

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Benefits Administration

*Review of
Special Monthly
Compensation
Housebound Benefits*

September 29, 2016
15-02707-277

ACRONYMS

OIG	Office of Inspector General
SMC	Special Monthly Compensation
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration

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Executive Summary

Why We Did This Review

We conducted this review to determine whether the Veterans Benefits Administration (VBA) properly granted entitlement to all statutory housebound special monthly compensation (SMC) benefits for living veterans with a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent. This review focused on whether VBA failed to pay or delayed paying any of these benefits. We also assessed the accuracy of SMC evaluations for veterans receiving compensation at the housebound rate, including statutory housebound, and housebound in fact, as well as SMC that had been incorrectly coded as housebound benefits.¹

What We Did

We conducted our review from March 2015 through February 2016. Our first review objective focused on a population of about 186,000 living veterans' cases nationwide that at some point were entitled to statutory housebound SMC benefits based on a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent as of March 10, 2015. To address our second objective, we reviewed a population of about 98,400 veterans' cases nationwide receiving compensation at the housebound rate for any reason as of March 10, 2015.

To accomplish our objectives, we reviewed applicable laws, regulations, policies, procedures, and guidelines. We also interviewed appropriate VBA management, employees, and other officials. We conducted onsite interviews with VBA management and staff at eight VA regional offices from September through November 2015. The VA regional offices in Atlanta, GA; Cleveland, OH; Lincoln, NE; Nashville, TN; Saint Petersburg, FL; Seattle, WA; Waco, TX; and Winston-Salem, NC, were selected based on having the most cases in our samples.

We reviewed a statistically selected random sample of 250 cases with eligibility to statutory housebound benefits, based on veterans having a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent as of March 10, 2015. We also reviewed a stratified random sample of 247 cases of veterans receiving compensation at the housebound rate and grouped according to their combined evaluation. We reviewed the claims folders and electronic records for each of the cases and sought to determine whether they had been accurately worked. For more information on the scope and methodology of this review, go to Appendix B.

¹ Unless otherwise noted, the terms "disability" and "disabilities" used throughout this report refer to service-connected disabilities.

What We Found

We identified errors in 45 of 250 cases (18 percent) in which veterans were entitled to statutory housebound benefits based on having a single disability rated as 100 percent disabling and one or more disabilities independently rated at 60 percent or more. Errors included failure to grant housebound benefits, failure to pay housebound benefits that had been granted, and prematurely reducing housebound benefits.

We also found errors in 127 of 247 cases (51 percent) in which veterans were being paid compensation at the housebound rate. In 10 additional cases, we could not determine whether housebound in-fact benefits were accurate because VBA's eligibility criteria were unclear. We identified different error rates within each group of our stratified sample. As a result, we estimated an overall error rate of 10 percent for veterans being paid compensation at the housebound rate, and a 27 percent error rate for veterans with combined evaluations that were 90 percent or less. Generally, the inaccuracies we identified involved housebound benefits for unemployable veterans, entry of SMC codes into the electronic system, and housebound benefits on an in-fact basis.

Why This Occurred

Generally, VBA staff failed to grant statutory housebound benefits because they overlooked the issue, and VBA's electronic reminder was ineffective. Errors for veterans being paid compensation at the housebound rate were due to ineffective training and a multi-step process for entering temporary housebound codes in the electronic system. VBA staff were also confused as to the requirements for use of the SMC Calculator. Finally, VBA has not clarified the meaning of "substantially confined" for housebound in-fact determinations.

What Resulted

Veterans entitled to statutory housebound benefits did not consistently receive correct benefits decisions. Based on sample projection results, we estimated errors in 33,400 of 186,000 cases. We estimated that these errors resulted in veterans being underpaid \$110.1 million through February 2015, and receiving recurring underpayments of \$1.8 million per month as of March 2015. In addition, we estimated that VBA staff delayed paying veterans \$54.3 million.

Errors for veterans receiving compensation at the housebound rate also resulted in incorrect benefits decisions. Based on sample projection results, we estimated errors in 2,600 of 9,800 cases for which veterans' combined evaluations were 90 percent or less. We estimated that these errors resulted in veterans being overpaid \$44.3 million through February 2015, with ongoing overpayments of \$1.1 million per month as of March 2015. These overpayments included \$21.4 million in benefits that were improper, which were ongoing at a rate of \$678,000 per month. The remaining overpayments of \$22.9 million were not supported by adequate documentation and were ongoing at a rate of \$427,000 per month. Veterans' monthly recurring overpayments generally continue for at least 5 months.

What We Recommended

We recommended the then Acting Under Secretary for Benefits establish plans to update the electronic system, conduct reviews of cases in which housebound benefits are being paid, provide updated training, remind staff to use the SMC Calculator in all SMC cases, and clarify the meaning of “substantially confined.”

Agency Comments

The Principal Deputy Under Secretary for Benefits concurred with our recommendations and stated that VBA will conduct an annual review of SMC housebound benefits with the initial review in October 2016, and then, each October thereafter. Compensation Service has provided business requirements for changes to the Veterans Benefits Management System-Rating application to prevent staff from completing a decision without considering potential eligibility to statutory housebound benefits any time a veteran has a single 100 percent evaluation and to add a requirement to discontinue temporary housebound benefits when a veteran no longer meets the criteria. VBA has required decision-makers to use the SMC Calculator and to include the worksheet results in the claims folder. This requirement is included in updated mandatory training for all Rating Veterans Service Representatives and Decision Review Officers. Furthermore, VBA has initiated a working group to clarify the statutory term “substantially confined” to ensure consistent application of this benefit. VBA plans to complete these actions by December 2016.

Finally, the Principal Deputy Under Secretary for Benefits stated that VBA has identified approximately 11,600 veterans being paid compensation at the housebound rate with a combined evaluation of 90 percent or less. VBA will review the cases and certification will be provided to the OIG. The target completion date for these actions is April 2017. The Principal Deputy Under Secretary for Benefits’ planned corrective actions are responsive to the recommendations, and we will follow up as required. To address Recommendation 1, VBA released VBMS 11.0 on June 17, 2016, which included new functionality that prevents staff from completing decisions without considering potential eligibility to statutory housebound benefits any time a veteran has a single 100 percent evaluation. Therefore, we consider Recommendation 1 closed and we will follow up as required.



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TABLE OF CONTENTS

Introduction.....	1
Results and Recommendations	3
Finding VBA’s Processing of SMC Housebound Benefits Needs Improvement	3
Recommendations.....	14
Appendix A Background.....	16
Appendix B Scope and Methodology	17
Appendix C Statistical Sampling Methodology	18
Appendix D Potential Monetary Benefits in Accordance With Inspector General Act Amendments	22
Appendix E Management Comments	23
Appendix F OIG Contact and Staff Acknowledgments	27
Appendix G Report Distribution	28

INTRODUCTION

Objectives

This review focused on whether the Veterans Benefits Administration (VBA) properly granted entitlement to all statutory housebound special monthly compensation (SMC) benefits for living veterans with a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent. More specifically, we focused on whether VBA failed to pay or delayed paying any of these benefits. We also assessed the accuracy of SMC evaluations for veterans receiving compensation at the housebound rate, including statutory housebound, and housebound in fact, as well as SMC that had been incorrectly coded as housebound benefits.

Special Monthly Compensation

As the concept of rating disabilities evolved, it was realized that for certain types of disabilities, the basic rate of compensation was not sufficient for the level of disability present. Therefore, SMC was established to recognize the severity of certain disabilities or combinations of disabilities by adding additional compensation to the basic rate of payment. VBA policy requires staff to address the issue of SMC whenever they can grant entitlement.²

Different levels of SMC can be assigned depending on a veteran's disabilities. Each level of SMC has corresponding codes that staff must enter in the electronic system, which control the amount of compensation the veteran receives. Staff must enter correct SMC codes to ensure they pay the appropriate level of SMC. Housebound is one type of SMC, and there are two categories of housebound benefits.³

Statutory Housebound

The "statutory housebound" benefit requires a single disability rated as totally disabling and one or more disabilities independently ratable at 60 percent.⁴ Statutory housebound depends entirely on the veterans' disability evaluations, and there is no requirement that the evaluations be permanent or that the veterans actually be confined to their home. For example, a veteran with a temporary 100 percent evaluation following a knee replacement and a 60 percent evaluation for asthma would be entitled to statutory housebound during that period, even if he/she could freely leave his/her home.

² M21-1MR Adjudication Procedures Manual, Part III, Subpart iv, Chapter 6, Section B, *Determining the Issues*

³ The relevant Federal law for SMC is Title 38 United States Code Section 1114, and the relevant Federal regulation is Title 38 Code of Federal Regulations Section 3.350. For VBA's guidance implementing this law and regulation, see M21-1MR Adjudication Procedures Manual, Part IV, Subpart ii, Chapter 2, Section H, Topic 46, *Entitlement to Housebound Benefits*.

⁴ M21-1MR Adjudication Procedures Manual, Part IV, Subpart ii, Chapter 2, Section H, Topic 46, *Entitlement to Housebound Benefits*

*Housebound
In-Fact*

The “housebound in-fact” benefit requires a single disability rated as totally disabling, and the veteran must be permanently housebound due to service-connected disabilities. Housebound in-fact requires that the veteran be substantially confined to his/her home, but leaving home for medical purposes cannot serve as the basis for finding that he/she is not substantially confined.⁵ For example, a veteran with a 100 percent evaluation for coronary artery disease with chronic congestive heart failure who is permanently unable to leave his/her home except for medical purposes would be entitled to housebound in-fact.

*Total Disability
Based on
Unemployability*

For housebound purposes, a total evaluation based on one disability making the veteran unemployable satisfies the requirement of a single disability rated as totally disabling.⁶ A single disability that is the basis for finding the veteran unemployable must generally be rated at 60 percent disabling or higher.⁷ Approval by the director of Compensation Service is required if the disability is rated less than 60 percent.⁸ For example, a veteran who is unemployable as a result of post-traumatic stress disorder rated at 70 percent disabling, and who also has a 60 percent evaluation for diabetes, would be entitled to statutory housebound benefits.

*Other
Information*

- Appendix A provides pertinent background information.
- Appendix B details our scope and methodology.
- Appendix C explains our statistical sampling methodology.
- Appendix D describes the potential monetary benefits.

⁵ M21-1MR Adjudication Procedures Manual, Part IV, Subpart ii, Chapter 2, Section H, Topic 46, *Entitlement to Housebound Benefits*

⁶ *Ibid.*

⁷ 38 CFR § 4.16

⁸ M21-1MR Adjudication Procedures Manual, Part III, Subpart iv, Chapter 6, Section B, Topic 5, *Extra-Schedular Consideration*

RESULTS AND RECOMMENDATIONS

Finding **VBA's Processing of SMC Housebound Benefits Needs Improvement**

VBA did not properly grant entitlement to all statutory housebound SMC benefits for living veterans with a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent. Furthermore, we found that VBA was not accurately paying SMC for veterans receiving compensation at the housebound rate, including statutory housebound, housebound in-fact, and other SMC incorrectly coded as housebound benefits. Specifically:

- We identified errors in 45 of 250 cases (18 percent) in which veterans were entitled to SMC statutory housebound benefits based on a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent or more. These errors included failure to grant housebound benefits, failure to pay housebound benefits that had been granted, and prematurely reducing housebound benefits. Generally, these errors occurred because VBA decision-makers overlooked the issue. Although VBA's electronic system included a prompt reminding staff to consider housebound benefits, this reminder was ineffective because it did not generate in all cases involving housebound benefits and was easy for staff to bypass. We estimated that errors occurred in 33,400 of 186,000 cases (18 percent). We further estimated that these errors resulted in veterans being underpaid \$110.1 million, through February 2015, and receiving recurring underpayments of \$1.8 million per month as of March 2015. In addition, we estimated that VBA staff delayed paying veterans \$54.3 million.
- We identified errors in 127 of 247 cases (51 percent) in which veterans were being paid compensation at the housebound rate, including statutory housebound, housebound in-fact, and other SMC incorrectly coded as housebound benefits. Generally, the errors we identified were due to ineffective training, a multi-step process in VBA's electronic system, confusion on the use of the SMC Calculator⁹, and ambiguous eligibility criteria. We estimated errors in 2,600 of 9,800 cases (27 percent) in

⁹ In July 2010, VBA released the SMC Calculator. Based on disabilities input by the user, the tool determines the appropriate SMC entitlement and provides the corresponding SMC codes.

which veterans' combined evaluations were 90 percent or less.¹⁰ We estimated that these errors resulted in veterans being overpaid \$44.3 million through February 2015 with ongoing overpayments of \$1.1 million per month as of March 2015 and which will continue until VBA staff take final action to discontinue the benefits.¹¹

**Statutory
Housebound
Benefits**

When veterans were entitled to statutory housebound benefits based on having a single disability rated as 100 percent disabling and one or more disabilities independently rated at 60 percent or more, we identified errors in 45 of 250 cases (18 percent). VBA quality assurance staff concurred with the errors we identified in all 45 cases.

The types of errors identified below are related to statutory housebound benefits made by VBA staff; cases with more than one error are included in multiple categories so the number of errors listed exceeds 45.

- In 41 cases, VBA staff failed to grant housebound benefits in rating decisions when veterans had a single disability rated as 100 percent disabling and one or more disabilities independently rated at 60 percent or more. In 25 of the 41 cases, subsequent rating decisions were made but failed to notice and grant these benefits.
- In six cases, VBA staff failed to pay housebound benefits to veterans after these benefits had been granted in rating decisions.
- In one case, VBA staff assigned an incorrect effective date for reduction and prematurely reduced the veteran's housebound benefits.
- In one case, VBA staff failed to provide proper notice and prematurely reduced the veteran's housebound benefits.

¹⁰ Our stratified sampling design allowed making a projection over the whole population and by groups based on combined evaluation. We identified errors in 127 of 247 cases (51 percent) in our sample. However, error rates within each group differed. As a result, we projected errors in 9,700 of 98,400 cases (10 percent) being paid compensation at the housebound rate, including 2,600 of 9,800 cases (27 percent) in which veterans' combined evaluations were 90 percent or less.

¹¹ We identified errors involving underpayments, as well as overpayments in cases for which veterans' combined evaluations were 100 percent. However, the amount of these improper payments was statistically immaterial.

**Staff
Overlooked
Benefits and
VBA's
Electronic
Reminder
Was
Ineffective**

Generally, these errors occurred because VBA decision-makers overlooked addressing entitlement to statutory housebound benefits and VBA's electronic reminder was ineffective to ensure they considered the issue. Staff we interviewed were aware that veterans with a single disability evaluated at 100 percent and independent disabilities evaluated at 60 percent were entitled to statutory housebound benefits. However, VBA policy requires staff to grant these benefits if entitlement is met, even if the veteran has not claimed them.¹² As a result, management and staff stated that these benefits can be easily overlooked.

VBA's electronic system does remind staff to consider housebound benefits. However, the system does not generate the reminder in all circumstances in which eligibility could exist. A veteran could become entitled to statutory housebound if a rating decision were to establish a single 100 percent evaluation, an independent 60 percent evaluation, or both. Furthermore, assigning a mere 10 percent evaluation could increase the veteran's independent combined evaluation to 60 percent.

For example, a newly granted 10 percent evaluation for tinnitus could establish eligibility to statutory housebound benefits if the veteran had previously been granted a 100 percent evaluation for prostate cancer and a 50 percent evaluation for sleep apnea. Even if staff grant no additional benefits in the current rating decision, they should grant any statutory housebound previously missed. As such, staff should consider potential eligibility to statutory housebound benefits any time a veteran has a single 100 percent evaluation.

We determined that the electronic system did not generate a reminder in all cases in which veterans had a single 100 percent evaluation. As such, it did not remind staff to consider statutory housebound benefits every time a veteran may have been eligible. VBA confirmed that a reminder was only generated when granting certain 100 percent evaluations, and other disabilities with specific evaluations. Furthermore, staff were not always aware of the reminder and others felt it could be easily bypassed. Management and staff agreed that a prompt requiring staff to address statutory housebound would help prevent these errors.

**Incorrect
Benefits
Decisions**

Veterans did not consistently receive correct benefits decisions. Based on sample projection results, we estimated that errors occurred in 33,400 of 186,000 cases. We estimated that these errors resulted in veterans being underpaid \$110.1 million through February 2015 and receiving recurring underpayments of \$1.8 million per month as of March 2015. In addition, we estimated that VBA staff delayed paying veterans \$54.3 million.

¹² M21-IMR Adjudication Procedures Manual, Part III, Subpart iv, Chapter 6, Section B, *Determining the Issues*

*Failure
To Pay
Statutory
Housebound
Benefits*

In 31 of the 45 cases we identified with errors, veterans had not received all statutory housebound benefits to which they were entitled. The errors resulted in 467 improper regular monthly payments totaling about \$148,000 through February 2015. In seven of these cases, the improper underpayments were still paid monthly as of March 2015 and totaling about \$2,400 per month. In one case, VBA staff failed to grant housebound benefits in a rating decision when the veteran had a single disability rated as 100 percent disabling and additional disabilities independently rated at 60 percent. Through February 2015, VA had underpaid the veteran approximately \$36,100 over a period of 9 years and 6 months, and he continued to be underpaid approximately \$350 per month. This was the most significant underpayment. In October 2015, VBA took corrective action and paid this benefit in full.

*Delayed
Payment of
Statutory
Housebound
Benefits*

VBA delayed paying statutory housebound benefits to veterans in 15 cases, one of which involved another period during which VBA also failed to pay them. Delays ranged from about 5 days to 6 years and 7 months. In one case, VBA staff failed to grant housebound benefits in an August 2008 rating decision when the veteran had a single disability rated as 100 percent disabling and additional disabilities independently rated at 60 percent. Five subsequent rating decisions also failed to grant these benefits. VBA staff granted the benefits in a July 2012 rating decision, but the payment made in August 2012 did not include all the housebound benefits that were granted. A May 2014 rating decision granted additional housebound benefits, but no action was taken to pay the veteran at that time. Although staff eventually paid these benefits in March 2015, they had deprived the veteran of payments totaling about \$14,200 over a period of about 6 years and 7 months. This was the most significant delay.

*Inaccuracies
in SMC Being
Paid at the
Housebound
Rate*

We identified errors in 127 of 247 cases (51 percent) in which veterans were being paid compensation at the housebound rate, including statutory housebound, housebound in-fact, and other SMC incorrectly coded as housebound benefits.

Table 1 reflects veterans' combined evaluations for service-connected disabilities, cases reviewed, and cases in which SMC was inaccurate.

Table 1. SMC Errors for Veterans Receiving Housebound Benefits

Veterans' Combined Disability Evaluation	Cases Reviewed	Cases With Errors	Error Rate (percent)
Less Than 60 Percent	5	5	100
60 Percent	42	33	79
70 Percent	50	45	90
80 Percent	50	29	58
90 Percent	50	11	22
100 Percent	50	4	8

Source: VA OIG analysis of accuracy of SMC benefits for veterans receiving compensation at the housebound rate as of March 10, 2015

Identified below are types of errors related to SMC made by VBA staff. Because cases with more than one error are included in multiple categories, the number of errors listed exceeds 127.

- In 43 cases, VBA staff based housebound benefits on a single disability making the veteran unemployable. However, these disabilities were rated at 50 percent disabling or less and did not meet VBA's requirements. Staff failed to get approval from the director of Compensation Service, which would have been required in order to appropriately grant these benefits.
- In 41 cases, VBA staff granted temporary housebound benefits. However, these benefits remained in effect because staff failed to properly enter SMC codes into the electronic system to discontinue them.
- In 15 cases, VBA staff proposed to discontinue veterans' housebound benefits. However, they failed to take timely action to finalize the decisions. In March 2015, final decisions were still needed in 10 of these cases; six of which did not have the required controls in the electronic system to ensure a final decision would be made.
- In 13 cases, VBA staff entered SMC codes into the electronic system that included housebound benefits. However, staff actually granted a lower rate of SMC than the codes they entered in eight of these cases. In the remaining five cases, staff actually granted a higher rate of SMC than the codes they entered.

- In 11 cases, VBA staff based housebound benefits on multiple disabilities making the veteran unemployable. However, VBA policy requires a single disability rated as totally disabling.¹³
- In eight cases, VBA staff granted housebound in-fact. However, there was no evidence demonstrating whether the veterans were confined to their residences because of service-connected disabilities.
- In six cases, VBA staff granted statutory housebound benefits to veterans with a single disability rated as total. However, in three of these cases veterans did not have the required independent disabilities rated at 60 percent for the entire period. In the remaining three cases, veterans never had the required independent disabilities rated at 60 percent.
- In four cases, VBA staff granted housebound in-fact. However, the evidence showed the veterans were not permanently confined to their residences, as required.
- In three cases, VBA staff granted some housebound benefits. However, they failed to award these benefits from the earliest date the veteran became eligible.
- In two cases, VBA staff reduced veterans' single disabilities that were rated as total. However, they failed to discontinue the veterans' housebound benefits once they were no longer eligible.
- In two cases, VBA staff reduced veterans' combined evaluations to less than 60 percent, independent of the single disability rated as total. However, they failed to discontinue the veterans' housebound benefits once they were no longer eligible.
- In one case, VBA staff based housebound benefits on a single disability rated as 100 percent disabling. However, the disability was actually rated as 50 percent.
- In one case, VBA staff granted SMC for aid and attendance to a veteran with a combined evaluation of 90 percent. However, staff failed to refer the case to Compensation Service for an advisory opinion that would have been required in order to appropriately grant this benefit.¹⁴

VBA quality assurance staff agreed with the errors we identified in 125 of the 127 cases (98 percent). Here are two cases in which quality assurance staff disagreed with our findings:

- VBA staff granted housebound in-fact due to a leg amputation. The examination for housebound status indicated the veteran could walk a

¹³ M21-1 Adjudication Procedures Manual, Part IV, Subpart ii, Chapter 2, Section F, Topic 4, *Preparing a Rating Decision Addressing the Issue of IU*

¹⁴ M21-1MR Adjudication Procedures Manual, Part IV, Subpart ii, Chapter 2, Section H, Topic 44, *Entitlement to SMC Based on the Need for Aid and Attendance (A&A)*

limited distance with crutches, and he usually left the home once a week to attend church. In addition, the examination listed both service-connected and nonservice-connected disabilities and failed to answer which restricted the veteran's activities. Quality assurance staff stated that the decision-maker did not commit a clear and unmistakable error when he/she liberally interpreted the evidence and used his/her judgment to determine that the veteran was substantially confined to his home as a result of his leg amputation. Although the evidence showed how often the veteran usually left his home, it failed to address under what circumstances he was able to leave home and which disabilities restricted his activities. Therefore, we upheld our error because the available evidence did not show the veteran was substantially confined to his home due to his service-connected disability, as required.

- VBA staff granted housebound in-fact due to kidney disease. Although no examination for housebound status was completed, an examination for the veteran's kidney condition indicated the condition prevented exercise, severely affected traveling, and noted that his "wife is driving." Quality assurance staff stated that the decision-maker did not commit a clear and unmistakable error when he/she liberally interpreted the evidence to determine that the veteran was housebound due to his kidney disease. Although the veteran's kidney condition prevented exercise, other medical evidence showed that he was able to ambulate independently. Furthermore, the medical examiner was not asked about, and did not provide, the circumstances in which the veteran was able to leave home. Finally, other medical evidence noted that he was advised not to drive due to a nonservice-connected disability. Therefore, we upheld our error because the available evidence did not show the veteran was substantially confined to his home due to his service-connected disability, as required.

*Unclear
Standard for
Housebound
In-Fact*

In 10 additional cases, we could not determine whether housebound in-fact benefits were accurate because VBA's eligibility criteria were unclear. VBA policy states that the requirement of being permanently housebound is met when veterans are "substantially confined" to their residence. Leaving home for medical purposes cannot, by itself, serve as the basis for finding that a veteran is not substantially confined.¹⁵

In 2006, the United States Court of Appeals for Veterans Claims stated that the term "substantially confined" was not defined by statute or regulation and found the meaning of the term ambiguous.¹⁶ In another 2006 decision, the court concluded that the term may conceivably be more broadly construed.¹⁷ However, VBA has not issued any additional guidance clarifying the meaning of "substantially confined."

¹⁵ M21-1MR Adjudication Procedures Manual, Part IV, Subpart ii, Chapter 2, Section H, Topic 46, *Entitlement to Housebound Benefits*

¹⁶ *Howell v. Nicholson*, 19 Vet. App. 535 (2006)

¹⁷ *Hartness v. Nicholson*, 20 Vet. App. 216 (2006), *rev'd on other grounds*

In 10 cases for which VBA staff granted housebound in-fact benefits, there was some evidence that these veterans had decreased ability to leave their homes. However, we were unable to determine whether or not these grants were appropriate because VBA's criteria were ambiguous.¹⁸ As such, we did not classify these cases as errors during our review.

**Systemic
Error
Trends**

We identified systemic trends in errors involving housebound benefits based on veterans being unemployable, SMC codes, and housebound in-fact. Generally, these errors were due to ineffective training and a multi-step process for entering temporary housebound codes in the electronic system. VBA staff were also confused as to the requirements for use of the SMC Calculator. Finally, VBA has not clarified the meaning of "substantially confined" for housebound in-fact determinations. We did not identify any other systemic trends related to SMC housebound benefits in the remaining errors.

**Ineffective
Training**

Generally, errors related to housebound based on a single disability, making the veteran unemployable, occurred because of ineffective training. Staff we interviewed stated that housebound benefits were some of the less complex SMC cases. However, some staff incorrectly interpreted policy and others were unsure of the correct procedures for determining whether the veterans had a single disability making them unemployable for housebound purposes.

We reviewed VBA's introductory SMC training materials and found that, while they did address the general regulatory requirements for housebound benefits, they did not cover scenarios in which a single disability made the veteran unemployable. In response to our review, VBA updated these training materials in July 2015, specifically addressing the error trends we identified. In August 2015, VBA issued further guidance related to housebound determinations when a single disability makes the veterans unemployable.

**Multi-Step
Coding
Process**

Errors related to incorrect SMC codes generally occurred because VBA's electronic system did not allow staff to simultaneously grant temporary housebound benefits and discontinue them. We observed that staff could indicate that housebound benefits were temporary in the electronic system, but they could not enter codes to discontinue them at the same time. After completing the housebound decision, staff had to remember to take an additional step to enter codes to discontinue the benefit. As such, staff we interviewed were aware they needed to enter new SMC codes to discontinue housebound entitlement, but stated that it was easy to forget. The August 2015 Compensation Service Quality Call noted that these errors were primarily due to a lack of attention to detail.

¹⁸ M21-IMR Adjudication Procedures Manual, Part IV, Subpart ii, Chapter 2, Section H, Topic 46, *Entitlement to Housebound Benefits*

*Confusion
Regarding
Use
of the SMC
Calculator*

In July 2010, VBA released the SMC Calculator that determines the SMC codes for staff to enter into VBA's electronic system based on inputs by the decision-maker. As such, this tool could have prevented some of the SMC coding errors we identified. However, VBA has not always required that the SMC Calculator be used in all cases. Initially, VBA policy required use of the SMC Calculator in all cases of multiple SMC entitlements that require a calculation. Although VBA policy currently states that staff must use the SMC Calculator, it does not specifically state that it must be used in all cases.¹⁹ As such, some staff we interviewed were unsure about when they were required to use the tool or felt that they were not required to use it in all SMC cases.

Furthermore, VBA policy requires staff to put the SMC Calculator worksheet results in the veteran's file.²⁰ However, staff we interviewed were unsure about whether this was required in all cases. VBA quality assurance staff we interviewed confirmed that they cannot determine whether decision-makers used the SMC Calculator if they do not include the worksheet results in the file. In July 2015, after we began our review, VBA changed its policy to copy and paste the SMC Calculator results into the rating decision, but not include a hard copy printout. Then, in January 2016, VBA revised the policy to again require staff to associate the worksheet results in the file and provided instructions for uploading them into an electronic file.

*Failure
To Clarify
Substantially
Confined*

Cases, for which we could not determine the accuracy of housebound in-fact decisions, and errors related to housebound in-fact generally occurred because VBA had not clarified the meaning of "substantially confined." Given that the Court of Appeals for Veterans Claims found the term to be ambiguous, we asked VBA to provide its standard for determining whether or not a veteran is substantially confined. A Compensation Service representative stated that VBA applies the term "substantially confined" on a case-by-case basis, depending on the facts, and considering a number of factors. However, the representative noted that he/she could not provide an objective standard. Another Compensation Service official noted that decision-makers would lose flexibility if VBA clarified the standard.

Management and staff we interviewed stated that they had not received a definition for "substantially confined." Without a clear standard, decision-makers were left to individually determine the evidence necessary to meet their subjective interpretation of "substantially confined." Generally, staff we interviewed stated that they had never granted SMC for housebound in-fact. Quality assurance staff reported they would not be able to classify a decision as an error if employees used their judgment. Management and staff generally agreed they would benefit from a clear standard.

¹⁹ M21-1 Adjudication Procedures Manual, Part IV, Subpart ii, Chapter 2, Section H, Topic 1, *General Information on SMC*

²⁰ *Ibid.*

***Incorrect
Benefits
Decisions***

Veterans did not consistently receive correct benefits decisions. Based on sample projection results, we estimated that errors occurred in 2,600 of 9,800 cases for which veterans' combined evaluations were 90 percent or less. We further estimated that these errors resulted in veterans being overpaid \$44.3 million through February 2015, with ongoing overpayments of \$1.1 million per month as of March 2015. These overpayments included \$21.4 million in benefits that were improper and which were ongoing at a rate of \$678,000 per month. The remaining overpayments of \$22.9 million were not supported by adequate documentation and were ongoing at a rate of \$427,000 per month.

Veterans' monthly recurring overpayments generally continue for at least 5 months. To correct these cases, VBA staff must inform veterans of the proposed reductions. Then, VBA staff generally cannot take final action to reduce benefits until the 65th day following notice of the proposed reduction. Ultimately, payments are reduced effective the last day of the month following 60 days from the notice of the final decision.

We found cases in which VBA failed to take timely action to finalize proposed reductions. Therefore, VBA management and staff should ensure that correction of errors identified is expedited. In addition, some cases did not have the required controls in the electronic system to identify and track proposed reductions. To ensure final decisions are made and the integrity of VBA's data is not compromised, management and staff must use the required controls in the electronic system when taking action to finalize proposed reductions.

Although the errors we identified also involved underpayments, the amount associated with underpayments was statistically immaterial. In addition, we identified errors involving overpayments in cases for which veterans' combined evaluations were 100 percent, but these improper payments were also statistically immaterial.

***Inaccuracies
Affecting
Benefits***

Available evidence showed that in 124 of the 127 cases we identified, errors affected veterans' benefits. The errors resulted in 5,397 improper regular monthly payments totaling approximately \$3.7 million through February 2015. In 118 cases, improper payments were recurring monthly as of March 2015, totaling about \$112,000 per month.

Table 2 reflects veterans' combined evaluations for service-connected disabilities and the improper payments we identified in our sample for cases in which SMC was inaccurate.

Table 2. Improper Payments Resulting From SMC Errors

Veterans' Combined Disability Evaluation	Cumulative Overpayment	Cumulative Underpayment	Recurring Monthly Overpayment	Recurring Monthly Underpayment
Less Than 60 Percent	\$295,000	\$0	\$11,600	\$0
60 Percent	\$1.4 million	\$0	\$47,000	\$0
70 Percent	\$1.2 million	\$16,100	\$36,400	\$360
80 Percent	\$521,000	\$17,000	\$11,700	\$0
90 Percent	\$165,000	\$23,400	\$4,100	\$360
100 Percent	\$45,500	\$0	\$350	\$0

Source: VA OIG analysis of improper payments resulting from errors in SMC benefits

Note: Improper payments do not total due to rounding.

Details of the most significant overpayment and underpayment follow.

- VBA staff granted temporary SMC housebound benefits. However, these benefits remained in effect because staff failed to properly enter SMC codes into the electronic system to discontinue them. Through February 2015, VA had overpaid the veteran approximately \$154,000 over a period of 4 years and 6 months, and he continued to be overpaid approximately \$3,000 per month. In February 2016, VBA took final action and discontinued the improper housebound benefits effective May 1, 2016.
- VBA staff granted SMC for aid and attendance. However, they incorrectly entered the decision into the electronic system as housebound benefits causing the veteran to be compensated at a lower rate. Through February 2015, VA had underpaid the veteran approximately \$23,400 over a period of 5 years and 8 months, and she continued to be underpaid approximately \$360 per month. In March 2016, VBA took corrective action and paid this benefit in full.

*Inaccuracies
With the
Potential To
Affect Benefits*

In the remaining three cases, we identified errors that had the potential to affect veterans' benefits. These included cases for which we could not definitively determine when improper payments would have started or the improper payments would have been made after we began our review.

*Potential for
Inconsistent
Benefits
Decisions*

We could not determine whether 10 additional cases were accurate as a result of VBA's ambiguous standard for housebound in-fact. Therefore, we did not classify these cases as errors. However, we are concerned that veterans could be receiving disparate treatment. Because staff could interpret "substantially confined" differently, some may grant the benefit, while others may deny it, based on the same facts. Without a clear definition of "substantially confined," VBA cannot ensure consistent decisions.

Conclusion

VBA staff did not accurately address housebound benefits. As a result, some veterans did not receive benefits to which they were entitled while taxpayer funds were wasted paying other veterans who did not meet the eligibility criteria. Furthermore, VBA's failure to clarify ambiguity regarding the meaning of the term "substantially confined" put veterans at risk of disparate treatment. Allowing staff to arbitrarily decide these claims based on their own interpretations could result in different decisions based on the same evidence.

Recommendations

1. We recommended the then Acting Under Secretary for Benefits establish a plan to update the electronic system to prevent staff from completing a decision without considering potential eligibility to statutory housebound benefits any time a veteran has a single 100 percent evaluation.
2. We recommended the then Acting Under Secretary for Benefits conduct a review of all veterans being paid compensation at the housebound rate with a combined evaluation of 90 percent or less and provide certification of completion of the review to the Office of Inspector General.
3. We recommended the then Acting Under Secretary for Benefits establish a plan to conduct periodic reviews of high-risk cases in which housebound benefits are being paid.
4. We recommended the then Acting Under Secretary for Benefits implement a plan to provide all decision-makers the updated special monthly compensation training and monitor the effectiveness of the training.
5. We recommended the then Acting Under Secretary for Benefits establish a plan to update the electronic system to ensure staff discontinue temporary housebound benefits when the criteria are no longer met.
6. We recommended the then Acting Under Secretary for Benefits remind staff of the requirements to use the Special Monthly Compensation Calculator in all special monthly compensation cases and include the results in the file, and implement a plan to ensure compliance.

7. We recommended the then Acting Under Secretary for Benefits clarify the meaning of the term “substantially confined” for housebound in-fact benefits.

**Management
Comments**

The Principal Deputy Under Secretary for Benefits concurred with our recommendations and stated that VBA will conduct an annual review of SMC housebound benefits with the initial review to take place in October 2016 and, then, each October thereafter. Compensation Service has provided business requirements for changes to the Veterans Benefits Management System-Rating application to prevent staff from completing a decision without considering potential eligibility to statutory housebound benefits any time a veteran has a single 100 percent evaluation, and to add a requirement to discontinue temporary housebound benefits when a veteran no longer meets the criteria.

VBA has required decision-makers to use the SMC Calculator and to include the worksheet results in the claims folder. This requirement is included in updated mandatory training for all Rating Veterans Service Representatives and Decision Review Officers. Furthermore, VBA has initiated a working group to clarify the statutory term “substantially confined” to ensure consistent application of this benefit. VBA plans to complete these actions by December 2016.

Finally, the Principal Deputy Under Secretary for Benefits stated that VBA had identified approximately 11,600 veterans being paid compensation at the housebound rate with a combined evaluation of 90 percent or less. VBA will review the cases and certification will be provided to the OIG. The target completion date for these actions is April 2017.

**OIG
Response**

The Principal Deputy Under Secretary for Benefits' planned corrective actions are responsive to the recommendations. To address Recommendation 1, VBA released VBMS 11.0 on June 17, 2016, which included new functionality that prevents staff from completing decisions without considering potential eligibility to statutory housebound benefits any time a veteran has a single 100 percent evaluation. Therefore, we consider Recommendation 1 closed and we will follow up on the recommendations as required.

Appendix A Background

Purpose of SMC

SMC is an additional level of compensation to veterans above the basic rates as, in the past, payment rates for some conditions were not found to be sufficient for the level of disability present. Therefore, SMC was established to recognize the severity of certain disabilities or combinations of disabilities by adding an additional compensation to the basic rate of payment. VBA policy requires staff to address the issue of SMC whenever they can grant entitlement.

VBA Criteria for SMC Housebound Benefits

Housebound benefits, a type of SMC, are split into two categories:

- **Statutory Housebound:** This category requires a single disability rated as total and one or more disabilities independently ratable at 60 percent or more. There is no requirement that the disabilities be permanent in nature.²¹
- **Housebound in-Fact:** This category requires a single disability rated as total and the veteran must be permanently housebound due to service-connected disabilities. The veteran is required to be substantially confined to his/her home.²² In 2006, the United States Court of Appeals for Veterans Claims noted the term “substantially confined” was not defined by statute or regulation and found the meaning ambiguous.²³ However, the court held that leaving home for medical purposes by itself does not preclude entitlement to housebound in-fact benefits. In a subsequent 2006 decision, the court concluded that the term may conceivably be more broadly construed to incorporate facts such as capacity to walk approximately 100 yards, leaving the house once or twice a week to go to the grocery store or church with the help of a friend, and the ability to mow one’s lawn.²⁴ However, VBA has not issued additional guidance clarifying the meaning of “substantially confined.”

In 2008, the United States Court of Appeals for Veterans Claims held that a total evaluation based on one disability making the veteran unemployable satisfies the requirement of a single disability rated as total for housebound benefits.²⁵

²¹ M21-1MR Adjudication Procedures Manual, Part IV, Subpart ii, Chapter 2, Section H, Topic 46, *Entitlement to Housebound Benefits*

²² *Ibid.*

²³ *Howell v. Nicholson*, 19 Vet. App. 535 (2006)

²⁴ *Hartness v. Nicholson*, 20 Vet. App. 216 (2006), *rev'd on other grounds*

²⁵ *Bradley v. Peake*, 22 Vet. App. 280 (2008)

Appendix B Scope and Methodology

Scope

We conducted our review from March 2015 through February 2016. The review focused on a universe of about 186,000 cases nationwide of currently living veterans. These veterans were entitled to statutory housebound SMC benefits based on a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent as of March 10, 2015. We also reviewed a population of about 98,400 veterans' cases nationwide receiving compensation at the housebound rate as of March 10, 2015.

Methodology

To accomplish our objectives, we reviewed applicable laws, regulations, policies, procedures, and guidelines. We also interviewed appropriate VBA management, employees, and other officials. We conducted onsite interviews with VBA management and staff at eight VA regional offices from September through November 2015. The VA regional offices in Atlanta, GA; Cleveland, OH; Lincoln, NE; Nashville, TN; Saint Petersburg, FL; Seattle, WA; Waco, TX; and Winston-Salem, NC, were selected based on having the most cases in our samples.

In collaboration with the VA OIG statisticians, we developed a sampling methodology that required the review of a statistically selected random sample of 250 cases with eligibility to statutory housebound benefits, based on veterans having a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent as of March 10, 2015. We also developed a sampling methodology that required the review of a stratified random sample of 247 cases in which veterans were receiving compensation at the housebound rate. For each of the cases in our samples, we reviewed claims folders, as well as electronic records, and determined whether they were accurately worked. Appendix C provides details on the statistical sampling methodology and projections.

Data Reliability

We used computer-processed data from VBA's Corporate Database. To test for reliability, we reviewed the data to determine whether any data were missing key fields, including any calculation errors, or were outside the time frame requested. We assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Furthermore, we compared veterans' names, file numbers, Social Security numbers, VARO numbers, and combined degree percentage, as provided in the data received, with information contained in the cases we reviewed. Our testing of the data disclosed that they were sufficiently reliable for our review objectives.

Government Standards

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Appendix C Statistical Sampling Methodology

Sampling Methodology

We reviewed a representative sample of veterans' cases with entitlement to statutory housebound SMC benefits based on a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent to determine whether VBA accurately granted these benefits. We also reviewed a representative sample of veterans' cases receiving compensation at the housebound rate to determine whether VBA accurately addressed the SMC benefits. We used statistical sampling to estimate the populations, to quantify the number of cases with errors, and to project the potential monetary effect.

Population

The estimated population with entitlement to statutory housebound SMC benefits based on a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent as of March 10, 2015 included about 186,000 veterans. The estimated population receiving compensation at the housebound rate as of March 10, 2015 included about 98,400 veterans.

Sampling Design

We selected a random sample of 250 veterans' cases with entitlement to statutory housebound SMC benefits based on a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent. All cases had the same probability of being selected to allow making a projection over the whole population.

We also selected a sample of 247 veterans' cases receiving compensation at the housebound rate stratified based on their combined evaluation. This included all 47 available cases with a combined evaluation of 60 percent or less, and random samples of 50 each with combined evaluations of 70, 80, 90, and 100 percent. Within each group, all cases had the same probability of being selected to allow making a projection over the whole population and by group.

Weights

We calculated estimates in this report using weighted sample data. Sampling weights are computed by taking the product of the inverse of the probabilities of selection at each stage of sampling.

Projections and Margins of Error

We used WesVAR software to calculate the weighted universe estimates and associated sampling errors. WesVar employs replication methodology to calculate margins of error and confidence intervals that correctly account for the complexity of the sample design.

The margins of error and confidence intervals are indicators of the precision of the estimates. If we repeated this audit with multiple samples, the confidence intervals would differ for each sample, but would include the true population value 90 percent of the time. For example, we are 90 percent

confident the true universe for veterans entitled to housebound benefits based on a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent as of March 10, 2015 is between 168,944 and 202,296.

Table 3 shows the review projections for estimated population, cases with errors, and monetary effect in cases of veterans with entitlement to statutory housebound SMC benefits based on a single disability rated as 100 percent and one or more disabilities independently rated at 60 percent.

Table 3. Summary of Projections and Confidence Intervals for Veterans Entitled to Housebound Benefits With a Single Disability Rated as 100 Percent and One or More Disabilities Independently Rated as 60 Percent

Results	Projections	Margin of Error	Lower Limit 90% Confidence Interval	Upper Limit 90% Confidence Interval	Sample Size
Estimated Population	185,620	16,676	168,944	202,296	250
Cases With Errors	33,412	8,013	25,399	41,425	250
Error Rate	18%	4%	14%	22%	250
Cumulative Underpayments	\$110,129,706	\$63,992,446	\$46,137,260	\$174,122,152	250
Recurring Monthly Underpayments	\$1,802,652	\$1,118,309	\$684,344	\$2,920,961	250
Delayed Payments	\$54,276,770	\$37,035,573	\$17,241,197	\$91,312,343	250

Source: VA OIG statisticians' projection of estimated population, cases with errors, and monetary effect. Our data sample was obtained from VBA's Corporate Database on March 10, 2015.

Table 4 shows the review projections for estimated population, cases with errors, and monetary effect in cases of veterans receiving compensation at the housebound rate with combined evaluations of 90 percent or less.

Table 4. Summary of Projections and Confidence Intervals for Veterans Receiving Compensation at the Housebound Rate With a Combined Evaluation of 90 Percent or Less

Results	Projections	Margin of Error	Lower Limit 90% Confidence Interval	Upper Limit 90% Confidence Interval	Sample Size
Estimated Population	9,823	32	9,791	9,856	197
Cases With Errors	2,644	854	1,790	3,497	197
Error Rate	26.9%	8.7%	18.2%	35.6%	197
Total Cumulative Overpayments	\$44,283,987	\$19,585,075	\$24,698,912	\$63,869,062	197
Improper	\$21,385,713	\$15,399,654	\$5,986,059	\$36,785,367	197
Unsupported	\$22,898,274	\$13,096,372	\$9,801,902	\$35,994,646	197
Total Recurring Monthly Overpayments	\$1,105,475	\$495,632	\$609,843	\$1,601,107	197
Improper	\$678,107	\$462,843	\$215,265	\$1,140,950	197
Unsupported	\$427,368	\$215,619	\$211,748	\$642,987	197

Source: VA OIG statisticians' projection of estimated population, cases with errors, and monetary effect. Our data sample was obtained from VBA's Corporate Database on March 10, 2015.

Note: We did not include projections for underpayments because they were statistically immaterial.

Table 5 shows the review projections for estimated population and cases with errors in all instances of veterans receiving compensation at the housebound rate.

Table 5. Summary of Projections and Confidence Intervals for All Veterans Receiving Compensation at the Housebound Rate

Results	Projections	Margin of Error	Lower Limit 90% Confidence Interval	Upper Limit 90% Confidence Interval	Sample Size
Estimated Population	98,436	2,926	95,510	100,238	247
Cases With Errors	9,733	5,737	3,996	15,470	247
Error Rate	9.9%	5.8%	4.1%	15.7%	247

Source: VA OIG statisticians' projection of cases with errors. Our data sample was obtained from VBA's Corporate Database on March 10, 2015.

Note: We did not include projections for improper payments in cases with a combined evaluation of 100 percent because they were statistically immaterial. The upper limit of the estimated population was adjusted based on the universe of veterans receiving compensation at the housebound rate.

Appendix D Potential Monetary Benefits in Accordance With Inspector General Act Amendments

Recommendations	Explanation of Benefits	Better Use of Funds	Questioned Costs <i>(in millions)</i>
1	We estimated errors resulted in improper underpayments of \$110.1 million.	\$0	\$110.1
2-7	We estimated errors resulted in improper overpayments of \$21.4 million.	\$0	\$21.4
2-7	We estimated errors resulted in unsupported overpayments of \$22.9 million.	\$0	\$22.9
Total		\$0	\$154.4

Appendix E Management Comments

Department of Veterans Affairs

Memorandum

Date: August 22, 2016
From: Office of the Under Secretary for Benefits (20)
Subj: OIG Draft Report—Review of Special Monthly Compensation Housebound Benefits—VAIQ 7675134
To: Assistant Inspector General for Audits and Evaluations (52)

1. As requested, attached is VBA's update on the recommendations in the OIG draft report: Review of Special Monthly Compensation Housebound Benefits.
2. Questions may be referred to Christine Ras, Program Analyst, at 461-9057.

(Original signed by:)

THOMAS J. MURPHY
Principal Deputy Under Secretary for Benefits
Performing the Duties of
Under Secretary for Benefits

Attachments

**Veterans Benefits Administration (VBA)
Update on Recommendations in OIG Draft Report
Review of Special Monthly Compensation Housebound Benefits**

VBA concurs with OIG's findings in the draft report and provides the following comments in response to the recommendations:

Recommendation 1: We recommended the Acting Under Secretary for Benefits establish a plan to update the electronic system to prevent staff from completing a decision without considering potential eligibility to statutory housebound benefits any time a veteran has [a] single 100 percent evaluation.

VBA's 4/19/16 Response to Draft: Concur. In August 2015, Compensation Service provided business requirements for systemic changes to the Veterans Benefits Management System-Rating (VBMS-R) application to the Office of Information and Technology (OI&T). The modifications will prevent staff from completing a decision without considering potential eligibility to statutory housebound benefits any time a Veteran has a single 100-percent evaluation. The new functionality will be included in VBMS release 11.0, which is scheduled for deployment in June 2016. Attached is a copy of the VBMS Release 11.0 Scope (Attachment A). Target Completion Date: June 30, 2016

VBA's Current Status: On June 17, 2016, VBA released VBMS 11.0, which included new functionality that prevents staff from completing decisions without considering potential eligibility to statutory housebound benefits any time a Veteran has a single 100-percent evaluation. A copy of the draft VBMS Release Notes for this update is attached (Attachment A). VBA requests closure of this recommendation.

Recommendation 2: We recommended the Acting Under Secretary for Benefits conduct a review of all veterans being paid compensation at the housebound rate with a combined evaluation of 90 percent or less and provide certification of completion of the review to the Office of Inspector General.

VBA's 4/19/16 Response to Draft: Concur. VBA has identified approximately 11,600 Veterans being paid compensation at the housebound rate with a combined evaluation of 90 percent or less. VBA will review the cases and provide certification of completion of the review to OIG. Target Completion Date: April 28, 2017

VBA's Current Status: VBA has no additional information to provide beyond the April 19, 2016, response to the draft report.

Recommendation 3: We recommended the Acting Under Secretary for Benefits establish a plan to conduct periodic reviews of high-risk cases in which housebound benefits are being paid.

VBA's 4/19/16 Response to Draft: Concur. VBA will conduct an annual review of special monthly compensation (SMC) housebound benefits with the initial review in October 2016, and then each October thereafter. Target Completion Date: December 31, 2016

VBA's Current Status: VBA has no additional information to provide beyond the April 19, 2016, response to the draft report.

Recommendation 4: We recommended the Acting Under Secretary for Benefits implement a plan to provide all decision makers the updated special monthly compensation training and monitor the effectiveness of the training.

VBA's 4/19/16 Response to Draft: Concur. Compensation Service updated the "Higher Levels of SMC" training module to include a job aid that identifies common errors. The training module includes the requirement to utilize the SMC Calculator and place the results in the Veteran's file. On

February 25, 2016, the updated materials (Attachments B-F) were posted to the Talent Management System Learning Catalog under number 4178898. The training is mandatory for all Rating Veterans Service Representatives (RVSRs) and Decision Review Officers (DROs) and must be completed by July 1, 2016. Target Completion Date: July 31, 2016

VBA's Current Status: The Compensation Service training staff analyzed the results of the Talent Management System (TMS) report for "Higher Levels of SMC" and determined that the training was not properly assigned to all RVSRs and DROs. Therefore, on August 4, 2016, the training staff assigned the mandatory training, via TMS, to the remaining RVSRs and DROs. The training must be completed by September 30, 2016. Target Completion Date: October 15, 2016.

Recommendation 5: We recommended the Acting Under Secretary for Benefits establish a plan to update the electronic system to ensure staff discontinue temporary housebound benefits when the criteria are no longer met.

VBA's 4/19/16 Response to Draft: Concur. Compensation Service submitted a change order (Attachment G) for VBMS-R to add a requirement to discontinue temporary housebound benefits when a Veteran no longer meets the criteria. VBA submitted the change order to OI&T in March 2016 and requested the functionality be included in VBMS release 11.1, which is scheduled for September 2016. Target Completion Date: September 30, 2016

VBA's Current Status: VBA has no additional information to provide beyond the April 19, 2016, response to the draft report.

Recommendation 6: We recommended the Acting Under Secretary for Benefits remind staff of the requirements to use the Special Monthly Compensation Calculator in all special monthly compensation cases and include the results in the file and implement a plan to ensure compliance.

VBA's 4/19/16 Response to Draft: Concur. According to M21-1, Part IV, Subpart ii, Chapter 2, Section H.1, rating activity **must** use the SMC Calculator on the Compensation Service "Rating Job Aids" web page to determine the appropriate SMC codes and SMC paragraphs for the rating decision. Decision-makers are also required to include the SMC Calculator worksheet results in the claims folder.

As previously noted in Recommendation 4, Compensation Service updated the "Higher Levels of SMC" training module to include a job aid that identifies common errors. The training module includes the requirement to utilize the SMC Calculator and place the worksheet results in the Veteran's file. On February 25, 2016, the updated material was posted to the Talent Management System Learning Catalog number 4178898. The training is mandatory for all RVSRs and DROs and must be completed by July 1, 2016.

During the April 2016 Veterans Service Center Managers call, Compensation Service will remind regional offices of the requirement to use the SMC Calculator and store the results in the claims folder. The reminder of the mandatory procedures will also be published in the April 2016 Compensation Service Bulletin. Target Completion Date: April 30, 2016

VBA's Current Status: Compensation Service was unable to implement the recommendation by April 30, 2016. However, during the May 19, 2016, Veterans Service Center Managers call, Compensation Service reminded staff at all regional offices of the requirement to use the SMC Calculator and store the results in the claims folder. A reminder of mandatory procedures was published in the May 2016 Compensation Service Bulletin (Attachment B).

As previously noted in response to Recommendation 4, the Compensation Service training staff analyzed the results of the TMS report for "Higher Levels of SMC" and determined that the training was not properly assigned to all RVSRs and DROs. Therefore, on August 4, 2016, the training staff assigned the

mandatory training, via TMS, to the remaining RVSRs and DROs. The training must be completed by September 30, 2016. Target Completion Date: October 15, 2016.

Recommendation 7: We recommended the Acting Under Secretary for Benefits clarify the meaning of the term "substantially confined" for housebound in-fact benefits.

VBA's 4/19/16 Response to Draft: Concur. VBA has initiated a working group to determine the best course of action to clarify the statutory term "substantially confined" to ensure consistent application of this benefit. VBA anticipates having a recommended course of action by the end of June 2016. Target Completion Date: June 30, 2016

VBA's Current Status: VBA is in the process of updating the Adjudication Procedures Manual, M21-1, to better define the term "substantially confined" and will provide examples that will guide decision makers on determining housebound status on a factual basis. Target Completion Date: September 30, 2016.

*Due to the number and length, the attachments were not included in this report.
Any request for copies of the attachments may be submitted to VA OIG's Release of Information Office.*

*For accessibility, the format of the original documents in this
appendix has been modified to fit in this document.*

Appendix F **OIG Contact and Staff Acknowledgments**

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Dana Sullivan, Director Orlan Braman Brett Byrd Lee Giesbrecht Tyler Hargreaves Wen Hsu Jeff Myers Michele Stratton Rachel Stroup Nelvy Viguera Butler Claudia Wellborn
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Appendix G Report Distribution

VA Distribution

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