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**Before the**

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**Committee on Veterans' Affairs**

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Mr. Chairman and members of the Subcommittee, thank you for the opportunity to testify today on the Department of Veterans Affairs disability claims processing. I am pleased to be here with you to address the challenges VA faces in processing disability claims and our efforts to improve the system.

Workload trends during 1999 and 2000 have shown improved processing times and a reduction in backlog from previous years. In FY 2001, however, VBA experienced a significant increase in the volume of incoming work, which greatly affected our claims processing timeliness. This increased workload is attributed to the following factors:

- Veterans Claims Assistance Act (VCAA) resulted in a review of more than 98,000 previously denied cases, and additionally required review of 238,000 claims already in our pending inventory, to ensure compliance with the Act;
- VA's expanding outreach efforts to separating service members;

- new legislation resulting in the receipt of 66,000 Type 2 Diabetes claims based on exposure to Agent Orange; and
- the requirement to review 13,000 previously adjudicated Diabetes claims under the Nehmer stipulation.

VBA has taken steps to diminish the current claims inventory. Our goal is to reduce the claims inventory to 250,000 by the end of FY 2003. To attain this goal, VBA is committed to achieving an end of FY 2002 inventory of approximately 315,000 rating-related cases.

Mr. Chairman, first and foremost I want to stress that a claim is not fully adjudicated until the decision is right. We have increased our efforts to measure quality and can demonstrate that quality is improving. I will further address the issue of quality later in my testimony.

We have increased the number of people and hours dedicated to claims resolution. As a result of this action along with additional countermeasures, we have significantly increased our production of rating decisions in the latter months of FY 2001 and into this year, which is key to reducing the claims backlog. We expect our production to continue to increase as many of our recently hired employees gain additional experience and we begin to implement the recommendations of the Claims Processing Task Force.

Monthly rating production targets have been set for individual Regional Offices to track our progress and improve focus on the overall National target. Production targets were created for the periods April through December 2001, and January through September 2002. They are based on a combination of factors, including the station's

capacity to rate cases, as well as on the number of claims they receive in a given period.

The sum of the each station's production targets, plus the Tiger Team targets and Resource Center targets, equals the number of completed claims necessary to achieve our FY 2002 target of about 315,000 rating-related claims. (Discussion of the Tiger Team and Resource Centers to follow later.) These targets were established using the assumption that the number of claims received would remain consistent with past trends. However, the number of claims received has increased by 14.1% during the first half of the year primarily because of duty to assist (DTA), Diabetes, and Nehmer cases, thus compounding our challenge.

Nevertheless, we have made progress. For the first six months of FY 2001, VBA completed 191,022 claims. For the same period in FY 2002, that figure increased by 92.4% to 367,476 claims completed. In other words, in only six months, VBA has already completed 76.4% of the total number of claims completed in FY 2001.

VBA's February production of 73,627 claims was the highest in over five and a half years. During the month of March 2002, 41 out of 57 regional offices met their production target. We consider these figures very promising since only 48.8% of VBA's Rating Veterans Service Representatives (RVSRs), those who rate disability claims, are considered to be fully trained. Fully trained RVSRs are those who have over two years of experience. We recently increased the number of employees dedicated to rating claims. Over 500 new RVSRs completed an extensive training program last fall. As these employees become more proficient in the claims process, we expect our production to increase.

## **Countermeasures**

VA has implemented several of the recommendations made by the Secretary's Task force to ensure our focus remains on timeliness and accuracy as we strive toward our goal.

VBA has established performance requirements for every Director that are tied directly to the Secretary's priorities. Specific service delivery goals have been set for:

- achievement of accuracy targets as mandated by the Balanced Scorecard,
- monthly rating production,
- improvement in processing times,
- reduction in the number of cases pending over six months,
- reduction in the total pending inventory of claims,
- reduction in the number of pending appeals,
- improvement in remand timeliness, and
- timeliness standards for putting cases under control in VBA's data processing systems.

The Directors' performance plans also state that if any of the service delivery goals are not met, the Director is required to submit compelling mitigating reasons why and identify actions that are being taken to improve the performance. These submissions, or "wellness plans", are detailed analyses of the current situation, causes for the non-performance, and development and implementation of countermeasures.

If the wellness plan does not result in performance improvements and no mitigating reasons exist, appropriate administrative action will be taken.

We are also acting on another key recommendation of the Task Force – to strengthen accountability throughout the organization. We recognize that, to achieve

our goals, accountability must be at the forefront of VBA's efforts. Each Regional Office must know the processes and results expected, and headquarters must be completely aware of the status of actions and processes at each regional office. In order to hold Regional Office Directors and their staffs accountable, we will assure that there is nationwide consistency in the business processes, the data processing applications, and the procedures that are being used in the field to process claims. We are issuing, and will continue to issue, clear guidance in terms of how work should be accomplished, along with specific and measurable performance targets. At the same time, we will establish appropriate monitoring and inspection systems to measure and ensure compliance.

In addition to these measures, we are implementing several recommendations of the Task Force report specifically aimed at helping VBA achieve and sustain higher levels of productivity. One such proposal involves the establishment of specialized processing teams within each Veterans Service Center. Specialization will narrow the focus of each employee's job and result in a more efficient claims process. These new processing teams are currently being proto-typed in four Regional Offices.

Other recommendations included consolidating pension maintenance work at three Pension Maintenance Centers and reestablishing phone units, both of which will allow Veterans Service Representatives to spend more time processing claims. Similarly, the Task Force recommendation to have the Board of Veterans' Appeals develop for additional evidence rather than remanding cases to the Regional Office will also free up resources in the Regional Offices to spend more time on new claims, as well as reduce the time necessary to process appeals. The final regulations implementing that recommendation became effective February 22, 2002.

## **Tiger Team Concept**

As part of the challenge to reach our FY 2003 goals, the Secretary launched a major effort to resolve 81,000 of VBA's oldest claims, those that have been pending for more than a year. A key element of that effort involves the establishment of the Tiger Team, which is charged with tackling many of these oldest claims over an 18-month period. Its first priority is the long pending claims of veterans who are 70 years of age and older, and then moving on to claims of other veterans who also have been waiting for a decision for more than a year. Since its establishment, more than 11,500 cases have been redirected to the Tiger Team for processing. To date, over 8,000 of those cases have been completed.

The Tiger Team concept is not new to VBA. During FY 2001, we designed nine Service Resource Centers to add processing capacity to each area of the country. These resource centers provide special expedited service in support of both the Tiger Team and other priorities identified by the Secretary.

In addition, VBA has centralized the processing of claims from children with certain birth defects who were born to women who served in the Republic of Vietnam. The Denver Regional Office is responsible for processing all claims that fall under this new category.

As you can see, we believe this type of focused approach is beneficial to our process and we will continue to adapt the concept for future use.

## **Quality Assurance**

While VBA has made dramatic improvements in the accuracy of its decisions, we understand the concern that focus on production targets and higher levels of output may affect quality. We are aware of this risk and we are acting to mitigate it. We modified

our quality assurance process for FY 2002, by implementing the task force recommendation to accurately measure processing errors that affect entitlement. The Systematic Technical Accuracy Review (STAR) program was initially designed to measure accuracy for each of our nine Service Delivery Networks (SDNs). Regional Office accuracy results were based on the accuracy rate received by their SDN. STAR has now been adapted and expanded to provide individual Regional Office accuracy results based on national reviews and to redefine claims processing errors based on benefit entitlement decisions. We will continue to cite and correct all errors from the original STAR methodology, but we will now emphasize actions directly affecting entitlement.

Beginning with reviews of work completed during FY 2002, the accuracy rate is captured based upon the following review categories: addressing all issues, VCAA compliant claims development, correct decisions, and correct payment dates. The core accuracy measurement is labeled “**benefit entitlement**”. It will be recorded on VBA’s balanced scorecard and reported as the official accuracy rate for compensation and pension claims processing.

To independently assess regional office accuracy, the sample size for national reviews was increased by over 11,000 cases for rating and authorization reviews (from 6,300 to 17,640). This revised sample provides an adequate sample size to assess regional office accuracy.

The results of reviews, conducted thus far in FY 2002, show accuracy rates consistent with last year’s improvement in most areas. We have identified an emerging trend related to our recent VCAA legislation and we are taking corrective measures. The field stations were made aware of the categories where the greatest percentage of

errors were found—both related to VCAA—and a reminder to closely follow the guidance issued by the C&P Service on the implementation of duty-to-assist.

The recent data shows a moderate improvement in the accuracy of authorization decisions. The benefit entitlement accuracy rate for authorization decisions, based upon the most recent data, is 77%. In comparison, the authorization accuracy rate for FY 2001 was 65%.

The Under Secretary for Benefits is requiring regional office directors to provide certification that “retraining” was conducted on the implementation of duty to assist, as spelled out in VBA Letter 20-02-12. Over the next few months, close attention will be paid to the rating quality measurement to determine whether the “retraining” efforts outlined in the aforementioned VBA Letter resulted in improvements.

## **Conclusion**

While VBA faces many challenges ahead, we believe that our current strategies will not only further our efforts to reach the goal of 100 days for claims processing time, but will also serve to improve our business practices. In addition, we look forward to working with our new Under Secretary for Benefits, Admiral Daniel L. Cooper, to provide increasingly higher service to our nation’s veterans.