

**STATEMENT OF  
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BEFORE  
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS  
COMMITTEE ON VETERANS' AFFAIRS  
UNITED STATES HOUSE OF REPRESENTATIVES  
HEARING ON DISABILITY CLAIMS RATINGS AND BENEFITS  
DISPARITIES WITHIN THE VETERANS BENEFITS ADMINISTRATION**

**October 16, 2007**

**INTRODUCTION**

Mr. Chairman and Members of the Subcommittee, I am pleased to be here to address the Office of Inspector General's (OIG) report, *Review of State Variances in VA Disability Compensation Payments*, issued May 19, 2005. Today, I will summarize the report and our subsequent activity relating to the report, and provide observations on the remaining actions needed to reduce unacceptable variances in average annual disability compensation payments. With me is Joseph Vallowe, Deputy Assistant Inspector General for Management and Administration, who can answer questions about implementation of OIG recommendations and our work since the report was issued.

**THE OIG REPORT**

Our review confirmed that variances in average annual disability compensation payments by state have existed for decades. In trying to understand why these variances exist, we identified and assessed more than 20 possible factors. Based on our assessment, we discovered that some of the factors contributing to differences in average payments by state, such as the veteran's period and branch of service, number of dependents, and disabling conditions, are not within the Veterans Benefits Administration's (VBA) control. Since these factors are not within VBA's control and all veterans are not identical, we concluded that some level of variance across states is expected.

On the other hand, we also discovered that some of the factors that impact average payments are within VBA's control, such as disability rating decisions. To better understand the impact of rating decisions on the variance, we analyzed claims data for fiscal year (FY) 2004, and concluded that much of the information needed to make these decisions is subject to varying degrees of interpretation and judgment,

by both veterans when providing information on their medical condition and VBA claims adjudicators when assessing this information for rating purposes. We also determined that the degree of rater subjectivity can be influenced by differences in the way medical examination results are presented, by vague criteria set forth in the Rating Schedule for some disabling conditions, and by the amount of training and rater experience. In short, subjectivity can lead to inconsistencies in rating decisions, which can influence variances in average annual disability compensation payments nationwide. As such, the issue is not whether a variance exists but whether the magnitude of the variance is acceptable.

Our report included eight recommendations aimed at improving consistency in rating decisions in order to reduce unacceptable variances. VBA has taken acceptable action to implement those recommendations. In particular, our report recommended that VBA conduct a scientifically sound study of the major influences on compensation payments in order to develop data and metrics for monitoring and managing variances. The December 2006 Institute for Defense Analyses (IDA) report conducted as a result of this recommendation confirmed our review findings and made meaningful recommendations to assist VBA in understanding and reducing unacceptable variances.

Other key actions taken by VBA in response to our recommendations include:

- Coordinating with the Veterans' Disability Benefits Commission to discuss issues pertaining to revising and clarifying the Rating Schedule.
- Forming the Consistency Analysis Study Group, which provided a plan to identify, analyze, and rectify inconsistencies in disability evaluations.
- Deploying 57 standardized medical examination templates that are used to submit examination results to VBA for rating decisions.
- Hiring 1,100 additional benefits processing staff and providing additional standardized training for rating decision makers.
- Enhancing outreach efforts by mailing 325,000 letters to veterans in the six states with the lowest average disability compensation payment in FY 2004, advising them of steps to follow if they want to reopen their disability claim.

## **OIG ANALYSIS OF CURRENT STATUS AND REMAINING ACTIONS**

In preparation for this hearing, we obtained updated information on average annual disability compensation payments, reviewed the IDA report, and updated

our information on VBA activities since our report was issued with the purpose of identifying what remains to be done to improve rating consistency and reduce unacceptable variances.

In our 2005 report, we indicated that the variance in average annual disability compensation payments between the highest and lowest states was \$5,043 in FY 2004. We recently obtained compensation payment data by state for FYs 2005 and 2006. Because VBA is in the process of migrating disability benefit claims data from the Benefits Delivery Network system to the VETSNET system, we were unable to obtain complete data for FY 2007. The variance was \$5,061 for FY 2005 and \$5,105 for FY 2006. While the trend in variances continues to increase, it is doing so at a much lower rate than in the previous 5 years, which averaged \$332 a year. We also discovered that one reason for this decline can be attributed to more consistent ratings for new claims. In fact, the national variance in new claims declined from \$6,054 in FY 2004 to \$4,477 in FY 2006. This was directly attributed to an increase in average payment by the lowest state and a decrease in average payment by the highest state.

While some progress has been made, VBA remains challenged to improve the consistency of rating decisions. To achieve this, we believe further efforts are needed in monitoring and measuring variations in rating decisions by state and VBA regional offices. In particular, we recommend that VBA review claims folders for particular diagnostic codes or body systems where ratings fall outside the expected variance range to determine whether the rating is justified or explained by unacceptable causes, such as incorrect or subjective application of the standards. VBA should incorporate what it learns from these reviews to improve rating consistency nationwide. This approach is consistent with the plan submitted by the Consistency Analysis Study Group and with IDA's recommendations.

In response to our 2007 Major Management Challenges, VBA stated that it conducted a pilot project to monitor the consistency of decision-making for rating-related claims and conducted a consistency review focusing on evaluations of post-traumatic stress disorder (PTSD) claims from a regional office identified as a statistical outlier. VBA also developed a plan to expand its Systematic Technical Accuracy Review (STAR) quality assurance program to enable increased sampling, expanded rating data analysis, and focused disability decision reviews. During FY 2008, VBA plans to begin quarterly monitoring of rating decisions by diagnostic code, complete the 2007 pilot by conducting consistency reviews focused on Individual Unemployability claims from a statistical outlier regional office, and increase staff to accomplish additional STAR reviews.

Our report also identified the Rating Schedule as a contributing factor to the subjectivity associated with the disability rating process. The Veterans' Disability Benefits Commission was charged with evaluating the Rating Schedule and making recommendations for changing or updating it. We defer to the Commission's recommendations, but would like to point out that effectively dealing with the issue of inconsistency in disability ratings cannot entirely occur until the subjectivity inherent in the Rating Schedule is addressed.

## **CONCLUSION**

In closing, we strongly encourage VBA to continue its efforts toward identifying and reducing unacceptable variances. Implementation of VBA's Consistency Analysis Study Group plan and IDA's recommendations will assist VBA in improving the consistency of ratings decisions. While VBA has made some progress, further efforts are needed to monitor and measure variations in award decisions by state. Unacceptable variations should be thoroughly evaluated to include in-depth reviews of individual claims that deviate from expected norms. Information obtained from these reviews should be used to improve consistency in rating decisions nationwide. Expansion of the responsibilities and staff of the STAR quality assurance program will also be important to achieving greater consistency in rating decisions.

Mr. Chairman, that concludes my remarks and thank you once again for the opportunity to discuss this important issue. Mr. Vallowe and I would be pleased to answer any questions.