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VETERANS' BENEFITS

Despite Recent Improvements, Meeting Claims Processing Goals Will Be Challenging

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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the Department of Veterans Affairs' (VA) progress in reducing veterans' waiting times for decisions on their disability compensation and pension claims. VA expects to provide about \$25 billion in compensation and pension benefits in fiscal year 2002 to over 3 million veterans and their dependents and survivors. For years, the compensation and pension claims process has been the subject of concern and attention within VA and by the Congress and veterans service organizations. Many of their concerns have focused on the long waits for decisions and large claims backlogs, both of which have negatively affected the quality of service provided to veterans. The Secretary of Veterans Affairs has made improving compensation and pension claims processing performance one of VA's top management priorities. The Secretary's end of fiscal year 2003 goal is to complete accurate decisions on rating-related claims in an average of 100 days.¹ To achieve this goal, the Veterans Benefits Administration (VBA) is focusing on increasing production of rating decisions and reducing the inventory of claims to about 250,000. As of the end of March 2002, VBA was completing claims in an average of 224 days and had an inventory of about 412,000 claims.

My comments today address (1) the current status of VBA's continuing claims processing performance problems, (2) VBA's progress to date and its challenges in meeting its production and inventory reduction goals, and (3) longstanding issues that will affect VBA's ability to improve timeliness and sustain performance improvements. This statement draws from our body of work on claims processing (see Related GAO Products); our ongoing study of VBA's implementation of the Veterans Claims Assistance Act (VCAA) of 2000; and additional discussions with VBA central office officials and officials responsible for VBA's Tiger Team and Resource Centers.

In summary, compensation and pension claims processing has been a long-standing management problem for VBA. Since we testified before the Subcommittee on Oversight and Investigations of this Committee in May 2000,² VBA's rating-related claims inventory has risen by about 85 percent; the number of claims waiting more than 6 months has risen by more than 175 percent; and

¹ Rating-related claims are primarily original claims for compensation and pension benefits and "reopened" claims by veterans already receiving such benefits.

² U.S. General Accounting Office, *Veterans Benefits Administration: Problems and Challenges Facing Disability Claims Processing*, GAO/T-HEHS/AIMD-00-146, (Washington, D.C.: May 18, 2000).

the timeliness of completing decisions has worsened. VBA's response to the Secretary's promise to give veterans faster decisions on their claims is focused on significantly increasing regional offices' rating decision production to reduce the inventory and, in turn, reduce the time required to complete decisions. VBA expected to increase production by hiring more staff and increasing the proficiency of new staff. Although VBA has recently increased its production and reduced its inventory, meeting its production and inventory reduction goals will be challenging. For example, to meet its goal of completing 839,000 claims in fiscal year 2002, VBA must increase its production of claims to 78,000 per month in the second half of the fiscal year from 61,000 per month in the first half. Also, to reach its end of the year inventory goal, VBA must reduce its inventory by about 16,000 claims a month over the second half of the year, from an average of about 1,400 per month in the first half. Even if these goals are met, VBA will have difficulty meeting the Secretary's timeliness goal. Improving timeliness depends on more than just increasing production and reducing inventory. VBA continues to face some of the same challenges we identified in the past that lengthen claims processing times. For example, VBA needs to continue to reduce delays in the process – in particular, delays in obtaining evidence. Without such improvements, VBA may have difficulty attaining its timeliness goal and sustaining the progress it makes.

Background

The compensation program pays monthly benefits to veterans who have service-connected disabilities (injuries or diseases incurred or aggravated while on active military duty). The pension program pays monthly benefits based on financial need to wartime veterans who have low incomes and are permanently and totally disabled for reasons not service-connected.³ Disability compensation benefits are graduated in 10 percent increments based on the degree of disability from 0 percent to 100 percent. Eligibility and priority for other VA benefits and services such as health care and vocational rehabilitation are affected by these VA disability ratings. Basic monthly payments range from \$103 for 10 percent disability to \$2,163 for 100 percent disability. Generally, veterans do not receive compensation for disabilities rated at 0 percent. About 65 percent of veterans receiving disability compensation have disabilities rated at 30 percent or lower; about 8 percent are 100 percent disabled. The most common impairments for veterans who began receiving compensation in fiscal year 2000 were skeletal

³ Veterans who are 65 years or older do not have to be permanently and totally disabled to become eligible for pension benefits, as long as they meet the other requirements for income and military service.

conditions, tinnitus, auditory acuity impairment rated at 0 percent, arthritis due to trauma, scars, and post-traumatic stress disorder.

Veterans may submit claims to any one of VBA's 57 regional offices. To develop veterans' claims, veterans service representatives at the regional offices obtain the necessary information to evaluate the claims. This includes veterans' military service records; medical examinations and treatment records from VA medical facilities; and treatment records from private providers. Once claims are developed, rating veterans service representatives (hereafter referred to as rating specialists) evaluate the claimed disabilities and assign ratings based on degree of disability. Veterans with multiple disabilities receive a single, composite rating. For veterans claiming pension eligibility, the regional office also determines if the veteran served in a period of war, is permanently and totally disabled for reasons not service-connected, and meets the income thresholds for eligibility.

If a veteran disagrees with the regional office's decision, he or she can ask for a review of that decision or appeal to VA's Board of Veterans Appeals (BVA). BVA makes the final decision on such appeals and can grant benefits, deny benefits, or remand (return) the case to the regional office for further development and reconsideration. After reconsidering a remanded decision, the regional office either grants the claim or returns it to BVA for a final VA decision. If the veteran disagrees with BVA's decision, he or she may appeal to the U.S. Court of Appeals for Veterans Claims (CAVC). If either the veteran or VA disagrees with the CAVC's decision, they may appeal to the court of appeals for the federal circuit.

Claims Processing Continues to be a Problem

VBA continues to experience problems processing veterans' disability compensation and pension claims. These include large backlogs of claims and lengthy processing times. As acknowledged by VBA, excessive claims inventories have resulted in long waits for veterans to receive decisions on their claims and appeals. As shown in table 1, VBA's pending workload of rating related claims has almost doubled from fiscal year 1997 to fiscal year 2001. During the same period, VBA's production of rating-related claims has steadily declined from about 702,000 to 481,000. The greatest increase in inventory and decline in production occurred during fiscal year 2001.

Table 1: Changes in VBA's Workload of Rating-Related Claims, Fiscal Years 1997-2001

Fiscal year	Rating-related compensation and pension claims		
	Received	Completed	End of year inventory
1997	740,052	701,717	213,193
1998	691,461	663,400	241,254
1999	639,070	630,145	250,179
2000	578,773	601,451	227,501
2001	674,219	481,117	420,603

Source: Veterans Benefits Administration.

Several factors contributed to the significant increase in claims inventory in fiscal year 2001. VBA attributes much of the increase to VCAA. According to VBA, the most significant change resulting from the legislation is the requirement to fully develop claims even in the absence of evidence showing a current disability or a link to military service. As a result of the VCAA, VBA undertook a review of about 98,000 veterans' disability claims that were previously denied under the CAVC's Morton decision.⁴ In addition, the VCAA has affected the processing of about 244,000 rating-related claims that were pending at the time the VCAA was enacted and all new compensation and pension claims received since the law's enactment. These claims must be developed and evaluated under the expanded procedures required by the VCAA. VBA believes this will increase the time to process cases.

Other contributing factors included the recent addition of diabetes as a presumptive service-connected disability for veterans who served in Vietnam; the need to train many new claims processing employees; and the implementation of new VBA processing software. VBA received about 56,500 diabetes claims through November 2001 and expects to receive an additional 76,000 claims during the remainder of fiscal year 2002. The influx of new claims processing staff during fiscal year 2001 has also temporarily hampered the productivity of experienced staff. According to officials at some of the regional offices we

⁴ In *Morton v. West*, 12 Vet. App. 477 (1999), the CAVC ruled that the VA did not have a duty to assist in developing claims unless they were "well-grounded" as required by federal statute; that is, enough evidence was provided for VA to determine that the claim was plausible. Prior to this court decision, VA policy was to assist claimants in developing a well-grounded claim. This practice, however, was not required by law, and VBA regional offices varied in the amount of assistance they provided. The VCAA (P.L. 106-475) was enacted on November 9, 2000; this law repealed the requirement that claims be well-grounded and it obligated VA to assist a claimant in obtaining evidence that is necessary to establish eligibility for the benefit being sought.

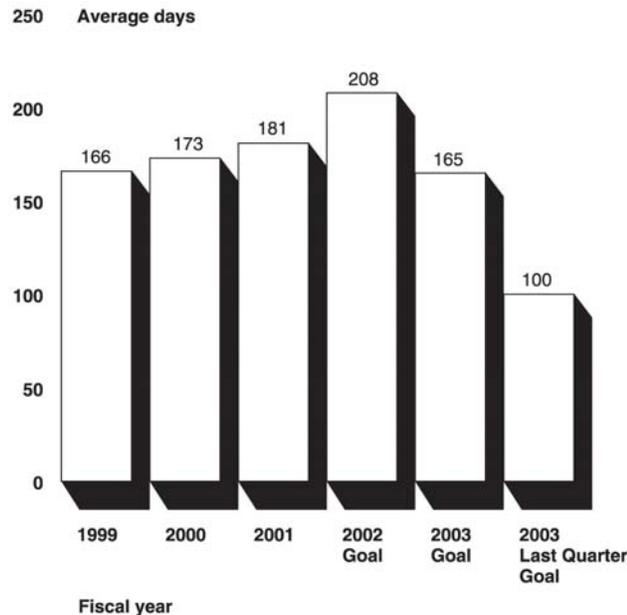
visited, experienced rating specialists had less time to spend on rating work because they were helping train and mentor new rating specialists. Although this may have reduced short-term production, it should enable VBA to increase production in the long term by enhancing the proficiency of new staff. Furthermore, regional office officials noted that the learning curve and implementation difficulties with VBA's new automated rating preparation system (Rating Board Automation 2000) hampered their productivity.⁵

Over the last 3 years, the average time VBA takes to complete rating-related claims has increased from 166 to 181 days – which places it far from reaching its end of fiscal year 2003 goal of 100 days (see fig. 1).⁶ During the same period, the average age of pending claims increased from 144 to 182 days. In fiscal year 2001, the average age of pending cases was actually greater than the average time to complete decisions. According to officials at some of the regional offices we visited, staff have recently been focusing on completing simpler and less time-consuming cases. Officials told us that focusing on completing simpler cases might result in increases in production and short-term improvements in timeliness. At the same time, it may also result in the office's pending inventory getting even older.

⁵ Rating Board Automation 2000 is a system designed to assist rating specialists in preparing rating decisions on claims.

⁶ VA's Strategic Plan for fiscal years 2001 – 2006 includes a strategic goal of completing rating-related claims in an average of 74 days in fiscal year 2006.

Figure 1: Average Days to Complete Rating-Related Claims, Fiscal Years 19 to 2003



Source: Department of Veterans Affairs Fiscal Year 2003 Performance Plan.

In addition to problems with timeliness of decisions, VBA acknowledges that the accuracy of regional office decisions needs to be improved. Inaccurate decisions can also lead to delays in resolving claims when veterans appeal to the BVA. Appeals to BVA can add many months to the time required to resolve claims. In fiscal year 2001, the average time to resolve an appeal was 595 days – almost 20 months. VBA has made progress in improving its accuracy; its accuracy rate for rating-related decisions increased from 59 percent in fiscal year 2000 to 78 percent in fiscal year 2001. Beginning in fiscal year 2002, VBA has revised its key accuracy measure to focus on whether regional office decisions to grant or deny claims were correct.⁷ This revision to VBA’s quality assurance program is consistent with a recommendation made by the 2001 VA Claims Processing Task Force.⁸

⁷ Prior to this change, VA’s accuracy rate included whether decisions to grant or deny claims were correct and also included errors stemming from procedural and technical issues, such as failure to include all the documentation in the case file.

⁸ In May 2001, the Secretary established the VA Claims Processing Task Force to recommend ways to improve VA’s claims processing production, reduce its claims backlog, and improve its claims processing timeliness. The task force issued its report in October 2001.

Some Progress Made, but Meeting Production and Inventory Goals Will be Challenging

VBA has made some progress in improving its production and reducing its inventory but will be challenged to meet the production and inventory goals it has set for fiscal year 2002. Recognizing the need to address VBA's long-standing claims processing timeliness problem and excessive inventory, the Secretary of Veterans Affairs has made improving claims processing performance in its regional offices one of VA's top management priorities. Specifically, the Secretary's end of fiscal year 2003 goals are to complete accurate decisions on rating-related compensation and pension claims in an average of 100 days and reduce VBA's inventory of such claims to about 250,000.

To achieve these goals, VBA is focusing on increasing the number of claims decisions its regional offices can complete. At the same time, VBA has implemented two initiatives to expedite claim decisions. In October 2001, VBA established the Tiger Team at its Cleveland Regional Office, a specialized unit including experienced rating specialists, to expedite the processing of claims for veterans aged 70 and older and clear from the inventory claims that have been pending for over a year. VBA also established nine Resource Centers to process claims from regional offices that are "ready to rate."⁹ A claim is ready to rate after all the needed evidence is collected.

To meet the Secretary's inventory goal, VBA plans to complete about 839,000 rating-related claims decisions in fiscal year 2002. Of these claims, the regional offices are expected to complete about 792,000, while VBA's Tiger Team and Resource Centers are expected to complete the balance of 47,000 claims. This level of production is greater than VBA has achieved in any of the last 5 fiscal years—VBA's peak production was about 702,000 claims in fiscal year 1997. However, VBA has significantly more rating staff now than it did in any of the previous 5 fiscal years. VBA's rating staff has increased by about 50 percent since fiscal year 1997 to 1,753. To reach VBA's fiscal year 2002 production goal, rating specialists will need to complete on average about 2.5 cases per day—a level VBA achieved in fiscal year 1999. VBA expects this production level to result in an end of year inventory of about 316,000 rating-related claims, which VBA believes would put the agency on track to meet the Secretary's inventory goal of 250,000 cases by the end of fiscal year 2003.

⁹ The Resource Centers are located at the regional offices in San Diego, California; St. Petersburg, Florida; Togus, Maine; St. Louis, Missouri; Muskogee, Oklahoma; Philadelphia, Pennsylvania; Columbia, South Carolina; Seattle, Washington; and Huntington, West Virginia.

To meet its production goal, in December 2001, VBA allocated its fiscal year 2002 national production target to its regional offices¹⁰ based on each regional office's capacity to produce rating-related claims given each office's number of rating staff and their experience levels.¹¹ For example, an office with 5 percent of the national production capacity received 5 percent of the national production target. In February 2002, VBA revised how it allocated the monthly production targets to its regional offices based on input from regional offices regarding their current staffing levels. In allocating the target, VBA considered each regional office's fiscal year 2001 claims receipt levels, production capacity, and actual production in the first quarter of fiscal year 2002.

To hold regional office managers accountable, VBA incorporated specific regional office production goals into regional office performance standards. For fiscal year 2002, regional office directors are expected to meet their annual production target or their monthly targets in 9 out of 12 months. Generally, the combined monthly targets for the regional offices increase as the year progresses and as the many new rating specialists hired in previous years gain experience and become fully proficient claims processors.

The Tiger Team, primarily made up of Cleveland Regional Office staff, was established to supplement regional office capacity. It identifies claims of veterans aged 70 and over as well as those pending for 1 year or more and then requests these claims from the regional offices. The Tiger Team's 17 rating specialists and 18 veterans service representatives are expected to perform whatever additional development work is needed on the claims they receive and to make rating decisions on these claims. To help expedite development work, VBA has obtained priority access for the Tiger Team to obtain evidence from VA and other federal agencies. For example, VA and the National Archives and Records Administration completed a Memorandum of Understanding in October 2001 to expedite Tiger Team requests for service records at the National Personnel Records Center (NPRC) in St. Louis, Missouri. Also, VBA established procedures and timeframes for expediting Tiger Team requests for medical evidence and examinations. Veterans Health Administration (VHA) medical

¹⁰ VBA had initially established production targets in March 2001 for April through December 2001. The target was to complete 52,000 rating related claims per month that would allow VBA to reduce its inventory by 1 percent per month.

¹¹ In determining regional office production capacity, VBA officials told us that they considered the various experience levels of regional office rating specialists. For example, rating specialists with 6 months to 1 year of experience are expected to rate half as many claims as rating specialists with more than 2 years of experience. A rating specialist with 1 to 2 years of experience would be expected to rate three-quarters as many claims as a rating specialist with over 2 years' experience.

facilities were, in general, given 3 days to comply with requests for medical records and 10 days to provide reports of medical examinations. As of mid-April 2002, the Tiger Team has completed about 7,800 claims requested from 42 regional offices. From December 2001 through March 2002 the team's production exceeded its goal of 1,328 decisions per month. According to Tiger Team officials, its experienced rating specialists were averaging about 4 completed ratings per day. Officials added that in the short term, completing old claims might increase VBA's average time to complete decisions.

Meanwhile, the Resource Centers also supplement regional offices' rating capacity by making decisions on claims that were awaiting decisions at the regional offices. VBA officials noted that the rating specialists at the Resource Centers tend to be less experienced; thus, they are expected to produce fewer ratings per day than the Tiger Team. From October 2001 through March 2002, the Resource Centers had completed about 14,000 ratings.

Although VBA has made some progress in increasing production and reducing inventory, achieving its fiscal year 2002 production and inventory goals will be challenging. VBA expects to increase production in the second half of the fiscal year. During the first 6 months of fiscal year 2002, VBA produced about 368,000 decisions – 61,000 per month. To meet its goal of producing 839,000 rating decisions for the fiscal year, VBA must increase its production to about 78,000 decisions a month for the second half of the fiscal year. Meanwhile, the rating-related inventory declined by 2 percent during the first half of fiscal year 2002. To reach VBA's inventory goal of 316,000 claims by the end of fiscal year 2002, the inventory must decline by another 23 percent over the next 6 months.

Officials at some of the regional offices we visited said they were having difficulty reaching their production targets. Some offices were “cherry picking” — completing easier cases in order to meet production goals. Meanwhile, older claims were not being worked. While the Tiger Team is designed to resolve some of these older claims, regional offices will eventually have to handle this workload. Another issue raised by officials at one regional office was inadequate numbers of staff to develop claims for the rating specialists. While VBA has defined capacity based on the number and experience of rating specialists, regional offices also need sufficient veterans service representatives to develop claims for the rating specialists.

Even if VBA Meets Its Production and Inventory Goals, Meeting Timeliness Goal Will be Difficult

VBA will likely have difficulty meeting the Secretary's fiscal year 2003 timeliness goal, even if it meets its production and inventory goals. VBA will have to cut its average claims processing time by more than half – from an average of 224 days in the first half of fiscal year 2002 — to meet the 100 day goal. However, improving timeliness depends on more than just increasing production and reducing inventory. VBA also needs to address long-standing problems affecting timeliness. VBA needs to continue to make progress in reducing delays in obtaining evidence; ensuring that it will have enough experienced staff in the long term; and implementing information systems to help improve claims processing productivity. Furthermore, external factors beyond VBA's control, such as decisions made by the CAVC and the filing behavior of veterans, will continue to affect VBA's workload and its ability to make sustained improvements in performance.

Much of the delay in completing claims is not related to the time a rating specialist spends on the claim. Rather, delays come in the development process – time waiting for evidence. The Tiger Team has been able to achieve high production levels, in part, through priority access to service and VHA medical records and expedited VHA medical examinations. However, not every regional office can benefit from such expedited access. VBA needs to continue its progress in reducing delays in general. VBA has initiatives to improve its access to evidence needed to decide claims. For example, VBA has established an office at the NPRC to expedite regional office requests for service records. Also, VBA has initiatives to obtain better and more timely medical information from VA medical facilities. VBA has access to VHA's medical records database. Also, VBA and VHA have established a Joint Medical Examination Improvement Office to help identify ways to improve the quality and timeliness of VHA's compensation and pension medical examinations. While these initiatives seem promising, it is unclear the extent to which they will improve timeliness.

VBA needs to ensure that it can maintain the necessary expertise to process claims as experienced claims decision makers retire over the next several years. To accomplish this, VBA needs to ensure that its new claims processing staff are receiving the necessary training and on the job experience to become proficient and that it retains these employees. VA plans to complete a workforce plan in 2002, which should address VBA's succession planning needs. Also, VBA needs to continue its progress in implementing its training and performance support system for claims processing staff.

Furthermore, VBA needs to overcome delays in implementing its information system improvements. We recently noted that, after 16 years, VBA is still experiencing delays in implementing its replacement benefit delivery system.¹² Also, officials at some of the regional offices we have visited noted that the initial implementation of rating board automation (RBA) 2000 – the application designed to assist rating specialists in rating benefit claims – has reduced their rating production.

These challenges affect not only VBA's ability to meet its fiscal year 2003 goals, but also its ability to sustain the progress it makes in improving claims processing performance. To sustain its progress, VBA needs to be able to maintain increased production levels, so it can deal with future events that could significantly increase its workload. Recent history has shown how actions by VA, the Congress, and the CAVC can have significant impacts on VBA's workload. For example, VA's decision to provide compensation to Vietnam veterans with diabetes is having a significant impact on VBA's workload. By the end of fiscal year 2003, VBA expects to have received 197,500 diabetes claims. VBA has cited the influx of diabetes claims as a factor in its fiscal year 2001 inventory increase. Also, the CAVC's Morton decision, and the Congress' reaction in passing the VCAA, show the impact of procedural changes on VBA's workload. In fiscal year 2000, VBA reduced its rating-related inventory from about 250,000 to about 228,000 in part because regional offices denied more than 98,000 claims as not well-grounded under Morton. However, the overruling of Morton by the VCAA was a major factor in the increase in inventory for fiscal year 2001 and is expected to have a continuing impact on timeliness because of lengthened timeframes for obtaining evidence.

VBA is working hard to meet the Administration's commitment to improve its service to veterans by providing more timely decisions on their claims. VBA is better staffed to meet its claims workload than it has been in recent years. This, in turn, should translate into a more productive VBA workforce in the future. However, increasing staffing is not enough. VBA needs to address many of the same challenges to improving timeliness we reported in May 2000 – such as improving waiting times for evidence. VBA has a number of initiatives to improve its process, including the implementation of the Claims Processing Task Force's recommendations. VBA needs to continue its progress, while also addressing its future succession planning and information technology needs. By

¹² U.S. General Accounting Office, *VA Information Technology: Progress Made, but Continued Management Attention Is Key to Achieving Results*, [GAO-02-369T](#), (Washington, D.C.: Mar. 13, 2002).

addressing these challenges, VBA can better ensure that it will be able to sustain the performance improvements it makes in fiscal years 2002 and 2003.

Mr. Chairman, this concludes my prepared remarks. I would be pleased to respond to any questions you or Members of the Subcommittee may have.

GAO Contact and Staff Acknowledgments

For further contacts regarding this testimony, please call Cynthia A. Bascetta at (202) 512-7101. Others who made key contributions to this testimony are Irene Chu, Steve Morris, Martin Scire, and Greg Whitney.

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