriters. The Panel felt this was inappropriate and

contributed to slow processing times. The recommendation is intended to force VA to provide rating personnel PC-based word processors and necessary training. VBA has implemented the recommendation, rating personnel have been provided workstations.

- **Use specialization selectively to concentrate on certain categories of complex rating cases.**

The Blue Ribbon Panel found that claims processing can be made more timely if specialized claims are handled outside of the routine processing system. It cited the centralized handling of Persian Gulf environmental hazard-related cases as an example of where specialization had enhanced processing and control. The recommendation was implemented as evidenced by VBA's use of specially trained adjudication teams to examine and rate Gulf War cases.

- **Develop and implement the Rating Board Automation (RBA) System.**

The Blue Ribbon Panel found that the rating function was limited by a paper or hard-copy processing environment. The intent of the recommendation was to allow rating specialists and rating support technicians to take advantage of automated processing efficiencies. The Panel noted that computer modernization (i.e., Stage I RBA) was being developed at the time and the recommendation was intended to speed the process up. VBA has since implemented RBA.

Recommendations Agreed To and Being Implemented.

- **Expand and expedite centrally-coordinated training for rating staff.**

The Blue Ribbon Panel found that many rating specialists spent a significant part of their time training new members. The Panel felt that a centrally coordinated training program would reduce this burden and allow rating staff to be more productive. The Panel also felt that the training program should involve a certification process where a rating specialist must be certified to rate claims and that it should use the latest technologies (e.g., video, teleconferencing, and interactive PC-based programs). Implementation of the recommendation is part of the BPR effort which recognizes that training will be vital to the success of reengineering the claims processing system. The framework for the training effort is based on proven Instructional Systems Design methodology and is expected to cost almost \$18 million by the time BPR is fully implemented.

- **Conduct a special review of VA regulations, manuals, and policies to refine them.**

This Blue Ribbon Panel recommendation, and a similar one by the VCAC, was based on the conclusion that VA regulations and adjudication procedures had evolved in a piecemeal fashion over the past 60 years and, as a result, created problems of consistency and efficacy. The Panel also noted that it could not find any evidence that VA regulations had ever been subjected to a broad-based review to determine whether they are legally valid, consistent with each other, and provided the most effective means to afford claimants all the benefits to which they are entitled. The intent of the recommendation was to have VA itself perform such a review to avoid having CVA do it through the litigation process, which would, in the opinion of the Panel add to their complexity and further slow the timeliness of adjudication decisions. VA has begun implementing the recommendation by establishing a task force representing VBA, the General Counsel, BVA, and the Office of Policy & Planning. A formal plan and cost estimate is expected to be presented to the Secretary by late 1997.

- **Reallocate resources to the rating activity, improve training, and establish a “rating technician” position.**

The Blue Ribbon Panel concluded that there were not sufficient resources available to make rating decisions in a timely manner. The recommendation is intended to encourage each RO to closely analyze its local staffing resources and ensure that unproductive resources are assigned to the rating activity. The Blue Ribbon Panel also concluded that since much of the rating specialists time is spent doing the preliminary work that should be done by others, a new position of “rating technician” should be established and used to screen rating cases and ensure that case development is adequate. The intent of which is to reduce the development and screening activities of rating specialists. The recommendation is being implemented as a result of the BPR effort which includes the elimination of the assembly-line process and its replacement with an organization involving fewer positions but with expanded responsibilities. At the center of the new organization is a new VSR position and Rating Certified VSR which combines the duties of present day Veterans Claims Examiners and Rating Specialist. These positions will be responsible for the full range of activities needed to decide claims.

4. Authorization Activity

Claims (or award) authorization is the final procedural check within the RO on accuracy, completeness, and consistency with relevant laws, regulations, and VA guidance. A senior claims examiner reviews each claim for which an award is recommended by the rating board or the adjudication activity. If an award is incomplete or incorrect, it is returned to the preparer for correction.

The authorization function has received almost no specific attention in the many reviews of claims processing during the past several years because it is not a major contributor to delays in claims processing (on average adding 5 days to the whole process - of which the function itself takes less than half an hour on average). However, it hasn't escaped attention completely since several recommendations have been made which would significantly affect, even eliminate, it as a separate function altogether. For example, the Blue Ribbon Panel and the VCAC both recommended that the rating activity be redesigned to include all aspects of claims control, development, rating, and authorization.

5. Appeals Process

Claimants who are dissatisfied with a RO decision may appeal first to BVA, and then to the CVA. BVA is the component of VA that is responsible for deciding appeals of decisions made by RO's, while CVA is a separate judicial body which is responsible for deciding appeals of decisions made by BVA.

Between its creation in 1933, and the establishment of CVA in 1988, BVA was the final arbiter for disagreements on claims between veterans and VA (its decisions were not subject to judicial review). However, with the passage of the VJRA, workload and timeliness were profoundly affected. Not only has the appeals process been changed by the inclusion of an additional level, but the entire claims processing system has been affected by the precedent setting decisions of CVA. The changes precipitated by the creation of CVA which have, for the first time, subjected VA's decisions to judicial review, are at the core of the issues which have been addressed by the several groups, including VA itself, which have reviewed claims processing operations.

Although BVA's operations have been the primary focus of these reviews, some questions have been raised, particularly by VCAC, as to whether some of the precedent setting decisions by CVA are what Congress intended when it passed the VJRA. In fact, VCAC made several specific recommendations to Congress addressing this issue (*see Report Section C.II.1.- Changing Adjudication Standards - Judicial Review on page 55*). For example, in its report, VCAC concluded that because Congress and the Secretary

were not exercising their policymaking responsibilities and VA had failed to issue regulations covering some of the most important aspects of the C&P program, CVA had become, by default, the major determiner of policy. Regardless of the validity of this conclusion, BVA has been the primary focus of appellate reform. The following workload statistics provide a perspective on the magnitude of BVA's past and current productivity and timeliness problems:

Compensation and Pension Appeals Statistics

	<u>FY 1996</u>	<u>FY 1995</u>	<u>FY 1994</u>	<u>FY 1993</u>
Total C&P Claims Completed	2,592,519	2,434,708	3,351,829	3,385,090
Notices of Disagreement	74,757	66,104	61,813	65,676
Total Appeals Rec'd by BVA	35,121	39,990	35,465	38,147
Total Decisions by BVA	33,944	28,195	22,045	26,400
C&P Decisions by BVA	29,818	24,834	19,343	22,924
C&P Appeals Allowed	6,137	4,921	3,474	4,026
C&P Appeals Remanded	13,357	12,073	9,583	10,350
C&P Appeals Denied	8,726	5,405	5,219	8,092
Other C&P Appeals Actions	1,595	2,435	1,067	456
Total Decisions per FTEE	72.5	65.1	49.9	59.9
Total Appeals Pending EOY	60,120	58,943	47,148	33,728
Appeals Timeliness (days) (all Appeals)	1,146	978	839	656
NOD to SOC	76	65	70	66
SOC to Substantive Appeal	66	62	59	62
Substantive Appeal to Certification *	615	252	244	215
Certification to BVA Decision *	261	507	359	246
Average Remand Time Factor	128	92	107	70

* Prior to 1996 certification was not required - the two categories should be combined to compare 1996 with prior years.

Although these statistics show a general improvement in some workload categories in recent years, the timeliness of appeals processing continues to be a problem area needing attention.

The first in-depth study of VA's internal appeals process was undertaken at the direction of the Deputy Secretary who, in 1991, directed that a task force be formed to study and present findings regarding the organization, structure, and functions of BVA. This *Task Force on the Impact of the Judicial Review Act of 1988* formally presented its findings in February 1992, the most significant of which was the presentation of three alternatives to BVA's current role in the appeals process. However, the conceptual alternatives were not well received by management, VSOs, or BVA and no further action was taken. In

addition to addressing the possibility of implementing an alternative role for BVA, the task force also presented several recommendations directed at the overall adjudication process. These were intended to improve the quality of claims processing and decisions and thereby reduce the number of appeals and with them, much of the logjam that was being caused by overturned decisions, remands, etc.

The second major review, initiated by the Secretary in 1994, was performed by an ad hoc group charged with finding ways to increase productivity at BVA. The *Select Panel on Productivity Improvement for the Board of Veterans' Appeals* issued its report in June 1994 which contained 12 recommendations to improve the timeliness and quality of the claims appeal process. These recommendations focused on strengthening control and accountability, implementing technological improvements, and recruitment, training, and retention of qualified BVA staff.

Also in 1994, BVA conducted an internal study to identify the reasons CVA was remanding cases to BVA. The study found that the most frequent reason was due to BVA's failure to consider and discuss all of the evidence, followed by BVA's failure to provide an explanation of the reasons for rejecting evidence favorable to the claim or determining that it is of little relative weight. Although the study made no recommendations, its conclusion was that "BVA is going through a learning curve in understanding and applying CVA decisions."

In 1995, GAO and OIG issued reports addressing respectively the appeals backlog and the impact of the appeals process on the overall timeliness of claims processing. GAO found that the appeals process was increasingly bogged down because the various autonomous organizations within VA, which were involved with adjudication issues, were not working together to resolve difficulties and were, in many instances, setting their own adjudication policies which were not consistent with each other. GAO recommended that a Department level official be made responsible for resolving intra-agency impediments to efficient claims and appeals processing.

The OIG found that delays in claims processing throughout the system were linked to precedent setting decisions being made by CVA through the appeals process. For example, the expanded "due process" requirements of CVA made all claims more complicated and time consuming. The report contained several recommendations to improve timeliness including the limiting of appellate review to the veterans conditions at the time of appeal.

Most recently, NAPA concluded that VBA and BVA needed to cooperate more closely to ensure that the overall adjudication and administrative appellate processes were focused on the same goal (i.e., serving the veteran). Specifically, NAPA cited the need for more

cooperation in: (1) training, (2) data system issues, (3) performance measures, and (4) quality and consistency of adjudicative decisions.

Major Recommendations and Implementation Actions.

The following are the recommendations which were directed specifically toward appeals processing although several have implications which would affect all aspects of claims processing. Included with each is a short explanation of it's intent and a summary of the Department's response and implementation actions.

Note: The following eight recommendations from the *Task Force on the Impact of the Judicial Review Act of 1988* do not address the appeals process specifically. They are intended to improve the quality of claims adjudication which the task force felt would affect the appeals process in a positive manner. Because they are, for the most part, duplicative of recommendations made by other review groups which are listed in this report under the sections more relevant to the intent of the recommendation, they are listed here for information purposes only.

- **Develop performance standards for adjudication employees which emphasize the quality of work.**
- **Regularly adjust work-rate standards of adjudication personnel to reflect judicial review/Court requirements.**
- **Increase emphasis on improvement in claims processing as part of the quality control process.**
- **Provide technical and legal assistance to adjudication process through coordinated efforts of VBA and General Counsel.**
- **Develop additional innovative methods to improve the quality and quantity of training for RO personnel.**
- **Continue to develop state of the art IT systems, including “expert” systems.**
- **Improve skill level of personnel responsible for development of claims.**
- **Conduct a classification study to determine if rating specialists and adjudicators should be upgraded.**

Recommendations Rejected By VA.

- **Limit the scope of appellate review to the evaluation of the claimant's conditions at the time of the decision being appealed. Allow 60 days for appeals to be filed and close the evidentiary record when an appeal is filed.**

The OIG concluded that backlogs in the appeals process were causing significant delays in processing even claims which were not being appealed. The effect of these delays was the creation of even more delays due to information becoming dated before decisions could be rendered, thereby causing cases to be re-opened in order to obtain the latest medical and other information. The intent of the recommendation was to "break the cycle of delays" by eliminating the need for most new medical examinations in appealed cases. The VCAC reached a similar conclusion in its December 1996 report and recommended limiting the time allowed for filing an appeal to 60 days. Although the recommendation was initially agreed to by the Deputy Under Secretary for Benefits; he was overruled by the Secretary and the legislative proposal was not initiated.

- **Simplify VBA administrative procedures and operations by eliminating redundant claims processing work (e.g., NOD's and SOC's).**

The OIG concluded that, in appeals involving disability issues, the preparation of a formal Statement of the Case (SOC) duplicated information contained in the rating decision. The SOC, which was found to be labor intensive (taking an average of 70 days to prepare), was originally made a statutory requirement to assist veterans in understanding why their claim had been decided as it was. However, the OIG found that the only information contained in the SOC that was not in the rating decision itself, was the citation of law, which could be included with the rating decision. The intent of the recommendation was to speed up the appeals process as well as all other aspects of the claims adjudication process by eliminating unnecessary paperwork. The VCAC also concluded that the appeals process should narrow and sharpen the issues rather than expand and obfuscate them. To accomplish this, VCAC recommended eliminating not only the SOC, but Notices of Disagreement as well. Although initially agreed to by the Deputy Under Secretary, he was overruled by the Secretary.

Recommendations Agreed To By VA But Not Implemented.

- **Prepare Legislation clarifying that the standard of review on reconsideration of a prior BVA decision is that of “obvious error” and restore the ability of the Chairman or Vice Chairman to administratively allow a claim based on difference of opinion or other equitable concerns.**

The intent of this recommendation by the *Task Force on the Impact of the Judicial Review Act of 1988* is to reduce the number of remands for additional development from the Board to the RO of jurisdiction which had doubled as a result of CVA decisions. The Task Force felt that many of these remands were the result of BVA reviewing cases that had been originally decided by ROs prior to a relevant CVA decision but could be affected by the decision even though CVA decisions were supposed to be applied only prospectively. Although agreed to by the Department and submitted in VA’s 1993 legislative package, it was not implemented due to opposition by VSOs.

Recommendations Agreed To and Being Implemented.

- **Increase hearing options.**

In order to more effectively use BVA resources, the Select Panel felt that RO officials should have the authority to hold hearings for BVA if the veteran wanted this option. Although this authority had existed, VJRA eliminated it and the intent of the recommendation is to encourage VA to seek a legislative change. The OIG, in a report issued the following year, offered the same recommendation. The BPR initiative contemplates the use of a Post Decision Review Process, which, although not an appellate review, would provide veterans with increase opportunity to argue against an adverse decision.

- **Place responsibility and accountability with the board.**

The Select Panel concluded that the appeals system did not encourage accountability for rendering correct and timely decisions because responsibility for doing so was “diffused”. To correct this, the Panel felt that BVA should have the authority to do some case development without the need to remand every case when even a single issue needed to be updated or clarified. The Panel felt that this would require a regulatory change to allow BVA to consider and dispose of a claim once a veteran files a substantive appeal regardless of whether new evidence becomes of record after that point in the proceeding. In response, a regulatory

package implementing the recommendation has been developed and is awaiting review within the Department.

- **Assist Claimants in Selecting Options.**

The Select Panel concluded that current forms and other materials did not clearly spell out to the veteran what his/her rights were as an appellant. The intent of the recommendation is to encourage veterans to consult with claims representatives and for the representative to be required to sign the appeals form. In response, BVA developed and now distributes an instructional pamphlet to each appellant at the time of his or her appeal. Supplies of the pamphlet have also been provided to medical centers and ROs. The revision of the appeals form (i.e. VA Form 9) has been drafted but is contingent upon the regulatory authority described above in relation to the recommendation addressing the placement of more responsibility and accountability with BVA.

- **Establish the goal of reducing the number of appellate cases ready for BVA review to the equivalent of no more than 6 months' decision production by BVA no later than FY 2000.**

The intent of this NAPA recommendation (actually comprised of seven separate recommendations all directed at the goal of reducing the backlog of appeals cases) is to require specific measurable goals to be achieved by BVA and VBA. The recommendation grows out of NAPA's conclusion that the appeals and adjudication processes are not treated as part of the same process and lack appropriate performance and quality standards. Although VBA does not agree with the specific numbers cited in the recommendation, it is exploring methods of achieving the intent of implementing measurable performance goals. BVA plans to meet the goal of a 6 month turnaround by FY 2001.

Recommendations Agreed To By VA and Implemented.

- **Prepare legislation defining "hearing" to include teleconferenced and videoconferenced hearings.**

The intent of this recommendation by the *Task Force on the Impact of the Judicial Review Act of 1988* was to eliminate statutory restrictions to the use of new technology with the goal of improving efficiency of the appellate process. The Department agreed to the recommendation, submitted it in its 1993 legislative package, and it was passed in 1994.

- **Prepare legislation eliminating the absolute limit on the number of members of BVA.**

The intent of this recommendation by the *Task Force on the Impact of the Judicial Review Act of 1988* was not specified in its report. However, the Department agreed to the recommendation, submitted it in its 1993 legislative package, and it was passed in 1994.

- **Revise timeliness measurement standards.**

As a result of its deliberations and inquires in 1994, the BVA Select Panel on Productivity Improvement concluded that all BVA measurement standards were deficient because of their failure to calculate the time period veterans were most concerned with, namely how long it takes until a final Department decision is rendered on a pending claim. At the time BVA's timeliness measurements considered a remanded case as counting as a disposition even though, as far as the veteran was concerned, there would still be a long wait for a final decision. The Panel's recommendation was intended to provide for a timeliness measure that was meaningful to the veteran. In response, BVA revised its measures of timeliness in FY 1995 which now includes an indicator referred to as the "Total Appellate System Processing Time" which depicts the average amount of time an appellant must wait for a *final* decision on an appeal beginning with when they first file a substantive appeal at the RO level.

- **Prescreen appeals.**

The Select Panel found that a large part of the delay in appeals cases was due to transferring records between VBA and BVA because of deficiencies in the record. The recommendation's intent is to reduce this time by providing BVA with authority to "prescreen" an appeals file in advance of when the case would ordinarily be considered for decision. The Panel felt this would allow deficiencies to be identified early and to be corrected during the appeal's normal waiting period. In response, VA submitted legislation providing BVA with the legal authority needed to implement the prescreening operations. The legislation was enacted as part of P.L. 103-446.

- **Restore BVA members pay equity with administrative law judges.**

The Panel felt that some provisions of the VJRA had created problems with timeliness and productivity by creating inequities between BVA members and SSA Administrative Law Judges (ALJ) where none had existed. For example, pay

disparity and limited term appointments were causing BVA members to apply for and receive appointments as ALJs. At the time of the Panel's review, 10 percent of BVA members had already moved to SSA as ALJs and almost half had completed the application process. The recommendation was intended to restore parity between the two historically equivalent positions. The recommendation was implemented when legislation was passed in 1995.

- **Establish a BVA training committee and implement performance measures for attorney advisors.**

The Select Panel felt that a contributing cause for CVA remands of BVA decisions was the relatively low experience level of the Board's attorneys (in 1994, one half had been at BVA for less than 3 years). The Panel also noted that BVA's previous attorney performance measurement system had been suspended for almost a year and that the lack of such a system may contribute to productivity declines. The intent of the recommendation was to provide for the development of legal/medical instructional materials for attorneys and to create a system which could recognize and reward productivity improvements.

- **Develop and implement technological improvements.**

The Select Panel expressed its belief that automation provided significant opportunities to increase productivity but that desktop workstations had only become universally available to BVA professionals in the previous year and that computer literacy was still in the early development stage. The Panel further noted that BVA's use of technology in the decision process was limited to word processing and excluded additional technologies such as imaging and teleconferencing. The recommendation was intended to require a more aggressive acceptance and deployment of advanced technologies to improve productivity and timeliness. In response, BVA has developed CD-ROM and on-line technologies but has been unable to acquire funding to support an extensive document imaging capability.

C. Quality of Claims Adjudication Decisions

I. Measures of Claims Adjudication Quality

Findings and Discussion.

There are several ways to measure the quality of claims adjudication, including: (1) compliance with laws, (2) consistency, (3) detail of decisions, (4) remand rates, (5) appeals granted, and (6) fairness. Ideally, all would be compatible and interdependent. For example, strict compliance would lead to consistency, which would lead to fair treatment, which would result in fewer appeals, which in turn would result in fewer remands and overturned decisions. However, VBA does not currently have an effective means to measure the quality of claims adjudication at any specific stage. As a result, the number and rate of remands combined with the number and rate of appeals which are granted have become, by default, the most visible measure of quality to veterans and therefore, the most significant.

If the accuracy and quality of adjudication decisions by RO personnel are measured by the number and percentage of cases overturned on appeal, or returned for additional development (remanded), then quality has declined severely (by over 70 percent) since the inception of CVA. For example, shortly after CVA's creation, but before it began hearing appeals and issuing decisions, the percentage of appealed cases which had been adjudicated by ROs and found to have been decided erroneously was just over 13 percent. The percentage of cases remanded to ROs for additional development was under 25 percent. Following CVA's beginning of its issuing decisions, and BVA's interpretation of these decisions, the percentage of appealed cases found in favor of the appellant has risen to almost 20 percent and the percentage of cases remanded to ROs for additional development has risen to over 40 percent (and in one recent year over 50 percent).

The increasing remand rate and the increasing rate at which claims decisions are overturned may suggest a decreasing level of quality. However, most observers have concluded that the underlying cause of the timeliness and quality problems is the impact that CVA is having as BVA and VBA seek to adapt to new, more complex, interpretations of veterans' benefits law. In fact, if more consistent and detailed adjudication decisions are used as a measure, then quality may have actually improved as reported in BVA's latest annual report. Although this may be true, VA does not track or collect the kind of information needed to quantify this belief. As a result, in February 1997, when NAPA asked VBA and BVA for the major reasons appeals are granted, data was not available to answer the question and a special study had to be initiated.

Although the reasons that appeals are granted may not be known, the reasons cases are remanded by CVA are. In an early study by BVA, the top 4 primary reasons, in order of frequency are: (1) failure to consider or discuss all of the evidence, (2) failure to explain the reasons for rejecting evidence favorable to the claim, (3) failure to reconcile conflicting medical diagnoses, and (4) failure to explain use of a particular diagnostic code when rating by analogy. In addition, VBA has for many years monitored claims adjudication quality at ROs by way of a statistical quality control (SQC) system. This method selected a sample of completed award actions and essentially re-adjudicated them to determine if the case was processed correctly and the decision(s) was in compliance with relevant laws. However, the SQC process did not address the consistency of decisions among claims.

The lack of any system to monitor the consistency of adjudication actions, has contributed to a perception that veterans with essentially comparable claims are not treated equally. This may be more than a mere perception since some of our own recent work in this area, while not conclusive, suggests that veterans with similar spinal cord injuries receive different levels of benefits.

The underlying cause of inconsistent claims adjudication decisions is, according to VCAC, GAO, and NAPA, the lack of a clear rules-based decision process. Prior to CVA, the lack of a formal rules-based process did not significantly affect the adjudication of veterans claims because VA's decisions were not subject to judicial review. However, even though VA's decisions are now subject to judicial review, the Rating Schedule, which is the administrative tool forming the basis for those decisions, is specifically exempted from judicial review.

In VA's most recent Annual Accountability Report, which contains overviews of the performance of VA's mission and the status of management controls, one of the "core" performance measures cited for VBA's programs, including C&P, is "accuracy" which, in the report, is used interchangeably with the term "quality". Currently, VBA is in the process of changing the criteria for measuring this aspect of performance in response to the requirements of the GPRA. Although still under development, the focus of the accuracy measurement will be compliance with law. In addition, the measurement will also focus on the final result of the entire claims adjudication process, not each step of the process. However, GAO recently concluded that the ratings assigned to conditions in the Rating Schedule were based more on judgments of what the veterans loss in functional capacity was rather than earnings capacity, and that the ratings in the schedule itself did not accurately reflect the reduction in earning capacity that disabled veterans experienced.

The issue of claims adjudication quality, or accuracy, has been addressed in recent years in several GAO and OIG reports. Most of these efforts have focused on the accuracy of

benefits payments, the timeliness of award adjustments, and the associated effects of over and underpayments. For example, GAO issued a report in April 1995 which concluded that millions of dollars in overpayments were the result of changes in running awards not being made timely. Also, in a 1994 report, GAO found that veterans were dissatisfied with the timeliness, fairness, and overall handling of their claims. Similarly, the OIG has issued several reports addressing the accuracy of C&P claims and the effect on payments to veterans. For example, in a 1994 report, the OIG found that in 62 percent of the C&P overpayment cases involving hospitalized veterans, RO's did not properly adjust running awards, and in a 1996 report, OIG found that 30 percent of the C&P overpayments to veterans were caused by RO adjudication errors. And, finally, in a 1995 report, OIG found that 97 percent of adjudication decisions regarding the granting of service connection for a disability, were appropriate.

Adjudication quality was also addressed by NAPA which concluded that: (1) there was no comprehensive system within VBA which managed the quality of the claims adjudication process, (2) the current definition of what constituted quality was too narrow, and (3) the lack of a central repository for quality related data prevented system wide analysis to determine specific problems in terms of the types of cases or geographic region. Also related to quality measurements and controls were: (1) inadequate training for adjudicators, (2) a lack of an overall plan to identify training needs, and (3) a lack of effective methods for assessing the adequacy of disability medical examinations.

Major Recommendations and Implementation Actions.

The following are the recommendations which were directed specifically toward claims adjudication quality and accuracy. Included with each is a short explanation of it's intent and a summary of the Department's response (all were agreed to) and implementation actions.

Recommendations Agreed To and Being Implemented.

- **Initiate the development of a joint VBA/BVA quality measurement strategy and process, a joint training and workforce development strategy, and a systemwide method for assessing the adequacy of disability rating examinations.**

These NAPA recommendations address their conclusions that adjudication and appeals quality should be addressed jointly by VBA and BVA and that training and quality are closely linked. The intent is to correct quality related deficiencies caused by the lack of a comprehensive system to monitor the quality and consistency of adjudication actions, inadequate resources devoted to the training of

adjudication staff, and inadequate medical exams. Included in the recommendation are the need to develop comprehensive definitions for quality (adjudication, appeals, and medical exams) and the development of a data system to be the repository of all quality related information. Although the Department did not formally respond to the recommendation, the Acting Under Secretary stated the process was already underway when the recommendation was made.

- **Establish procedures that focus on preventing overpayments including identifying beneficiaries who will soon become eligible for Social Security and obtaining information to timely adjust VA benefit payments.**
- **Collect, analyze, and use information on the specific causes or contributing factors of overpayments to develop strategies for targeting additional preventive efforts.**

GAO found that about 14 percent of C&P overpayments were the result of adjusting pensions after beneficiaries began receiving Social Security benefits. GAO's recommendations are intended to change VA's emphasis from a heavy reliance on detecting C&P overpayments after they occur to more emphasis on preventing overpayments before they occur. In the same report, GAO found that VA did not collect information on the causes of the overpayments and therefore could not develop preventive measures. OIG had similar findings in a 1996 report and made a similar recommendation, the intent of which was to encourage VBA to systematically focus on ways to prevent erroneous C&P payments.

The Department has implemented procedures which focus more attention on preventing overpayments by issuing notification letters to beneficiaries who will soon be eligible for Social Security benefits. However, because of limitations with the existing Benefits Delivery Network (BDN) VBA has been unable to implement procedures which allow it to collect, analyze, and use information on the specific causes of overpayments. This capability will be available when the BDN is replaced by VETSNET.

- **Reduce C&P overpayments by implementing the following:**
 - (a). **Revising due process notification procedures to allow 60 day predetermination notices to be issued to veterans receiving long term care, or to fiduciaries of incompetent veterans, at the time of admission to (long term) care.**
 - (b). **Revising due process procedures to remove the requirement that beneficiaries must inform the VA in writing of status changes that will result in a reduction of benefits.**

(c). Revising the School Attendance Certification form to include a 60 day predetermination notice that, if the completed form is not returned, the dependent school child will be removed from the award on the child's 18th birthday or the last day of the month in which school attendance was last certified.

(d). Revising procedures to require VARO's contact financial institutions to determine current mailing addresses for DD/EFT payees and for whom mail has been returned.

The above four recommendations are part of a single OIG suggestion intended to provide specific methods for reducing erroneous C&P overpayments. The first (a) is reference to VA's then current procedures which provided for a 60 day delay before a reduction in a veterans C&P award is made (subsequent to when VA becomes aware that a reduction is required because of a period of long term hospitalization). Although the intent of the procedure was to allow veterans time to challenge the proposed action, it had the effect of increasing any overpayment and the subsequent burden on the veteran to repay it. The recommendation's intent is to provide the veteran with the opportunity to challenge the proposed award reduction before it becomes retroactive and to reduce the amount of the overpayment.

The second (b) addresses a problem that occurs when a veteran informs the VA that he/she has had a change in status that will (usually) reduce their pension (usually an increase in earned income). Under the procedures in effect at the time of the audit, VA could not take action unless the notification was in writing, which in many instances caused a delay in correcting the pension award and thereby created a larger overpayment and a greater burden on the veteran.

The intent of the third recommendation (c) is similar to (a) except that it specifically addresses supplementary C&P award payments based on the school attendance of dependent children.

The last recommendation (d) addresses a situation where a veteran or other beneficiary is receiving an award via Electronic Funds Transfer/Direct Deposit and VA related mail, which is otherwise sent to him/her via USPS, is returned as undeliverable. The intent of the recommendation is to prevent the sometimes large overpayments which can be caused when a beneficiary dies and VA is not notified for a long period of time (sometimes years).

Although the "recommendation" was actually offered as an observation, VBA's BPR implementation plans address several of the core issues involved. For

example, rule changes will be sought allowing contemporaneous notice to be provided when award adjustments are proposed, thus reducing the excessive overpayments which occur as a result of waiting for 60 day pre-determination notices to expire. In addition, claims (and requested changes to existing claims) will be allowed through means other than solely in writing to allow for use by veterans of telephones, faxes, and other electronic means.

- **Reduce C&P benefit payment errors by:**
 - (a). **Enhancing the effectiveness of Automated Medical Information Exchange system.**
 - (b). **Improving the effectiveness of claims processing for hospitalized veterans.**
 - (c). **Ensuring that C&P awards identified as a result of audit are corrected.**

The intent of the OIG recommendation is to correct deficiencies noted during a 1994 audit of C&P payments to hospitalized veterans. The primary cause of payment errors was found to be errors made by RO adjudication staff after being notified of a veterans hospitalization and the failure of VA medical centers to notify RO's that veterans were hospitalized. The AMIE system, as the primary source of information on hospitalized veterans, was found to be ineffective because of inaccurate data. The recommendations are intended to encourage VBA and VHA to improve the accuracy and effectiveness of AMIE.

Implementation of the recommendation to reduce C&P overpayments to hospitalized veterans by, among other things, improving communications between VBA and VHA was completed in April, 1995, while action to correct the specific C&P payment errors identified as a result of audit testing was completed in December 1996.

II. Changing Adjudication Standards

Findings and Discussion.

1. Judicial Review

Passage of VJRA in 1988 and its creation of CVA has had a significant impact on the way VA administers its claims adjudication process. Prior to this law, the adjudicative decisions of VA were exempt from judicial review which allowed VA, through the instrument of BVA, to act as its own court of last resort. This resulted in VA itself being the judge of what constituted quality adjudicative decisions which in turn allowed for administrative efficiencies such as cursory decisions with little or no explanation of the material factors leading to the decision. The VCAC described this system as “paternalistic”, the essential ingredient of which is the absence of clear and definitive rules and standards applicable to adjudicative decisions.

In spite of this paternalism, the law places the burden of proof on the claimant. The primary change in the claims adjudication system brought on by CVA is that VA can no longer unilaterally decide the extent to which it will act in a paternalistic manner by departing from the basic rule that the burden of proof is on the claimant. However, the lack of regulations specifying when an exception is allowed to the “burden of proof requirement” has resulted in an ambiguity which has forced CVA to make judgments about what Congress intended. Additional examples of ambiguous legislative intent exist in other respects including: (1) VA’s “duty to assist” claimants in acquiring proof of their claims,(2) determining when a claim is “well grounded”, (3) when and how the “benefit of doubt” provision applies, and (4) the extent of VA’s obligation in meeting the “duty to assist” and “duty to inform” statutory requirements.

The changes in adjudication standards since the inception of CVA are documented in VBA publications of CVA decisions which are routinely disseminated to adjudication staff for their use in deciding C&P claims. These decisions have affected almost every aspect of claims processing and adjudication but have had the most significant effect in the areas of VA’s “duty to assist”, and the articulation of the “reasons or bases” of VA’s decisions. In addition, numerous decisions have affected evidence standards, rating reductions, and authorization issues. The effect of CVA’s decisions has been to change the standards by which claims are adjudicated with the result that timeliness and productivity have decreased even though “quality” may have improved.

In response to the decline in timeliness and productivity, numerous audits and reviews have attempted to identify ways to improve the overall claims adjudication process. For the most part, these have focused on streamlining the administrative processes through

which claims are routed. For example, NAPA's recent review restated and supported the VCAC recommendations related to improving the claims adjudication process, with a particular emphasis on the need to simplify the rules on which the process is based. However, several reviews have found evidence that the system itself is, or major components of it are, fundamentally inefficient. In response, several recommendations have been made which address adjudication standards and the nature and character of C&P benefits for veterans. These recommendations have as their goal, a system which would be more efficient, responsive, and manageable by reducing the complexity of the claims adjudication process.

Major Recommendations and Implementation Actions.

The following are the major recommendations which have addressed claims adjudication standards with emphasis on the effect of judicial review. Included with each is a short explanation of its intent and a summary of the Department's response and implementation actions.

Recommendations Partially Agreed To and Being Implemented.

- **Review and reaffirm major policies.**

The VCAC concluded that Congress and the Secretary were not exercising their policymaking responsibilities and VA had failed to issue regulations covering some of the most important aspects of the C&P program. As a result, CVA had become, by default, the major determiner of policy. The recommendation's intent is to highlight the need for Congress to review the policies established by CVA to determine whether they are consistent with what it intended for the C&P program. The recommendation is also intended to make VA promulgate regulations that incorporate and formalize VA's experience in adjudicating C&P claims, particularly with regards to evidence (i.e., the weight given its various forms, the presumptions attached to the various kinds, acceptable sources, and responsibilities in obtaining it). The Department agreed to promulgate regulations formalizing VA adjudication experiences but disagreed that Congress and the Secretary were not exercising their policymaking responsibilities or that CVA had become the major determiner of policy based on the position that the interpretive role of CVA would be largely unaffected by additional rulemaking.

- **Redesign the adjudication and appeals process.**

The recommendation is intended to communicate the VCAC's conclusion that the current claims adjudication system is not efficient, fair, or functional. The

Commission provided, as part of the recommendation, several “principles” to consider in redesigning the system including: (1) VA’s duty to inform the veteran, (2) full disclosure of reasons for decisions, (3) allowing only a period of 60 days to appeal, (4) expanding the hearing officer’s role, (5) create an appeals officer position, and (6) change BVA’s role from a “de novo” review to an appellate review - which would close the evidentiary record with the hearing officers decision. A similar NAPA recommendation re-iterates the need to change the adjudication rules in order to reduce the inconsistent adjudicative decisions caused by regulations which are subject to various interpretations. Although several of the specific suggestions within the recommendation were rejected (i.e., shortening the period allowed for an appeal to be initiated, examining VA’s “duty to assist” policy, and changing BVA’s role from a “de novo” review to a purely appellate review), several were also agreed to (i.e., expanding the role of hearing officers and creating an appeals officer position).

2. The Rating Schedule

The *Schedule for Rating Disabilities* is the means by which a veteran’s disease or injuries (which were incurred or aggravated during military service) are associated with a specific percentage which is intended to represent the average impairment in earnings resulting from such injuries in civil occupations. The Rating Schedule provides for ten “grades” of disability ranging from 10 - 100 percent (an eleventh “non compensable” rating of 0 percent is used to establish that an injury/condition is service connected which allows for medical treatment at VA expense and future increases in the rating as it worsens with age). During FY 1995, monthly payments for compensable disabilities ranged from \$89 for conditions rated at 10 percent to \$1,823 for conditions rated at 100 percent. Veterans rated at 100 percent who have special needs could receive up to \$5,212 monthly.

The version of the Rating Schedule in use today was initially adopted in 1945 which itself had been adopted from an earlier 1933 version. Although the law requires VA to periodically review and adjust the Schedule, and VA has made revisions in recent years, our review was unable to identify any group outside of VA (with the exception of VSOs) which has examined these revisions and found them to be adequate. For example, GAO concluded in a recently issued report that “VA has done little, since 1945, to help assure that disability ratings correspond to veterans’ average loss in earning capacity”. Similarly, the VCAC, in its report concluded that while “VA has made numerous changes to the medical criteria of the 1945 Rating Schedule based on advances in medical knowledge, no changes appear to have been made in its construction of clinical impairment, disability, impairment of earning capacity, or the relationships between and among these”. As a result, many veterans are being undercompensated for their disabilities while some veterans receive payments which exceed their economic losses.

In addition to causing at least some veterans to be compensated inequitably for their injuries and disabilities, the current Rating Schedule may be responsible for much of the claims backlogs and timeliness problems currently being experienced throughout VA's adjudication and appellate systems. During FY 1995, the majority of disabilities among new compensation awards were rated non-compensable or slightly disabling. For example, 50 percent of all disabilities among new compensation awards in FY 1995 were rated 0 percent (i.e., non-compensable) because they were less than slightly disabling. An additional 36 percent were rated as 10 percent (i.e., "slightly" disabling). Only 14 percent of VA's remaining claims resulted in awards to veterans with "moderate" or "severe" disabilities.

The almost universal criticism of the Rating Schedule is not a recent phenomenon and attempts have been made to address the issues which concern many observers. For example, in 1956, the "Bradley Commission" (although focused primarily on veterans pensions issues) concluded that legislation affecting veterans lacked basic factual data and analysis bearing on the economic and social characteristics of veterans and in measuring the effectiveness of programs in meeting their needs. In the late 1960s a study to review the economic validity of the Rating Schedule found that for many conditions, the Rating Schedule did not reflect the average actual loss in earnings associated with them.

Congress, in passing the VJRA of 1988, recognized that the Rating Schedule formed the basis for adjudicating claims for service connected disability compensation and therefore exempted it from judicial review. Our inquiry with VA General Counsel staff disclosed there was little in the way of Congressional reports accompanying VJRA which discussed the issue of including or excluding the Rating Schedule from VJRA. However, it was understood that the reason for excluding it was because of concern that CVA would begin to "compare adequacies" which would result in some ratings being found incompatible with other ratings.

It is because the Rating Schedule has such a significant impact on the processing of claims, that several recommendations have been made addressing the need to make changes. For example, VCAC and GAO have made broad recommendations as well as less formal suggestions that the Rating Schedule and examination processes need to be reformed.

Major Recommendations and Implementation Actions.

The following are the major recommendations which have addressed Rating Schedule issues including those which have been directed at re-examining the goals and objectives of the compensation program. Included with each is a short explanation of its intent and a summary of the Department's response and implementation actions.

Recommendations Rejected By VA.

- **Codify, within Title 38 USC, a clear statement of Congressional purpose for the disability compensation program.**

The VCAC concluded that, unlike other programs, the disability compensation program lacked a clear statement of purpose. The Commission felt this undermined program managers in their efforts to assure that Congressional intent was being met. Although not presented as a formal recommendation, the intent of the "suggestion" is to eliminate the "vagueness" of the program's purpose. The Department rejected the conclusion that the purpose of the program was unclear and that program managers needed clarification to administer the program.

- **Conduct a comprehensive study of the economic validity of VA's rating schedule.**

In a recent review of VA's Rating Schedule, GAO found that the ratings used by VA to determine the level of compensation payable to veterans had not changed substantially since 1945 even though dramatic changes had since occurred in the labor market and society. Although not a formal recommendation, the conclusion was in response to a Congressional request for information that would enable Congress to determine the need for a comprehensive study of the economic validity of the rating schedule. The conclusion was based on GAO's findings that the rating schedule's focus on loss in functional capacity did not assure that veterans were compensated commensurate with their economic losses and that, as a result, compensation funds were not distributed equitably. The Department, while not provided an opportunity to respond formally to the recommendation, expressed its disagreement in press reports stating that the program is working as intended and does not need an economic validation of the compensation rates.

Recommendations Agreed To and Being Implemented.

- **Conduct a high level review of the goals and outcomes of VA's benefits programs.**

The VCAC concluded that VA's compensation program was not well coordinated or aligned in a manner so as to complement other benefit programs goals. The recommendation is intended to encourage the solicitation and cataloging of the best disability rating exam practices currently in place and to improve the overall outcomes of veteran involvement with the Department by better coordinating programs and aligning program goals to more complementary effect. The Department's actions to implement the recommendation include the completion of an initial internal analyses of the C&P and Vocational Rehabilitation programs by early 1998. Following this, a complete formal program evaluation is scheduled to be completed by late 1999.

- **Develop and implement a business plan to increase the involvement of other agencies, private insurers, and medical associations which deal in disability determinations.**

The VCAC found that VA had not initiated or maintained contact with other organizations that publish long-term disability evaluation instruments. The intent of the recommendation is to allow veterans to benefit from greater communication and exchange with others involved in disability evaluations. The Commission found that, although VA's compensation program was fundamentally unique, its primary function was like that of other organizations that administer disability benefits, namely to process disability claims. Since some of the same processes and functions required in the administration of VA's programs were employed by other organizations, the Commission believed their experiences could be helpful to VA. The Department agreed to be an active participant in associations which are involved in similar disability decision making as VA in its compensation program. Although initially reluctant to do this as part of a formal business plan as recommended by the VCAC, the latest implementation plans verify that specific actions and contacts are planned over the next 1½ years.

3. Compensation and Pension Reforms

Periodically, Congress changes veterans' benefits programs in response to the changing needs of veterans themselves. For example, the education program, which was once funded entirely by the Government, is now funded to a large extent by service persons own contributions; the loan guaranty program has by law become self-sustaining; and the

current pension program, which was created in 1978, generally provides greater benefits and changes some income and net worth rules. As a result of the current timeliness and productivity problems being experienced by VA's benefits programs, several of the groups which have examined these issues have identified possible reforms which they believe may help streamline the claims process and correct other perceived problems such as inequities in levels of benefits.

Because of the nature and extent of the possible reforms, only a few have been presented as formal recommendations, with most offered as discussion points. For example, in its report, the VCAC explored the "pros and cons" of establishing a delimiting date for claiming disability compensation as well as the payment of a lump sum for veterans with a 10 percent disability rating. The formal recommendations which were made have been for pension reform and simplification. For example, as a result of its comparison of VA's Pension program with Social Security's Supplemental Security Income program, the VCAC recommended that the programs be more closely aligned. In addition, the VCAC found that VA's Pension program was too complex and should be simplified.

The OIG has also addressed possible reforms as a means of streamlining the claims processing system. However, these also were offered not as formal recommendations, but as "suggestions" and included; (1) eliminating the disability requirement for pension benefits, (2) incorporating ancillary benefits such as clothing allowances into monthly compensation payments, and (3) revising rating criteria to reflect expected impairment over the life of the veteran.

Major Recommendations and Implementation Actions.

The following are the major recommendations which have addressed possible C&P program reforms. Included with each is a short explanation of its intent and a summary of the Department's response and implementation actions. Not included are the "non-formal" discussions and "suggestions" since the Department was not requested to formally respond to these issues and a more detailed presentation of these issues can be found in the VCAC and OIG reports.

Recommendations Agreed To and Being Implemented.

- **VBA and the Social Security Administration (SSA) should collaboratively review the pension and SSI disability criteria to seek ways of reducing dissimilarities between them.**

The VCAC found that VA and SSA have dissimilar disability criteria to determine basic medical entitlement. As a result, a medical determination by one agency is

not applicable to the other, and separate determinations are made for one individual applying for benefits from both. The intent of the recommendation is to produce a sufficiently common criteria that a single determination by either agency would resolve medical entitlement under both programs. As a result, the government's policy toward the disabled needy would be more consistent, and duplicative medical exams would be unnecessary. In response, the Department agreed to collaborate with the SSA to seek ways of reducing differences between the disability criteria used by VA's pension program and the Supplemental Security Income (SSI) disability program. Formal milestones have been established including the organization of a joint VA/SSA task force by late 1997, followed by meetings in early 1998 and a final report by June 1998.

- **The Congress and VA (should) consider the following measures to achieve a simpler pension program: (1) concede or presume permanent and total disability at an age where the cost/savings equation is favorable, (2) evaluate the extent to which “bracketing” income would reduce the incidence of maintenance actions, (3) replace individualized medical expense deductions with a flat amount built into the rate of payment for medical expenses, (4) eliminate, as a dependent for pension purposes, a spouse who resides apart from a veteran, (5) replace the “child hardship” exclusion with a standard rule on availability of children’s income, (6) “grandfather” section 306 and Old Law pension recipients so they would receive protected rates for life regardless of entitlement factors.**

The recommendation is the result of the VCAC's conclusion that VA's pension program consumes a disproportionate amount of resources to administer. For example, VBA estimates that administering the pension program consumes almost as much staff resources as the compensation program which is 5 times larger. The majority of these resources are used to maintain “income” accounts for each recipient since the program, in principle, requires a dollar of pension offset for each dollar of earned income.

The above recommendations to simplify the pension program are intended to reduce the amount of administrative overhead to a level more appropriate to the program's costs. These recommendations would: (1) eliminate the resources consumed to screen the program for needy veterans over the age of 65 who could work but choose not to do so, (2) eliminate the need to account for every one dollar change in countable family income, (3) eliminate the burden of accounting for every dollar of medical expenses from both recipient and VA staff, (4) eliminate the arguable role VA has in providing for the support of an estranged spouse as well as eliminating the complicated and time consuming process of

requesting and evaluating income and support information from both parties, (5) eliminate the complicated and time consuming process and evaluating the availability of children's income for support of their parents, and (6) recognize that the age and history of these pension recipients make it unlikely that earned income will have a significant affect on their pension entitlement.

In response to the recommendation, a Rules and Pension Simplification Team was formed as part of the BPR effort. The initial draft proposal includes three initiatives: (1) include a medical expense allowance as part of the monthly pension award, (2) include a dependency allowance, and (3) elimination of the current income limitations for all Section 306 and Old Law pension cases. The final report to the Secretary detailing cost benefit analyses for all proposals is due in early 1998.

D. Redesigning the C&P System

I. Background

In the early 1990's VBA began a variety of initiatives intended to reduce claims processing times and improve service to veterans and their families. One of the most publicized initiatives was the restructuring of the claims processing system in the New York Regional Office (RO).

In May 1993 the RO began processing claims through a team approach which involved physically locating the claim files with the team. The team would then perform all of the needed processing steps. This process compared with the traditional (and still prevalent) assembly line process where each claim passes through several individuals each of whom performs a specific task. Lengthy delays are caused by storing all claim files in a central location and moving the files to and from each step of the process. (*This process, and the delays associated with it, are graphically depicted in Appendix IV, on page 93.*) The New York RO initiative won recognition when the Vice President presented the first National Performance Review Hammer Award for reinventing government to the RO in 1994.

In the same timeframe, GAO began issuing reports critical of VBA's information technology modernization efforts. For example, in late 1992 GAO had concluded that "acquisition of information resources for modernization was premature" because "VBA has not completed an analysis of current business processes and had no specific plans for how its modernized systems will meet service improvement goals". By late 1993 VA had begun redirecting its modernization efforts to the extent that GAO concluded that "VA has established clear accountability and set a noteworthy example for other agencies to follow". However, various aspects of VA's continuing efforts to modernize its systems continued to be criticized. GAO's most recent focus has been on VBA's software development capabilities and its need to develop a business strategy addressing service delivery issues.

VBA's response has been to develop a business strategy described in its *1996 A Case for Change*. This was followed in June 1997 with VBA's *Blueprint for Change, Implementation Plan for Reengineering Claims Processing*, which describes the reengineered C&P claims process and the schedule for establishing this new process.

The concept of BPR is to achieve dramatic, measurable performance improvements by rethinking and redesigning mission product and service processes. It involves the evaluation of current processes used to achieve an organization's mission which leads to a redesign of these processes, and the use of performance measures to verify improvements resulting from the redesigned processes.

II. Goals and Costs of VBA’s Business Process Reengineering

In its 1996, *A Case for Change*, VBA describes the goals and objectives of BPR. These include specific performance measures covering: (1) the percentage of decisions appealed, (2) the accuracy and timeliness of processing claims, (3) operating costs per claim, and (4) payment errors. In order to achieve these goals, BPR would need to map out how to achieve several fundamental changes including; (1) relationships with veterans based on a partnership, (2) simplified and streamlined core processes used to handle claims, and (3) a communications and information systems infrastructure which allows for efficient access to claims information. The expected payoff to these changes is a reduction in waiting time for an original compensation claim of two thirds (to less than 60 days) and a reduction in processing cost per claim of 30 percent. The following table shows several current performance measures compared with their goals under BPR.

Performance Measure	As-Is	Goal
Ratio of Appeals to Claims	4.2%	2.9%
Overall Accuracy Rate	91%	97%
Percentage of Decisions Changed or Remanded by BVA	67%	25%
Average Days to Complete an Original Claim	114.6	60
Typical Cost to Resolve an Original Compensation Claim	\$172.04	\$120.43
Typical Annual Cost to Maintain a Pension Claim	\$31.50	\$22.05

The costs for these changes are expected to total about \$304 million over the 7-year implementation period with information technologies accounting for 63 percent and training and restructuring the remaining 37 percent. Savings are expected to total over \$330 million although most of this (over \$300 million) will not occur until after FY 2002.

III. Core Problems and Corrective Actions

VBA’s analysis of the current claims process identified five core problems that undermine system performance. The following tables describes the problems, summarize their impact, and list the BPR initiative which addresses the problem:

CORE PROBLEM: INADEQUATE COMMUNICATION AND OUTREACH

<i>Symptoms and Related Problems</i>	<i>Correcting BPR Initiative</i>
<ul style="list-style-type: none"> • Poor understanding of available benefits • Limited access to claims process and status information 	<ul style="list-style-type: none"> • Expand veteran survey program • Provide multiple access options • Create partnership with VSOs • Expand pre-discharge service medical

<ul style="list-style-type: none"> • Processing delays due to claimant's lack of knowledge of required evidence • High appeal rate due to unreasonable customer expectations • Lengthy appeals caused by failure to focus the issues 	<ul style="list-style-type: none"> • examination program • Create Veterans Service Representatives with direct contact to veterans • Institute revised post-decision review process • Emphasize customer service in training and certification programs • Provide instant access to claim status
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CORE PROBLEM: LACK OF INDIVIDUAL ACCOUNTABILITY

<i>Symptoms and Related Problems</i>	<i>Correcting BPR Initiative</i>
<ul style="list-style-type: none"> • Long processing times due to internal transfers and hand-offs • High error rate 	<ul style="list-style-type: none"> • Eliminate positions and expand individual responsibility • Automate routine tasks

CORE PROBLEM: EMPHASIS ON PRODUCTION AND TIMELINESS INSTEAD OF QUALITY

<i>Symptoms and Related Problems</i>	<i>Correcting BPR Initiative</i>
<ul style="list-style-type: none"> • High appeal rate due to inconsistent decisions • High remand and overturn rates on appeals due to poor quality of evidence and high error rate • Long completion times due to rework • High cost due to appeals and rework 	<ul style="list-style-type: none"> • Focus issues during initial process and post-decision review • Create partnerships with VSOs • Institute training and certification program for C&P employees • Enhance training [in C&P examination procedures] for VA doctors • Revise Physician's Guide [to assist examiners in identifying and describing medical findings] • Collect performance data on all claims automatically • Expand veteran survey program

CORE PROBLEM: INADEQUATE INFORMATION TECHNOLOGY (IT) SUPPORT FOR PROCESS

<i>Symptoms and Related Problems</i>	<i>Correcting BPR Initiative</i>
<ul style="list-style-type: none"> • High cost due to necessary large overhead staff • Long completion times due to <ul style="list-style-type: none"> ◦ long waiting times for evidence ◦ number and volume of manually 	<ul style="list-style-type: none"> • Automate routine tasks • Provide multiple access options • Provide instant access to claim status • Develop expert systems to support decision-making

<ul style="list-style-type: none"> performed activities <ul style="list-style-type: none"> ◦ difficulty in retrieving and accessing claimant files • Overpayments due to delays in obtaining evidence and executing benefits changes • High error rates due to manual performance of routine tasks 	<ul style="list-style-type: none"> • Automate workflow management • Develop automated links to evidence sources, including VHA • Allow VSOs access to IT support tools
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CORE PROBLEM: COMPLEXITY OF RULES AND REGULATIONS

<i>Symptoms and Related Problems</i>	<i>Correcting BPR Initiative</i>
<ul style="list-style-type: none"> • Low customer satisfaction due to uncertainty of pensions benefits and burdensome reporting requirements • High cost due to necessity of performing numerous “non-value-added” tasks • High appeal rate due to apparent arbitrariness of decisions and conflicting interpretations of rules 	<ul style="list-style-type: none"> • Simplify pension rules • Use Social Security determination for total disability • Make Rating Schedule more objective

IV. VBA’s Strategic Vision of Claims Processing

VBA’s plan to implement the reengineered claim processing system consists of following five key components:

- Core Processes -- Claims Processing and Post Decision Review
- Human Resources Infrastructure
- Information Technology Infrastructure
- Survey and Outreach to Veterans and VSOs
- Pension Simplification

In concert with the above implementation plans, the following actions are needed:

- Simplification of Rules and Procedures
- Examination of External Interfaces

a. Core Processes.

VBA’s core processes are claims processing and post decision review. BPR will consolidate decision-making authority with the Veterans Service Representative (VSR)

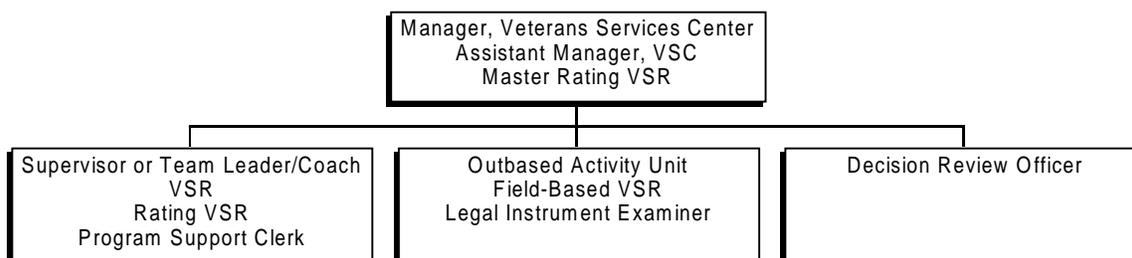
who will have total responsibility for completing all actions related to the claim. A revised post decision review process also reduces internal handling and emphasizes VBA interaction with veterans and their representatives.

Claims Processing —Under BPR, traditional Adjudication and Veterans Services Activities will be merged into a Veterans Service Center (VSC) staffed with employees who have the authority to interact with veterans, make decisions, and identify and resolve issues at the earliest opportunity without hand-offs. The Center will have fewer positions with expanded responsibilities and authority. These positions, with brief descriptions, are as follows:

- Veterans Service Representative (GS-11)—Duties include those of Veterans Claims Examiner and Veterans Benefits Counselor plus development work. VSRs will prepare “simple” ratings for approval by a Rating VSR but will have single signature authority on all other actions.
- Rating Veterans Service Representative (GS-12)—Duties will be similar to those of the current Rating Specialist position, with occasional contact with veterans required.
- Master Rating Veterans Service Representative (grade to be determined)—Duties will include conducting quality assurance reviews and serving as “transition officer” and technical advisor to Rating Veterans Service Representatives (RVSR). This is not a supervisory or lead position.
- Decision Review Officer (GS-13)—This position replaces the Hearing Officer and encompasses difference of opinion authority and requires informal hearings to foster early interaction with veterans and their representatives to identify issues and resolve dissatisfaction.
- Program Support Clerk (GS-4)—This position replaces mail and file clerks, GS-4 claims or development clerks, and C&P and Veterans Services Division (VSD) program clerks. While VSRs will be responsible for case development, program support clerks will be responsible for mail receipt and distribution, files establishment and maintenance, general clerical duties, and data input and scanning.
- Supervisor or Team Leader/Coach (GS-13)—Both positions involve directing the daily activities of a claims processing team or self-directed work team at a VSC.
- Field-Based VSR (GS-11)—Duties of current VSD field examiners (e.g., dealing with incompetency cases) would be combined with those of the VSR.

- Legal Instrument Examiner (grade to be determined)—The current VSD Estate Analyst position would be renamed.

Under BPR, the traditional RO structure will change radically. The Adjudication and Veterans Services Divisions would be merged into a VSC, and the separate functions now being performed by adjudicators, development clerks, and veterans benefits counselors, will be merged into a new VSR function. The organizational chart for the VSC is shown below:



Post Decision Review — The BPR post decision review (PDR) process will be based on expedited consideration of the case by a Decision Review Officer (DRO). The DRO will have the authority to take a fresh look at a claim and issue a revised decision based on the entire record and upon consideration of the evidence and material of record and applicable provisions of the law and regulation, as if the prior decision had never been entered (*de novo*).

The PDR process will begin with a request for clarification or expression of dissatisfaction from a claimant or his/her representative. The VSR will explain the decision on the claim and the claimant’s options, which are:

- contacting the representative for assistance;
- submitting additional evidence; or
- submitting a formal Notice of Disagreement (NOD) to begin an appeal to BVA.

The VSR will electronically document this response in the claimant’s record and send electronic notification to the representative. Any additional evidence submitted by the claimant before submission of a NOD will be considered by a RVSR who will prepare a rating decision or further develop the claim as warranted.

A valid NOD will be referred to a DRO for review. If additional evidence is received with the NOD (or additional evidence source indicated), the DRO may schedule an informal conference to determine if any additional evidence may be obtainable before adjudicating the evidence received. Every effort should be made during the PDR process

to ensure that the evidentiary record is complete before DRO enters a decision. A favorable decision will be made as soon as there is sufficient evidence to support a grant of benefits.

b. Human Resources Infrastructure.

VBA's BPR implementation plan recognizes that the redesigned work process and the planned IT enhancements supporting the new process will result in employees having different jobs requiring new skills. The redefined job functions as VSRs (rating-certified or general) and review officers will mean revised descriptions of authority, responsibility, and accountability. Frequent, direct contact with veterans and their representatives will require improved interpersonal skills. These and other changes translate into requirements for extensive training in new procedures, processes, and the use of automated equipment.

- **Certification** — BPR will require fewer, but more highly skilled staff. An integral portion of the *vision* is that all claims processing personnel will be trained and certified. A “job competency certification” is to be the new formal process by which employees will demonstrate that they have acquired the skills and knowledge to perform in the VSR, the RVSR, and the DRO positions in the BPR environment.
- **Training** — Training requirements under BPR implementation plans are to be designed around a performance-based, multi-media, instructional system designed (ISD) courseware which will be developed to train employees in the skills required for the 3 new BPR positions, VSR, RVSR and DRO. These packages are intended to fulfill the training requirements for credentialing employees. In the interim while stations are converting to the BPR process and before formal ISD training is available, short term training is to be provided by updating and using currently available training material.

c. Information Technology Infrastructure.

To address the problems caused by inadequate IT support for claims processing, VBA's BPR staff has developed the following initiatives:

- Veterans Service Network (VETSNET)
- Claims Processing System (CPS)
- Enhanced Automated Medical Information Exchange (AMIE)
- Modernized telephone system

VETSNET — Is a replacement for the Benefits Delivery Network (BDN) payment system. Improvements in claims processing functionality are primarily those related to increased access by customers to their claim information, more user friendly processing screens, and real time processing. Improvements in program management will derive from the capability of the system to capture data at the issue level. VETSNET will be the foundation system to which new claims processing functionality will be added. Basic veteran/dependent information will be available to all benefit program information systems (C&P, Education, Loan Guaranty, Vocational Rehabilitation, and Insurance). Payment, accounting and existing rudimentary claims processing for education, compensation, and pension benefit programs are the basic components of the system application. The first phase of VETSNET is expected to be completed in 1998.

VETSNET will accelerate claims processing by:

- reducing reliance on paper records;
- allowing access to information from all VBA programs; and
- providing additional, more effective support for developing claims.

VBA believes that VETSNET will also have the following advantages over the BDN now in use for the processing of C&P claims:

- Instantaneous transmission capabilities for claims information within and between ROs system-wide. Additionally, this information would be simultaneously available at multiple locations.
- VETSNET software will be more flexible and easily maintainable and will run on more efficient and state-of-the-art equipment.

In later versions, VETSNET will store information related to claims from initial contact through post decision review. It will establish real-time interfaces with automated databases at SSA and the Defense Manpower Data Center (DMDC) to obtain data on veterans and their families. Work on this phase of VETSNET began in 1997. This phase will provide the following functions:

- automatic generation and transmittal of predetermination notices;
- use of rule-based expert systems to assist VSRs in identifying needed evidence, provide support for rating issues, and translate rating decisions into awards; and
- automated checks on the accuracy and timeliness of services.

VETSNET will also provide external organization interfaces. The length of time VA must wait for evidence needed to evaluate claims extends processing times. VBA

believes that the waits are unnecessarily extended because VA lacks automated links to sources of evidence, such as Internal Revenue Service (IRS), SSA, DoD, and VA medical facilities. Currently, this evidence is requested through a manual process. VBA also believes that the lack of automated links to sources of information concerning changes in veterans' income, dependency, and medical status and automated routines to process benefits changes on a timely basis also contributes to benefit overpayments.

VETSNET will expand current data exchanges with IRS, SSA, and DoD to permit automatic income adjustments. These adjustments would be processed in a manner similar to automatic adjustments for cost of living increases. Predetermination notices for adverse adjustments will be generated automatically and a 60-day control set. The BPR team hopes to expand the automated data links for other sources of income to other Federal and state agencies: Railroad Retirement Board, Departments of Labor and Agriculture, and state lotteries.

Links to VA medical centers and other Federal hospitals will make medical evidence at these facilities available for review by VBA. Current data links with DHCP would be used to make automatic adjustments of C&P cases for veterans whose benefits must be reduced while hospitalized. Predetermination notices, if needed, would be automatically generated and a 60-day diary set. Compensation cases entitled to a temporary increase because of entitlement to paragraph 29 benefits would be automatically adjusted without human intervention. The BPR plan also calls for including private data bases at hospitals, clinics, HMOs, and physicians in its data links. VBA would then be able to retrieve this data without extensive paperwork.

A data link will be established to the National Cemetery System (NCS) with the initial purpose of eliminating hard copy filing of the burial application form. This link will be later enhanced to permit burial applications to be filed from any national cemetery. NCS staff, after training, could authorize burial claims on the spot. Additional links could be established with funeral homes and private cemeteries to permit automated filing of burial applications. A rules-based system would assist in gathering evidence. A legislative change would permit burial payments to be generated upon receipt of a valid notice of death.

In conjunction with BPR, VETSNET is also expected to reduce benefit overpayments. Many overpayments are caused by delays in VA learning about changes in veterans' income, medical, and dependency status and delays in adjusting benefits payments once change of status information has been obtained. VA reports that about 1.54 percent of VBA benefits payments are found to be overpayments. This is expected to be reduced to 1.08 percent by FY 2002 through the following measures:

- reform of pension rules;
- development of automated links through VETSNET to evidence sources such as IRS, SSA, and VHA; and
- automation of income verification matches.

Finally, VETSNET is also the sole means by which the Department is addressing two material weaknesses identified under the Federal Manager's Financial Integrity Act:

(1). *Aging, Antiquated, Obsolete, and Proprietary Hardware Systems.*

During FY 1996, the strategy for correcting this weakness changed when the Secretary announced his decision to defer actions on a complete Modernization Stage III acquisition and concentrate on replacing the BDN payment system with VETSNET.

(2). *C&P Systems - Lack of Adaptability and Documentation.*

Development and implementation of VETSNET is expected to provide for a fully documented system using modern software engineering methodologies. It represents a completely redesigned approach to financial accounting and will support the agency's Financial Management System.

Claims Processing System (CPS) — CPS is an integrated, rules-based data collection and case management instrument designed to assist field staff and advocates in the development of disability claims and the determination of current status of pending claims.

Studies by OIG, GAO, and VBA C&P Service of the initial development of claims have shown the following deficiencies:

- piecemeal development;
- lack of regular notification to claimants about the status of their claim;
- significant amounts of management and claims examiner time spent reviewing folders for control purposes and not in claim processing;
- lack of access to an automated system which would allow staff to discuss a pending claim with a claimant over the phone without pulling the claim folder; and
- serious effect on claim development caused by variable skill levels of local staff.

VBA believes that CPS will assist VSRs during the claimant interview and enable them to focus on the more complex issues in a claim. This system will ensure greater accuracy and consistency during the development process.

CPS, when fully deployed, will have the following characteristics:

- claimant access to VBA from multiple sources;

- continuous, event driven notifications to claimants including status letters;
- a means for staff responsible for claimant contact to advise claimants of the status of their claim, the anticipated completion time, and of actions claimants may take; and
- reports and data storage to assist managers and staff in workload management.

The first CPS modules, dealing with original compensation claims and case management, were scheduled for field deployment by March 1997. CPS should be fully deployed by March 1999.

Enhanced AMIE processing — Enhanced AMIE will enable rating specialists to electronically access VA medical center treatment and examination records. This capability should result in more timely claim processing and a reduction in the need for examinations.

C&P Service requests more than 300,000 examinations yearly. Current AMIE examination protocols are not as detailed as those in the *Physician's Guide*. A study of VA examinations done during August to October 1996 found that 12 percent of the examination reports were inadequate for rating purposes. Revised examination protocols providing the detailed information needed by the rating specialist are needed to replace the current AMIE protocols so that the initial examination is adequate.

VBA expects development and deployment of enhanced AMIE to be completed by August 1999.

Modernized telephone system — In BPR's "telecommunications vision," callers will be able to get information about their claims and benefits through an automated system open 24 hours a day, seven days a week, and by talking to a VSR. Telephone Information Center Systems will handle most general information calls. Calls about a specific claim will be routed to the VSR responsible for the caller's claim.

The "BPR Telecommunications Model" has four primary components:

- FTS 2000 Network
- Automated Response System (ARS)
- Information Centers (IC)
- Regional Offices (RO)

The FTS 2000 network is intended to be the primary telephone contact point for VA. Callers will be able to access any VA service by dialing 1-800-827-1000. The network will route the call to ARS and will balance calls among the various ICs and ROs. The

network will also produce “management information reports to allow VBA to monitor network performance and demand for service.”

ARS “is a collection of automated resources that supplements human resources to answer general customer inquiries and provide basic services.” For example, it will offer information about VA benefits, and the locations, business hours, and directions to each RO. Callers wanting VA forms or printed information about VA benefits can have the information faxed directly to them or can leave their name and address for VBA to mail the information.

By entering a VA-assigned unique personal identification number, callers will be able to get information about their accounts and the status of their claims and to initiate certain transactions. ARS will give each caller the option of speaking with a VSR at any point in the call.

The IC is intended to be “the principal electronic access point to VBA information and services in the future. Callers with pending actions will be automatically switched to their case managers....Ultimately, the customer will receive a personalized greeting because identifying information entered into the ARS by the customer will automatically link to the corporate data base and “pop-up” the customer’s record on the screen of the VBA counselor when the call is connected.” When a caller requesting to speak to a VSR cannot be immediately connected, the caller will be informed of the approximate wait time and offered access to information in ARS or to recorded informational messages.

When BPR is in place, VBA expects that ROs will not be required to service a large volume of calls, as they do now. VSRs at the RO will primarily respond to calls about claims located at the RO. However, “during times of peak demand for counselor services, selected ROs will augment VSRs assigned to ICs by linking directly to the IC call queue...and taking overflow calls. This notion of ‘remote servicing’ will increase VBA’s options for locating staff by allowing outbased VSRs as well as work-at-home (including the employment of the physically challenged who might be home bound) and flexible shifts..”

d. Survey and Outreach to Veterans and VSOs.

The BPR implementation strategy includes a program evaluation function that will, among other things, develop a customer satisfaction index. A “Veterans’ Satisfaction with C&P Claims Process” survey was done in 1996. A similar survey will be done every year. “While it will not be possible to directly link the results of this survey to specific elements of the new claims process,” VBA assumes that overall satisfaction will increase as BPR is implemented.

Both GPRA and the BPR process require VA to develop methods of measuring customer satisfaction. BPR planners not yet defined “the variables that make up satisfaction.” However, they have decided, on the basis of the results of the “Veterans’ Satisfaction with C&P Claims Process” survey that “results of the outcome of the claim” should not be one of these variables, “since whether or not a claim was granted or denied seemed to carry the most weight in determining satisfaction.”

e. Pension and Rules Simplification.

VBA has found that processing of pension claims and especially pension maintenance absorbs a disproportionate share of resources. In FY 1997, VBA estimates that about 1,000 FTEE will be required to maintain the \$3.1 billion pension program, while the \$15.4 billion compensation program can be maintained by about 1,300 FTEE. VBA concluded that the problem lies in the number and complexity of the statutes governing the pension program. Many provisions of the current law have outlived their usefulness and do not add value—in fact, they create a burden not only for pensioners but (because of the disproportionate workload consumed in applying these laws), for all veterans.

BPR planning developed specific legislative proposals and regulatory and procedural changes that are intended to eliminate built-in inequities so that the pension program becomes easier to understand, more predictable, and more certain to claimants. It also becomes a more cost effective program and is easier to administer. The specific proposals requiring legislation to implement are listed below:

- SECTION 306 AND OLD LAW PENSION—
 - Eliminate income limitations for Section 306 and Old Law Pension
 - Discontinue hospital adjustments for Section 306 and Old Law Pension
- DISABILITY DETERMINATIONS—
 - Presume permanent and total disability at a designated age
 - Presume permanent and total disability for nursing home patients
 - Accept Social Security disability determinations
- INCOME DETERMINATIONS—
 - Build medical expense coverage into maximum annual pension rate; provide medical expense exclusion only for nursing home patients
 - Build dependency allowance into maximum annual pension rate
 - Allow end of the year adjustments for nonrecurring income adjustments
 - Eliminate the 45 day rule for surviving spouses

Three of the pension simplification initiatives are considered to be crucial. BPR planners state that the proposals to increase the maximum annual pension rate by including a medical expense allowance and a dependency allowance for children were designed to be cost neutral. Pension benefits incorporating these two initiatives would cost the same as pension benefits under the current program. However, the initiatives were also designed to provide significant administrative cost savings. The additional cost of the third proposal, eliminating income limits for all Section 306 and Old Law cases, is considered by BPR planners to be small considering the administrative costs associated with continuing to maintain these two pension programs.

In addition to pension simplification proposals requiring legislative approval, the Rules and Pension Simplification Team identified one statutory change and various regulatory changes to C&P procedures considered necessary for full implementation of BPR. VBA plans to enact these changes in four stages beginning in the fourth quarter of FY 1997 and ending in the second quarter of FY 2001. A fifth group of changes is still under development at VBA's lab sites. These proposed changes are discussed below:

Statutory Changes

Increase estate limitation in incompetent veteran cases subject to reduction to an amount greater than \$1,500.

Regulatory Changes

1. Accept information from a claimant via telephone, fax, or other electronic means.
2. Allow contemporaneous notice for information received from any federal agency or federal employee.
3. Allow difference of opinion authority for decision review officers.
4. Allow extra-schedular pension ratings by rating decision-maker.
5. Allow National Service Organizations to certify DD-214s.
6. Allow information received from claimants via telephone, fax, or other electronic means to be used as a basis to reduce or terminate benefits.
7. Eliminate EVRS for other federal annuitants or medicare approved nursing home patients.
8. Eliminate requirement to file claim in writing.
9. Allow basic vocational rehabilitation eligibility determinations to be made by vocational rehabilitation and counseling staff.
10. Allow nonservice-connected burial payment to next-of-kin without need for an application.
11. Allow recognition of court appointed guardians.

12. Clarify regulations on service connection by aggravation of pre-service conditions.
13. In claims for apportionment of compensation or Dependency and Indemnity Compensation benefits, allow only the additional payment for dependents.
14. Change method to withdraw appeals.
15. Clarify individual unemployability criteria.
16. Clarify regulations on findings of mental unsoundness in suicide cases.
17. Define convalescence.
18. Establish entitlement to clothing allowance payment by rating when veterans meet requirements of 38 Code of Federal Regulations 3.810(a)(1).

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The evaluation was initiated to provide an overview of prior findings, observations, and conclusions relating to VA claims processing and assess actions taken and planned to improve claims processing and enhance customer service to veterans.

Scope and Methodology

The scope of the evaluation included all OIG, GAO, VA, and Congressional reports which have addressed VA claims processing timeliness and quality issues in the past 5 - 6 years. *(A complete list of reports is in Appendix II, on pages 81 to 84.)* We examined the actions taken by the Department in response to the recommendations contained in these reports and determined what future actions were being developed or proposed. We met with appropriate VA management and Congressional staff as well as members of two Congressionally chartered review groups.

The evaluation was organized into the following parts: (1) identification and acquisition of relevant reports (e.g., audits, studies, reviews), (2) organizing findings and recommendations into similar/compatible issue groups (e.g., planning, coordinating, processing), (3) determining VA's response to each recommendation and the current implementation status, (4) examining plans and actions intended to "reengineer" the adjudication and appellate processes, (5) analysis of results to determine which recommendations and actions were not compatible or were no longer relevant, and (6) development of a formal OIG perspective (opinion) addressing the most critical issue areas which need to be addressed on a priority basis. The evaluation was made in accordance with generally accepted government auditing standards for staff qualifications, independence, and due professional care; field work standards for planning, supervision, and evidence; and, reporting standards for performance audits.

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- Veterans Claims Adjudication Commission, *Report To Congress Pursuant to Public Law 103-446*, 12/96
- Veterans Benefits Administration, *Reengineering Claims Processing - A Case For Change*, 12/96
- U.S. General Accounting Office, Report to the Chairman, Subcommittee on Benefits, House Committee on Veterans' Affairs, *VA Disability Compensation - Disability Ratings May Not Reflect Veterans' Economic Losses*, 1/7/97, GAO/HEHS-97-9
- VA Office of Inspector General, Briefing for Staff of National Academy of Public Administration, *OIG Perspectives on Veterans Benefits Administration Programs and Operations*, 1/30/97
- U.S. General Accounting Office, Report to the Chairman, Subcommittee on Benefits, House Committee on Veterans' Affairs, *VA Disability Compensation - Comparison of VA Benefits With Those of Workers Compensation Programs*, 2/14/97, GAO/HEHS-97-5
- VA Office of Inspector General, Report of Audit, *Data Reliability In The Claims Processing Workload Reporting System*, 2/27/97, 7D2-B01-020
- U.S. General Accounting Office, Testimony of Director, Planning and Reporting/HEHS before Subcommittee on Human Resources, House Committee on Government Reform and Oversight, *Department of Veterans Affairs - Programmatic and Management Challenges Facing the Department*, 3/18/97, GAO/T-HEHS-97-97

APPENDIX II

Department of Veterans Affairs, Response to Report to Congress of the Veterans' Claims Adjudication Commission, 4/22/97

Statement of Milton J. Socolar, Chair, *Panel on Veterans' Claims Processing*, National Academy of Public Administration, Before the United States Senate Appropriations Subcommittee on VA, HUD and Independent Agencies, on *Management of Veterans' Compensation and Pension Benefits Claims Process*, 5/1/97

Veterans Benefits Administration, *Implementation Plan for Reengineering Claims Processing - Blueprint for Change*, 6/97

National Academy of Public Administration, Report to the Congress and the Department of Veterans Affairs, *Management of the Veterans' Compensation and Pension Benefits Claim Processes*, 6/97 (draft), 8/97 (final)

VA Office of Inspector General, Report of Review, *Compensation and Pension Medical Examination Services*, 8/6/97, 7R1-A02-114

SUMMARY OF MAJOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

Category	Recommendation	Rejected	Partial Agreement	Agreed & In Process	Agreed & Not Implemented	Agreed & Implemented
Policy & Strategy	Clarify program purpose	X				
	Establish a disability compensation advisory committee to provide independent evaluation	X				
	Accelerate development of an integrated Department strategic management infrastructure	X				
	Initiate development of an urgent change management strategy starting with the selection of a new Under Secretary for Benefits and BVA Chairperson			X		
	Congressional oversight is needed on an ongoing basis			X		
	Implement ongoing actuarial analysis			X		
	Empower a corporate data collection and analysis activity			X		
	Require an annual report that focuses solely on the disability compensation program			X		
Planning, Direction & Coordination	Reexamine and improve the analysis, approach, and management of the Business Process Reengineering effort	X				
	Information technology plans should be re-prioritized	X				
	Postpone contract award for any procurements under the modernization effort	X				
	Ensure that the Chief Information Resources Officer has the authority for implementing the modernization effort	X				
	Replace existing economic assessment of VBA modernization effort with a new economic analysis	X				
	Selectively constrain modernization in the near term while preparing a structure to effectively manage and integrate modernization on a longer term basis	X				

APPENDIX III

Category	Recommendation	Rejected	Partial Agreement	Agreed & In Process	Agreed & Not Implemented	Agreed & Implemented
	Begin the analysis and planning which will be necessary to restructure VBA Regional Offices				X	
	Designate a Department level official to monitor actions by the Board of Veterans Appeals, VBA, and VHA to identify and resolve intra-agency impediments to efficient claims and appeals processing					X
	The Under Secretary for Health and the Under Secretary for Benefits should take action to increase the rate of medical examinations for veterans applying for compensation and pension benefits			X		
	Improve plans to evaluate the effectiveness of claims processing initiatives			X		
	VA and Veterans Service Organizations should build a claims processing partnership			X		
	Establish a VBA-wide process to keep claimants informed of the status of their claims			X		
Procedures - Claims Establishment	Improve the accuracy of data in the computerized case management database			X		
Procedures - Claims Development	Establish alternatives to the current requirement of a written "due process" notice to veterans when a reduction in VA benefits is to be made				X	
	For claims requiring rating decisions assign specially trained examiners or rating specialists responsibility for: (a) determining evidence requirements, and (b) performing follow-up. Also, develop an automated checklist to document evidence requests and determine if requested evidence has been received			X		
	Prepare and implement position descriptions to consolidate responsibility for control, development, and award action in a single rating technician position; and create a rating activity responsible for control,			X		

APPENDIX III

Category	Recommendation	Rejected	Partial Agreement	Agreed & In Process	Agreed & Not Implemented	Agreed & Implemented
	development, rating, and authorization issues					
	Decrease the response time for obtaining evidence					
	Change the process to allow veterans to use other communications modes (phone, fax, personal, pagers, or e-mail) to supplement written communication			X		
	Revise forms/systems to include claimant phone numbers - both daytime and nighttime			X		
	Finish the redesign of VA Form 21-526 and the instructions			X		
	Design a new form to help veterans identify issues and evidence needed to support reopened claims and claims for reevaluation of service connected liabilities			X		
	Develop a national letter package for use when writing to veterans			X		
	Expand the Memorandum of Understanding between VBA and VHA to include C&P examination quality measures			X		
	Establish physicians' coordinators at VACO, medical centers and regional offices			X		
	Establish a reporting scheme to monitor the quality of VHA C&P exams			X		
	Establish a joint VBA-VHA education and training effort on C&P exams			X		
	Transfer responsibility and associated resources for C&P exams from VHA to VBA			X		
	Improve the AMIE system			X		
	Establish a high level dialogue with SSA to communicate VA evidence and other needs			X		
	Update and verify VBA procedures for obtaining SSA records			X		
	Establish a VA/SSA computer link to obtain SSA medical records			X		
	Expand the current Service			X		

APPENDIX III

Category	Recommendation	Rejected	Partial Agreement	Agreed & In Process	Agreed & Not Implemented	Agreed & Implemented
	Medical Record agreement with Army to all branches					
	Assign VA personnel to DoD records centers to assist and perform liaison			X		
	Initiate national VA/DoD dialogue on separation exams to ensure they meet VA requirements			X		
	Revise regulations to allow for the acceptance of photocopies and conduct a special review of regulations, manuals, and policies to refine them			X		
	Establish, as the highest ADP priority within VBA, the development, testing, and implementation of the Claims Processing System (CPS)					
	Integrate claims status information and reports, including identification of all evidence requested and received, in the CPS					X
	Develop and implement a PC-based standard, national letter package using input from all customers					X
	Provide on-line PC access to necessary reference material through implementation of the Automated Reference Material System (ARMS)					X
	Implement the Control Of Veterans Records System (COVERS)					X
	Assure VETSNET design incorporates tracking of case status through the appeal process					X
Procedures - Rating Activities	Provide PC word processing capability for the rating staff to include standardized formats and glossaries					X
	Use specialization selectively to concentrate on certain categories of complex rating cases					X
	Develop and implement the Rating Board Automation (RBA) System					X
	Expand and expedite centrally-coordinated training for rating staff			X		
	Conduct a special review of VA regulations, manuals, and policies to refine them			X		
	Reallocate resources to the rating activity, improve training, and establish a "rating technician" position			X		
Procedures -	Limit the scope of appellate review	X				

APPENDIX III

Category	Recommendation	Rejected	Partial Agreement	Agreed & In Process	Agreed & Not Implemented	Agreed & Implemented
Appeals Process	to the evaluation of the claimant's conditions at the time of the decision being appealed. Allow 60 days for appeals to be filed and close the evidentiary record when an appeal is filed					
	Simplify VBA administrative procedures and operations by eliminating redundant claims processing work (e.g., NOD's and SOC's)	X				
	Prepare Legislation clarifying that the standard of review on reconsideration of a prior BVA decision is that of "obvious error" and restore the ability of the Chairman or Vice Chairman to administratively allow a claim bases on difference of opinion or other equitable concerns				X	
	Increase hearing options			X		
	Place responsibility and accountability with the board			X		
	Assist claimants in selecting options			X		
	Establish the goal of reducing the number of appellate cases ready for BVA review to the equivalent of no more than six months' decision production by BVA no later than FY 2000			X		
	Prepare legislation defining "hearing" to include teleconferenced and videoconferenced hearings					X
	Prepare legislation eliminating the absolute limit on the number of members of BVA					X
	Revise timeliness measurement standards					X
	Prescreen appeals					X
	Restore BVA members pay equity with administrative law judges					X
	Establish a BVA training committee and implement performance measures for attorney advisors					X
	Develop and implement technological improvements					X
Adjudication Quality	Initiate the development of a joint VBA/BVA quality measurement			X		

APPENDIX III

Category	Recommendation	Rejected	Partial Agreement	Agreed & In Process	Agreed & Not Implemented	Agreed & Implemented
	strategy and process, a joint training and workforce development strategy, and a systemwide method for assessing the adequacy of disability rating examinations					
	Establish procedures that focus on preventing overpayments including identifying beneficiaries who will soon become eligible for Social Security and obtaining information to timely adjust VA benefit payments			X		
	Collect, analyze, and use information on the specific causes or contributing factors of overpayments to develop strategies for targeting additional preventive efforts			X		
	Reduce C&P overpayments by implementing the following: (a) Revising due process notification procedures to allow 60 day predetermination notices to be issued to veterans receiving long term care, or to fiduciaries of incompetent veterans, at the time of admission to (long term) care			X		
	(b) Revising due process procedures to remove the requirement that beneficiaries must inform the VA in writing of status changes that will result in a reduction of benefits			X		
	(c) Revising the School Attendance Certification form to include a 60 day predetermination notice that, if the completed form is not returned, the dependent school child will be removed from the award on the child's 18th birthday or the last day of the month in which school attendance was last certified			X		
	(d) Revising procedures to require VARO's contact financial institutions to determine current mailing addresses for DD/EFT payees and for whom mail has been returned			X		
	Reduce C&P benefit payment					

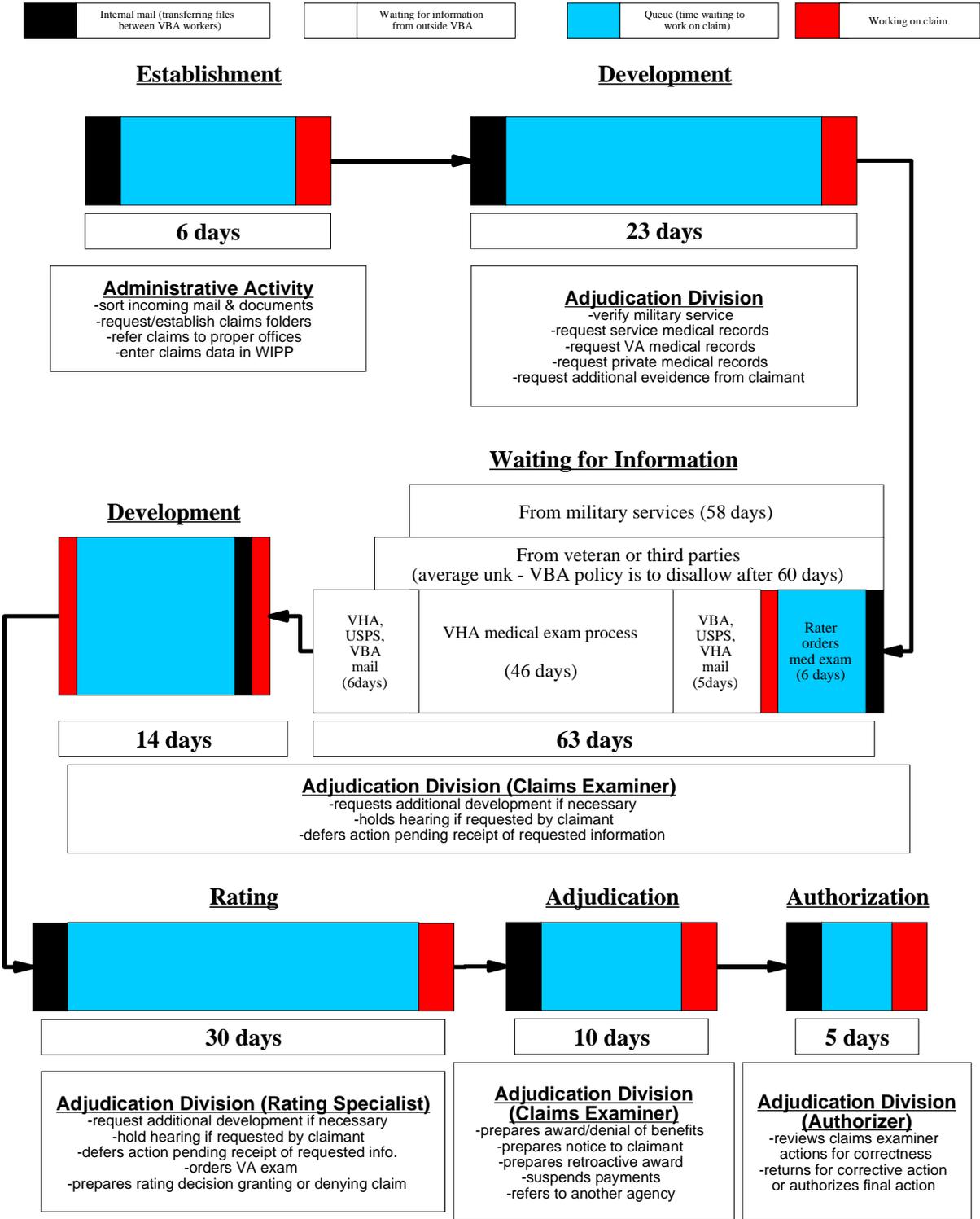
APPENDIX III

Category	Recommendation	Rejected	Partial Agreement	Agreed & In Process	Agreed & Not Implemented	Agreed & Implemented
	errors by					
	Improving the effectiveness of claims processing for hospitalized veterans			X		
	Ensuring that C&P awards identified as a result of audit are corrected			X		
Adjudication Standards - Judicial Review	Review and reaffirm major policies		X			
	Redesign the adjudication and appeals process		X			
Adjudication Standards - Rating Schedule	Codify, within Title 38 USC, a clear statement of Congressional purpose for the disability compensation program	X				
	Conduct a comprehensive study of the economic validity of VA's rating schedule	X				
	Conduct a high level review of the goals and outcomes of VA's benefits programs			X		
	Develop and Implement a business plan to increase the involvement of other agencies, private insurers, and medical associations which deal in disability determinations			X		
Adjudication Standards - C&P Reform	VBA and SSA should collaboratively review the pension and SSI disability criteria to seek ways of reducing dissimilarities between them			X		
	The Congress and VA (should) consider the following measures to achieve a simpler pension program: (1) concede or presume permanent and total disability at an age where the cost/savings equation is favorable, (2) evaluate the extent to which "bracketing" income would reduce the incidence of maintenance actions, (3) replace individualized medical expense deductions with a flat amount built into the rate of payment for medical expenses, (4) eliminate, as a dependent for pension purposes, a spouse who resides apart from a veteran, (5) replace the "child hardship" exclusion with a standard rule on availability of			X		

APPENDIX III

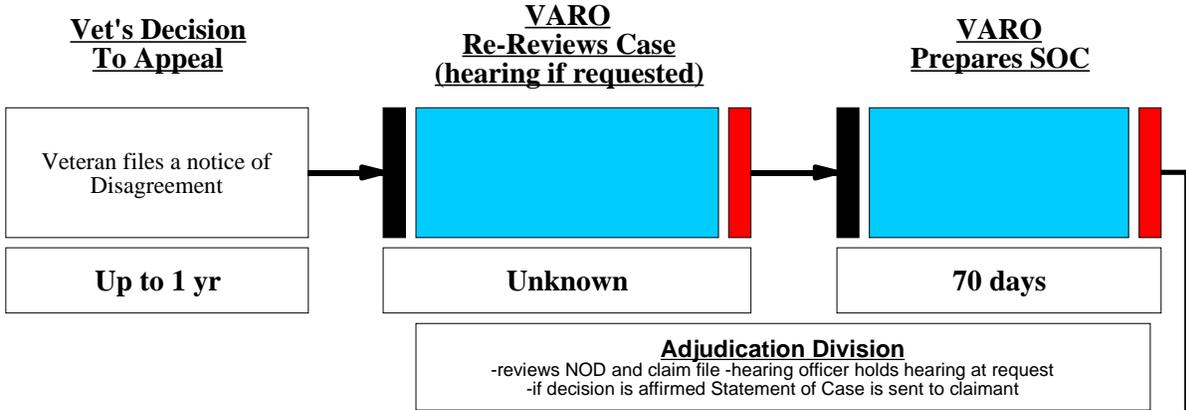
Category	Recommendation	Rejected	Partial Agreement	Agreed & In Process	Agreed & Not Implemented	Agreed & Implemented
	children's income, and (6) "grandfather" section 306 and Old Law pension recipients so they would receive protected rates for life regardless of entitlement factors					

**FLOW CHART OF
CLAIMS ADJUDICATION/APPROVAL PROCESS
(Typical Original Compensation Claim)***

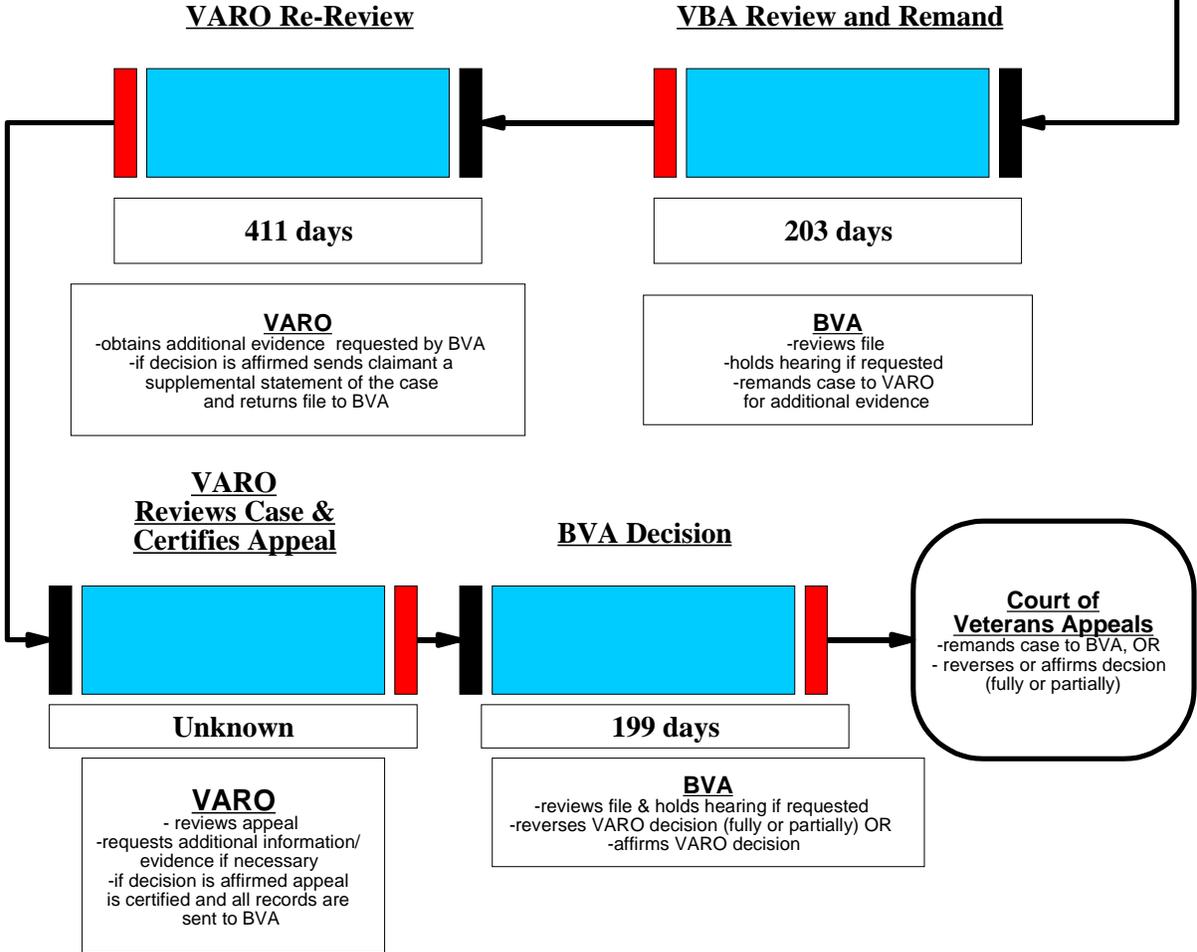


*adapted from GAO/IMTEC-93-6

Additional Steps if Veteran Appeals

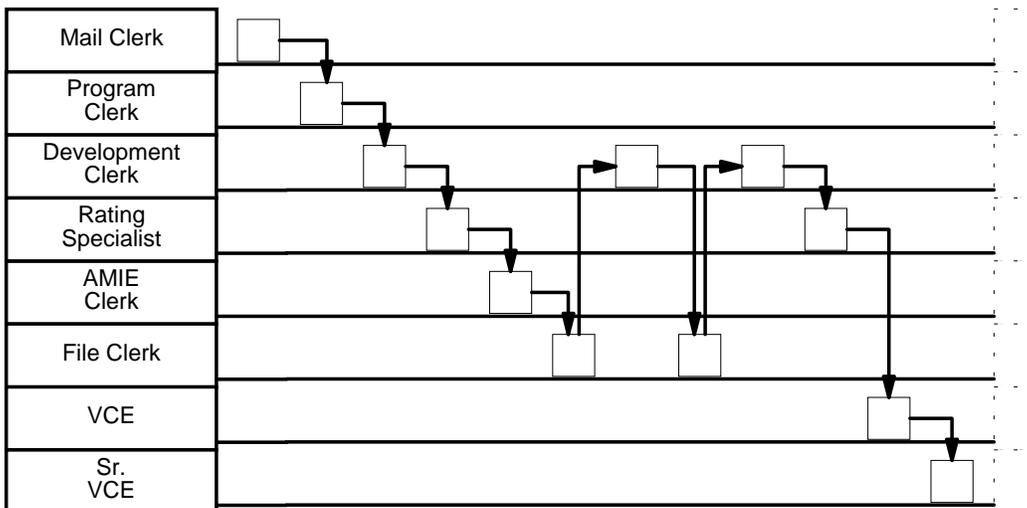


Additional Steps if Claim is Remanded Once

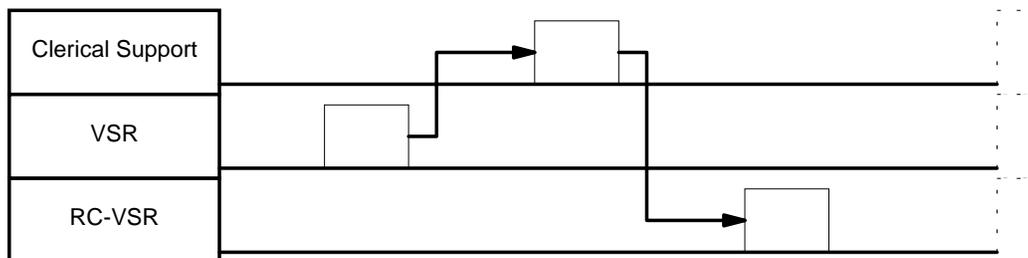


**DIAGRAM OF CLAIMS ADJUDICATION/APPROVAL PROCESS
BEFORE AND AFTER BUSINESS PROCESS REENGINEERING**

**As Is Claims Process - typical flow
for an original Compensation Claim (with no rework)**



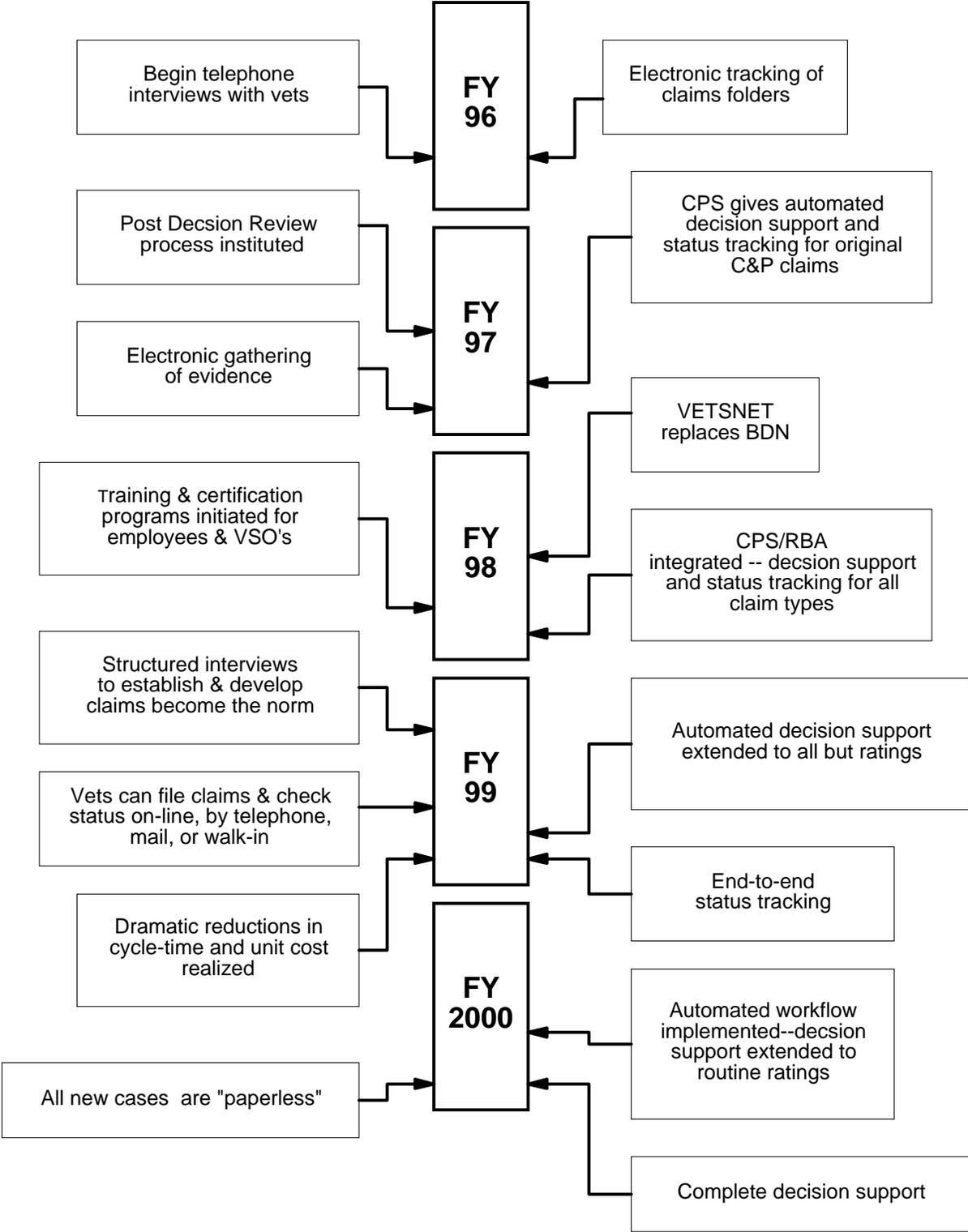
To Be Claims Process (After BPR)



As-Is/To-Be Time Comparison

	2 Weeks		15 Weeks		3 weeks	2 weeks		
1996	Program Clerk	Develop Clerk	Wait for Evidence 103 Days			Rating Board	VCE	Sr. VCE
2002	VSR	Wait for evidence 47 days	VSR -RC 3 days					

**TIMELINE FOR
BUSINESS PROCESS REENGINEERING IMPLEMENTATION**



ACTING UNDER SECRETARY FOR BENEFITS COMMENTS

**Department of
Veterans Affairs**

Memorandum

Date: October 31, 1997
From: Acting Under Secretary for Benefits (20)
Subject: Draft Summary Report on VA Claims Processing Issues
To: Assistant Inspector General for Auditing (52)

1. We thank you for the report and the opportunity to review it in draft form. Its summary provides VBA an opportunity to review again the full range of oversight recommendations and suggestions on ways to improve the claims processing system. Its validation and support of VBA's efforts in a number of areas is also appreciated.
2. The report contains four major recommendations which I will address in this reply. While I generally agree with the four and will provide comment and status in the accompanying attachment, I must defer at this time on final concurrence and on "an implementation plan with a target completion date" as requested in your referral memorandum of October 1, 1997. These four recommendations reflect key recommendations and issues found in the reports of the Veterans' Claims Adjudication Commission (VCAC) and by a Panel of the National Academy of Public Administration (NAPA). VA will be responding to the final NAPA report in the comprehensive way it did to the VCAC report by forming Departmentwide work groups to analyze and make recommendations to the Acting Secretary. While I can anticipate the response and the implementation strategy for the areas noted in your four recommendations, it would be premature to speculate on a plan that might well change in part or in total when the Secretary responds to the reports and recommendations of the work groups.
3. As you well know, the Department is in a state of transition as we await a new Secretary and a new Under Secretary for Benefits. The two individuals appointed to these positions will rightfully have much to say about the issues contained in the four key recommendations and the final response of VA and VBA. For this reason as well, I defer on providing a final concurrence and a final implementation plan with targeted completion dates.

Original signed by
Stephen L. Lemons

Attachment

RESPONSE TO THE RECOMMENDATIONS**RECOMMENDATION 1: The Under Secretary for Benefits should continue the development of VETSNET**

VBA fully intends to complete the development of VETSNET for all the sound business reasons cited in the Inspector General's report. Additionally, there are other customer and process reasons why it is essential that this project be completed. Most important is that VETSNET is a corporate data base that will contain data on the status of existing claims. The data captured will assist VBA to achieve world class status in terms of first encounter customer problem resolution. With it we will be better able to target efforts to correct our current problems with lost and blocked calls and the low levels of first encounter issue resolution. The existence of a state-of-the-art operating system will improve the efficiency of our staff in these times of resource constraints because data will be entered only once, but used often. The VETSNET system will provide us with the platform upon which we will be able to deploy the decision support and information systems needed to better serve veterans and Department management.

RECOMMENDATION 2: The Under Secretary for Benefits should develop plans addressing regional office restructuring.

VA is pursuing a long-term strategy of consolidation of our field functions. VBA remains fully committed to, and recognizes the potential value of, the consolidation of benefits servicing activities. This is evident in our work over the past few years in the education, insurance, and loan guaranty business lines.

In February 1997 the former Secretary noted that VA would pursue an aggressive strategy of business process reengineering (BPR), strategic business planning, and technology improvements, while at the same time continuing to creatively manage our current business processes and resources to ensure the greatest efficiency in claims processing timeliness and quality. Through BPR, VBA is assessing alternatives to the current claims processing structure that will result in improvements to processing timeliness, operational effectiveness, and resource demands. Simulation models have been developed to measure changes in performance and costs that result from changes to our claims processing environment. This analysis will provide VA decisionmakers and stakeholders sound direction for pursuing modifications to our claims adjudication structure.

During the period of February through June 1997, our six BPR implementation planning teams came together to build on the BPR vision described in VBA's *Case for Change* report and design an execution plan for the implementation of the reengineered claims processing environment. The implementation plan, *The Blueprint for Change*, includes an integrated 5-year implementation schedule, risk assessment, and performance measurement criteria. VBA believes that opportunities for the consolidation of Adjudication Divisions will be a logical outcome of our compensation and pension BPR implementation activities. BPR will allow us to better identify the benefits in veterans services to be achieved through reorganization and to more clearly represent those benefits to our stakeholders and partners in service delivery. VBA considers the assessment

of consolidation opportunities to be an important facet of our ongoing strategic business planning and BPR activities.

RECOMMENDATION 3: The Under Secretary for Benefits should implement the recommendations of the BPR Rules and Pension Simplification report.

One of the BPR implementation teams specifically addressed the issue of pension simplification, and the results of their work are included in *The Blueprint for Change*. The recommendations presented by the team were further analyzed by a group within the Department and a proposal was developed. The proposal, which has been shared with OMB, is currently within the Department for further revision.

RECOMMENDATION 4: The Under Secretary for Benefits should emphasize the need to implement the following recommended actions:

a. Improve the timeliness of medical examinations for veterans applying for C&P benefits.

VBA is working closely with VHA to improve the timeliness of examinations through a variety of efforts. The timeliness of disability examinations is affected by a number of issues which include demands on limited resources, inadequate examinations, and “no show” rates. VBA and VHA are cooperatively addressing all three of these areas. We are completing a test of AMIE II, the Automated Medical Information Exchange system, with VISN 8 in Florida which gives access to medical center data bases to regional office decisionmakers to a much greater degree than previously, while at the same time providing medical center eligibility personnel real time access to the Benefits Delivery Network. Preliminary results of the test indicate that where the veteran has received recent treatment at a medical center, especially if that treatment was surgical or hospitalization, the need for a disability examination is greatly reduced. This then lowers the demand on these limited resources, especially regarding which specialist evaluations would have been required.

Enhanced AMIE also allows regional office decisionmakers to communicate electronically with examiners clarifying examination issues. It also allows the decisionmaker to obtain lab or x-ray test results acceptable for evaluation purposes which may have been overlooked in the examination process, but which were completed for treatment purposes. Both of these abilities help to reduce the number of inadequate/insufficient examination reports.

VBA, VHA, and BVA have worked cooperatively for well over a year through an examination process work group that has succeeded in improving the communication among the three elements to ensure that the examination request asks for what is truly needed and that the examination report provides what was requested.

Finally, within our reengineered environment we expect a much more dynamic and proactive exchange between the veteran and the regional office case manager in which we will have the opportunity to build a partnership with him or her in all aspects of the development of his or her claim. This should be reflected in a significantly improved “no show” rate.

b. Consolidate authority and responsibility so that a single individual is accountable for the timely and complete adjudication of any particular C&P claim.

The reengineered claims process described in *The Blueprint for Change* which we have begun implementing calls for there to be one --or in disability evaluation situations-- two individuals involved in the initial processing of any claim. We are proceeding to convert our organization to this environment through training and organizational structure changes currently under way together with the appropriate position classification work and fulfilling of partnership negotiations with the unions. Our goal is to be out of transition and completely into the new environment by 2002.

c. Expand the opportunity for veterans to choose their appeals hearings to be held locally.

The post decision review process described in *The Blueprint for Change* will be tested at 12 sites beginning in December 1997. Assuming that the test results are favorable, we anticipate national deployment of the full post-decision review process at all sites to occur in FY 1999. That process includes utilization of difference of opinion authority, use of informal and formal hearings, and a much more active and involved role played by both the claimant and his/her representative.

d. Routinely and frequently inform veterans of the status of their claims.

As described in *The Blueprint for Change*, we are revising our core processes to move to a case management approach to claims processing. This approach includes personal contact with the claimant in those types of cases which cannot be resolved either immediately or within a pre-determined time period. That contact will build expectations and identify those things which the veteran can help expedite getting. Further, as the claim progresses, the claimant will be kept abreast of developments.

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