

**TAKING CARE OF OUR VETERANS: WHAT IS THE
DEPARTMENT OF VETERANS AFFAIRS DOING
TO ELIMINATE THE CLAIMS BACKLOG?**

HEARING

BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY,
HOMELAND DEFENSE AND FOREIGN OPERATIONS
OF THE
COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES

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CONTENTS

| | |
|---|-----------|
| Hearing held on July 18, 2012 | Page 1 |
| WITNESSES | |
| The Honorable Allison A. Hickey, Under Secretary for Benefits, Veterans Benefits Administration, U.S. Department of Veterans Affairs, Accompanied by: Roger Baker, Assistant Secretary for Information and Technology | |
| Oral Statement | 4 |
| Written Statement | 7 |
| Mr. Gerald T. Manar, Deputy Director, National Veterans Service, Veterans of Foreign Wars of The United States | |
| Oral Statement | 25 |
| Written Statement | 27 |
| Mr. Joseph A. Violante, National Legislative Director, Disabled American Veterans | |
| Oral Statement | 35 |
| Written Statement | 37 |
| APPENDIX | |
| The Honorable Jason Chaffetz, a Member of Congress from the State of Utah, Prepared Statement | 65 |
| Inspection of the VA Regional Office Phoenix, Arizona | 67 |
| The Honorable Paul A. Gosar, a Member of Congress from the State of Arizona, Full Statement for the Record | 91 |
| The Honorable Jeff Miller, Chairman, House Veterans' Affairs Committee; The Honorable Jon Runyan, Chairman, Subcommittee on Disability Assist- ance and Memorial Affairs, House Committee on Veterans' Affairs, State- ment for the Record | 93 |
| The Honorable Jason Chaffetz, Chairman, House Committee on Oversight and Government Reform Subcommittee on National Security, Homeland Defense, and Foreign Operations, Questions for the Record | 97 |

**TAKING CARE OF OUR VETERANS: WHAT IS
THE DEPARTMENT OF VETERANS AFFAIRS
DOING TO ELIMINATE THE CLAIMS BACK-
LOG?**

Wednesday, July 18, 2012

HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND
DEFENSE, AND FOREIGN OPERATIONS
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2247, Rayburn House Office Building, Hon. Jason Chaffetz [chairman of the subcommittee], presiding.

Present: Representatives Chaffetz, Tierney, Welch, Braley, Quigley, Speier, Labrador, and Farenthold.

Also present: Representative Issa.

Staff Present: Thomas A. Alexander, Majority Senior Counsel; Alexia Ardolina, Majority Assistant Clerk; Robert Borden, Majority General Counsel; Linda Good, Majority Chief Clerk; Mitchell S. Kominsky, Majority Counsel; Mark D. Marin, Majority Director of Oversight; Sang H. Yi, Majority Professional Staff Member; Devon Hill, Minority Staff Assistant; Peter Kenny, Minority Counsel; Suzanne Owen, Minority Health Policy Advisor; Carlos Uriarte, Minority Counsel.

Mr. CHAFFETZ. The Committee will come to order.

I would like to begin this hearing by stating the Oversight Committee mission statement.

We exist to secure two fundamental principles: first, Americans have the right to know that the money Washington takes from them is well spent. And second, Americans deserve an efficient, effective government that works for them. Our duty on the Oversight and Government Reform Committee is to protect these rights. Our solemn responsibility is to hold government accountable to taxpayers, because taxpayers have a right to know what they get from their government. We will work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy.

This is the mission of the Oversight and Government Reform Committee.

I would like to thank everybody for your attendance here today for this hearing that we have entitled, "Taking Care of Our Veterans: What is the Department of Veterans Affairs Doing to Eliminate the Claims Backlog?"

I would like to thank the member participation. Normally, I would give an opening statement, but in deference to our full Committee Chairman, Chairman Issa, we are going to allow him to give his opening statement at this time.

Chairman ISSA. I thank the Chairman, and I apologize that there are two subcommittees going on. But this is the one that I particularly wanted to make sure I attended.

Forty-two years ago this November, I raised my right hand and became a soldier. I have no claim today before the Veterans Administration. But for those 42 years, soldiers, sailors and marines have served and need our support. It is unacceptable that the Federal Government is doing nothing but continuing to promise what they promised before. A hundred and eighty-eight days is the average processing time for a claim. It is unacceptable.

More unacceptable is the fact that the error rate is 16 percent and perhaps higher in some regions. Veterans who appeal the system face multiple years, 883 days, three years, in order to be adjudicated.

The system was broken during the Vietnam War when I enlisted. The system has never been fixed.

So today we are going to concentrate in this Committee on hearing what you are going to do, but understand, we have heard it before. Today you will be judged by what you say and what you do. You will no longer be allowed to come back again with promises of reforms a year away.

Today I understand that you will be talking about getting better over the next year, perhaps talking about ways in which you have improved recently. In 1970, the system was paper, and the system failed veterans miserably. Today the system is computerized, but not harmonized. Today, the Veterans Administration continues to claim that they will get better, but they have not.

It is my goal on this Committee to recognize that we will be going into a new Congress, that next year will be under the Chairman determined next year. But if I am the Chairman or if I can influence the Chairman, you will be back, you will be back every single year until you get it right. Our veterans deserve better. Our Camp Pendleton marines today are marines and corpsmen. But they are also veterans serving. And in the days and weeks to come, they will be going to Balboa Hospital, they will be going to the La Jolla Veterans facility, they will be making claims for the injuries they received in Afghanistan and Iraq and in training. They deserve that you get the system right, because they cannot wait to be served a year later. They need your help now.

And Chairman, I want to personally thank you for allowing me to go first. I look forward to the entire transcript of this hearing. I yield back.

Mr. CHAFFETZ. Thank you. I thank the Chairman and appreciate his participation here today.

I now recognize the Ranking Member, the gentleman from Massachusetts, Mr. Tierney.

Mr. TIERNEY. Thank you, Mr. Chairman. I thank all the witnesses for being here today.

Obviously, several years ago when I was first chairing the Subcommittee, we conducted the hearings at Walter Reed. Those hear-

ings fortunately lead to a substantial improvement of the physical plant at Walter Reed and a number of other facilities like Walter Reed across the Country. It also led to sort of an ongoing effort for improvements, to hold the Department accountable and to try to bring everything to the highest level of program service for our returning warriors and for our veterans.

The coordination between the Department of Defense disability determination system and that of the Veterans Administration was a problem then and it continues to be a problem obviously now, one that we have to work together to try and improve. I do appreciate Chairman Chaffetz' continued oversight of this whole process from beginning to end. And with this effort, we are told that the employees at the Veterans Affairs are doing their part, that they are processing more claims more quickly than ever before, and we have to recognize their efforts which are responsible for a substantial increase in the number of claims processed, from some 440,000 in the year 2000 to more than a million claims last year.

But the wars in Afghanistan and Iraq have produced an even greater increase in the number of claims that are filed by veterans. Since 2008, the number of pending disability claims has grown 48 percent to 1.2 million claims. Nearly half of those are backlogged with hundreds of thousands of claims.

Secretary Shinseki deserves some credit for his announcement that he has more than 40 initiatives to help VA process claims more quickly and more accurately in the future. An integral part of the Transformation Plan is the more than \$500 million that were invested in a paperless veterans benefits management system which is to replace the VA's legacy and outdated paper systems. We are interested in hearing more about that, and its promise and how it is being implemented. If these initiatives are successful, the VA could cut in half the amount of time it takes to evaluate claims while achieving 98 percent accuracy. That is a goal that this Committee ought to be inclined to continue its oversight in order to help the VA achieve that mission.

I hope the Secretary is successful. With more than a million troops projected to leave service over the next five years, the VA certainly cannot afford to fail and it is going to be severely challenged. As claims are reopened, the existing files I understand are being scanned into the system. We need to follow along how that strategy is working and whether or not it is an adequate way to move forward as we try to remain vigilant across the board to oversee that we have consistent progress.

So thank you, Chairman Chaffetz, for your continued oversight on that. Thank you to the witnesses for being here today to help bring us up to date on what is going on. I look forward to continuing the process where we work together to try to make sure that our veterans get the services and programs they deserve.

Thank you.

Mr. CHAFFETZ. Thank you.

This is truly bipartisan in our approach. We are all concerned about the health and welfare of our veterans. We will continue vigilance. I think it is one of our duties and responsibilities.

In the interest of time, I am going to submit my opening statement for the record.

Mr. CHAFFETZ. But let me simply say, we have a problem. We need solutions. And I know that the Veterans Affairs Committee is looking deeply into this. We will continue to look into this. But we have problem. And it doesn't seem to be getting better, and thus the essence of the hearing today.

Members will have seven days to submit opening statements for the record. We would now like to recognize our first and only panel. I will also note that there was an attempt here to have somebody additional sit on the panel. We notice these things in advance. We need to adhere to that. So the panel that we have here today, while I appreciate the desire to have somebody else join you at the table today, we just simply can't do that on the whim the day of the hearing. We like to notice these things in advance.

So our witnesses today include the Honorable Allison Hickey, who is the Under Secretary for Benefits at the Department of Veterans Affairs; Mr. Gerald Manar, who is the Deputy Director of National Veterans Service for the Veterans of Foreign Wars; and Mr. Joseph Violante, who is the National Legislative Director for the Disabled American Veterans.

Pursuant to Committee rules, all witnesses will be sworn in before they testify. If you would please rise and raise your right hand.

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth and nothing but the truth?

[Witnesses respond in the affirmative].

Mr. CHAFFETZ. Thank you. You may be seated.

Please let the record reflect that the witnesses have answered in the affirmative.

In order to allow time for discussion and for member inquiry, we would appreciate it if you would reserve your verbal comments to five minutes. Your entire statement will be submitted for the record.

At this time, we will now recognize the Under Secretary for five minutes.

WITNESS STATEMENTS

STATEMENT OF THE HONORABLE ALLISON A. HICKEY

Ms. HICKEY. Good morning, Chairman Chaffetz, Ranking Member Tierney, members of the Subcommittee. I am accompanied today by Mr. Roger Baker, the Assistant Secretary for Information and Technology.

My testimony will focus on a comprehensive and integrated Transformation Plan which will ensure timely and accurate delivery of benefits and services to our veterans, their families and survivors. We are committed to ensuring veterans do not have to wait too long to get the benefits they have earned and deserve. A prolonged wait is unacceptable.

We are implementing a robust plan to fix the problem. Our Transformation Plan is critical to achieving our goal of processing all claims in 125 days with 98 percent accuracy in 2015. However, we are not waiting for 2015. We are already implementing our plan and have good early results. Our plan, our Transformation Plan,

our new organizational model, our new processes, our new technologies will be implemented at 56 regional offices, 16 of them by this September 30th, and all the remaining by the end of the calendar year next year.

The claims backlog is a decades-old problem, and fixing it isn't easy. If you have ever walked into one of our regional offices, your regional offices, you have seen stacks and stacks of paper. No, we are not computerized yet. We are starting to get, right now, computerized with our new plan. Our task, our Transformation Plan is to eliminate this antiquated paper-bound process. It does not serve our veterans, who are frustrated by its lack of speed and transparency.

We have an aggressive plan to ensure our veterans get the timely and accurate benefit decisions they need and have earned. VA completed a record 1 million claims per year the last two fiscal years. We are on target to complete another million this year. Yet the receipts continue to greatly outnumber the output, meaning we have more veterans making more claims.

In 2009, we completed 900,000 claims, while a million came in. In 2010 we completed a million claims, which was unprecedented in history. But we received another 1.2 million claims.

In 2011 we completed another million claims, while at the same time allocating 37 percent of our rating staff across the Nation to process those most important Vietnam veteran Agent Orange claims. We provided benefits to over 132,000 Vietnam veterans and their survivors in the last two years that did not get it over the last 50. Still, 1.3 million claims came in the door.

Given the anticipated continued high level of claims, it is absolutely clear to us that continuing our legacy paper-bound process will not eliminate the backlog. We have an aggressive plan that builds a strong foundation for a paperless, digital disability claim system, a lasting solution that will transform how we operate and eliminate the backlog. Our plan will ensure we achieve the Secretary's goal and this agency's priority goal of completion in 125 days, all claims, at a 98 percent accuracy level in 2015, delivering faster, better decisions for veterans.

We are retraining, reorganizing, streamlining processes and implementing technology solutions that are positively implementing veterans today. Here are some highlights. We are redeploying 1,200 of our most experienced raters who are doing those Agent Orange claims to target and tackle the backlog now. These employees will complete 100,000 backlogged claims by the end of this year.

We have improved and are expanding training practices to make staff better equipped to handle today's difficult cases. We call it challenge training, and it works. New staff have already received this design training, are completing two and a half times more claims per day with more than 30 percent increase in their accuracy quality levels. By the end of July we will have put 16 regional offices into our new operating model, changing the way we are organized to do this work. This model with segmented lanes lets us organize that work into three distinct lanes. One, focus on special emphasis of at-risk veterans, another, doing those easier to do one to two contention express claims. Once fully implemented, we will

have all our offices in this by 2013, 16 by the end of this year. That will give us an additional 200,000 claims we can do per year.

Also working closely with DOD to ensure seamless transition for our separating service members. In 2012 alone, we reduced, during this Administration, the days from a 260 day average to a 56 day average this year for more than 10,000 or over half of those claims.

We are ensuring that service members receive access to benefits, eBenefits. We have had an increase of 500 percent accounts, more than 1.7 million service members and veterans are on eBenefits today, getting the information they need on their claim, to file a claim, to download numbers of letters as well. We are ending our reliance on paper-based claims and rolling out the new paper-based system, DBMS, which is already deployed, already deployed in four regional offices, Providence, Rhode Island, in your city, Chairman, of Salt Lake City, Utah, Fort Harrison, Montana and Wichita, Kansas. And it works. In pilot programs, the new system has cut the average time to process a claim to 119 days, well below the 125 mark in 2015. Twelve more offices are on it by 30 September this year, all 56 by the end of 2013.

The bottom line, Chairman, members of this Committee, we must deliver timely, first-rate benefit services with greater efficiency and effectiveness than we do today. We cannot do it by using old tools and processes that we have been using up to this point. We are implementing that plan today.

Mr. Chairman, that concludes my statement. I am pleased to answer any questions you or members of the Subcommittee have.

[Prepared statement of Ms. Hickey follows:]

**STATEMENT OF
ALLISON A. HICKEY
UNDER SECRETARY FOR BENEFITS
VETERANS BENEFITS ADMINISTRATION (VBA)
U. S. DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON NATIONAL SECURITY,
HOMELAND DEFENSE, AND FOREIGN OPERATIONS
July 18, 2012**

Good morning, Chairman Chaffetz, Ranking Member Tierney, and Members of the Subcommittee. I am accompanied today by Mr. Roger Baker, Assistant Secretary for Information and Technology.

My testimony will provide an overview of the Veterans Benefits Administration's (VBA's) workload in our Disability Compensation program and will focus on our comprehensive and integrated Transformation Plan, which is intended to ensure timely and accurate delivery of benefits and services to our Veterans, their families, and survivors.

Introduction

We are committed to ensuring Veterans do not have to wait too long to get the benefits they have earned and deserve. A prolonged wait is unacceptable, and we are implementing a robust plan to fix current delays. This Transformation Plan is critical to achieving our goal of processing all claims within 125 days with 98 percent accuracy in 2015. However, we are not waiting for 2015; we are already implementing our plan – and have good early results.

The claims backlog is a decades-old problem, and fixing it isn't easy. If you have ever walked into a Veterans Benefits Administration (VBA) regional office, you have seen stacks and stacks of paper. Our Transformation Plan, intends to eliminate this antiquated, paper-bound process that does not serve our Veterans, who are frustrated by its lack of speed and transparency. We have an aggressive plan to ensure our Veterans get the timely and accurate benefit decisions they need and have earned.

VA completed a record-breaking one million claims per year the last two fiscal years (FY), and is on target to complete another one million claims in FY 2012. Yet the receipts continue to greatly outnumber the outputs. In 2009, we completed 900,000 claims while a million came in. In 2010, we completed a million claims, which was unprecedented, but we received another 1.2 million claims. In 2011, we completed another one million claims while 1.3 million claims came in. Given the anticipated continuing high level of claims receipts, it is clear that continuing our legacy process will not eliminate the backlog. We have an aggressive plan that builds a strong foundation for our paperless, digital disability claims system – a lasting solution that will transform how we operate and eliminate the backlog. Our plan will ensure we achieve the Secretary's goal – claim completion in 125 days with 98 percent accuracy in 2015 – delivering faster, better decisions for Veterans.

As you will learn from my testimony, we are retraining, reorganizing, streamlining processes, standardizing approaches, and implementing technology solutions that are positively impacting Veterans today and will reduce the backlog by 100,000 claims this year. As we work to transform how we do business through new people, process, and technology initiatives, at the end of the day our transformation is about taking care of our Veterans and their families. Here are some highlights of what we are doing:

- We are re-deploying 1,200 of our most experienced raters to target and tackle the backlog. These employees will complete 100,000 backlogged claims by the end of 2012.
- We have improved and are expanding training practices to make staff better equipped to handle today's difficult cases. We call this Challenge training, and this training works. New VA staff that have already received this redesigned training complete two and a half times as many claims per day as trainees – with

over 30 percent increase in accuracy – than employees trained under VA's previous program.

- By the end of July, we will have a new operating model implemented at sixteen regional offices that changes the way we're organized to do this work. This model uses a segmented lanes approach that organizes disability claims into three distinct processing lanes, one with a special emphasis on at-risk Veterans who have sacrificed the most and another where easy claims are done on an express lane. Once fully implemented at all 56 VA offices by the end of 2013, we anticipate this new operating model will allow for the processing of an additional 200,000 claims per year.
- We are also closely collaborating with DoD through the Integrated Disability Evaluation System to ensure a seamless transition for separating Servicemembers, particularly for those most severely injured. In FY 2012 alone, VA has processed 7,500 disability claims for wounded, ill, and injured Servicemembers from the current conflict in an average of 54 days. We went from a 240 day average in the legacy system to 56 days for the 10,000 claims processed this year. Our goal is to do even better and bring this down to 30 days.
- We are ensuring Servicemembers receive access to benefits information, connecting them to eBenefits and online claims filing. eBenefits is our automated system accessed through the VBA website that allows Veterans and Servicemembers to enroll in and have access to VA and DoD information for life. Current eBenefits enrollment exceeds 1.7 million users, representing more than a 500-percent increase since January 2011.
- We are ending our reliance on paper-based claims and rolling out a new, digital, paperless system to process and track disability claims. This technology, which we call the Veterans Benefits Management System (VBMS), is already deployed in four regional office locations – and it works. In pilot programs, the new system has cut the average time to process claims to 119 days. Twelve more offices will use this system in FY 2012, and it will reach all 56 VA regional offices by the end of calendar year (CY) 2013.

VA Benefits Overview

VBA is responsible for administering a wide range of benefits and services for Veterans, their families, and their survivors through a nationwide network of 56 regional offices, including offices in Puerto Rico and the Philippines. Our outcomes in all benefit areas are highlighted below:

- VBA currently provides compensation benefits to 3.4 million Veterans, and 10 percent, or 339,000, are 100-percent disabled.
- Roughly 77 percent of the Veterans who currently have a supplemental (subsequent) claim pending are already receiving monetary compensation for disability.
- In the last two years, VA has received 260,000 claims for three new presumptive Agent Orange conditions – putting \$3.7 billion into the hands of our Vietnam Veterans and their survivors. We surged over 37 percent of the VBA workforce to adjudicate these claims in a short period of time. This was a huge benefit for Veterans, but it did place a burden on the backlog.
- Last year we conducted nearly 6,300 outreach events and job fairs for transitioning Servicemembers, homeless Veterans, minorities, women, and other targeted groups.
- We manage the Nation's eighth largest life insurance enterprise.
- In FY 2011, VBA guaranteed 14 percent more home loans than we guaranteed in FY 2010, increasing from 314,000 to 358,000. In FY 2011, VA helped 83 percent (73,000) of Veterans in default retain their homes or avoid foreclosure through personal counseling and intervention on behalf of the Veteran. This was a 10 percent increase over the number helped in FY 2010.
- VA has issued approximately \$20 billion in Post-9/11 GI Bill benefit payments to 759,413 individuals and their VA-approved programs since program inception in August 2009.
- We assist low-income disabled and elderly wartime Veterans and their survivors through our pension programs, in which our accuracy rate for entitlement decisions improved from 87 percent to 98 percent from 2008 to 2011.

- Last year, our Vocational Rehabilitation and Employment Program successfully rehabilitated nearly 10,000 disabled Veterans and enrolled nearly 30,000 Veterans into rehabilitation plans.

The employees of the Veterans Benefits Administration are privileged to be able to administer these important Veterans programs. They have the incredibly important mission of helping Americans fulfill the Nation's commitment to our Servicemembers and Veterans, who so courageously serve and sacrifice on our behalf. In carrying out their responsibilities, our employees have adopted and embraced the Department's newly established core values of Integrity, Commitment, Advocacy, Respect, and Excellence – appropriately captured in the phrase "I CARE". Our workforce includes more than 20,000 employees, 50 percent of whom are Veterans themselves, and 30 percent of whom have service-connected disabilities.

Growth in Claims Inventory and Backlog

Before I discuss in more detail the specific initiatives in our Transformation Plan, I want to provide you with a better understanding of our claims inventory and backlog. While today we have over 870,000 claims in our inventory, all of these claims are not "backlogged." The claims backlog includes those claims that have been pending longer than our goal of 125 days. Approximately 558,000 claims are currently in our backlog, or 66 percent of the pending inventory. In FY 2012, VA's backlog reduction target is 60 percent, or 6 percentage points below the current backlog. We are working hard to achieve that goal. The inventory is dynamic rather than static. It includes all claims received, whether pending for just a few hours or six months or more. Completed claims are continuously removed from the inventory while new claims are added.

It may help to describe the makeup of our claims inventory to put VA's workload and backlog into perspective. Our pending rating inventory of over 870,000 claims consists of first-time (original) claims and subsequent claims (reopened claims and claims for increased benefits) from Veterans and survivors of all eras. As you will note from the information below, a large percentage of the Veterans with pending claims are already receiving disability benefits from VA. We call these subsequent claims "supplemental" claims. The pending claims breakdown is as follows:

- Nearly two-thirds, or 61 percent, are supplemental claims from Veterans for whom we have already completed at least one claim.
- Vietnam Veterans represent 30 percent of the original pending claims and 44 percent of the supplemental claims. 39 percent are from Vietnam Veterans with a current disability evaluation rating of 50 percent or higher.
- Gulf War Era Veterans (August 2, 1990 to present) represent 50 percent of the original pending claims and 37 percent of the supplemental claims. Global War on Terror (GWOT) Veterans who served in Iraq and Afghanistan are included in the Gulf War Era claims. Of pending supplemental claims from GWOT Veterans, 83 percent are already receiving compensation, and 46 percent have a current disability evaluation rating of 50 percent or higher.

Incoming Disability Claims Workload: VBA administers the Disability Compensation Program, which provides monthly benefits to Veterans who are disabled as a result of injuries or illness incurred or aggravated during their military service. The disability claims workload from the newest generation of returning war Veterans, as well as from Veterans of earlier periods, continues to increase. VBA's annual claims receipts increased 48 percent over the last four years, from 888,000 in 2008 to 1.3 million in 2011. The growth in disability claims volume is driven by a number of factors, including:

- Additional presumptive disabilities associated with Agent Orange exposure,
- New regulations for processing certain claims related to Gulf War service, traumatic brain injuries, and post-traumatic stress disorder (PTSD);
- Growth in the average number of medical conditions for which each claimant files;
- Improved access to benefits through the joint VA and DoD pre-discharge programs such as the Integrated Disability Evaluation System (IDES);
- Ten years of war with increased survival rates;
- Successful extensive use of VA of outreach programs encouraging more Veterans to submit claims;
- Increased use of technology and social media by Veterans, families, and survivors to self-inform of available resources;

- Post-conflict downsizing of the military; and
- Difficult economic conditions.

Three factors with a particularly large impact on our claims volume include disabilities associated with Agent Orange exposure; improved transition services for our wounded, ill, and injured Servicemembers through IDES; and growth in the number of medical conditions claimed.

Agent Orange: Since October 2010, VBA has dedicated over 2,300 claims staff to readjudicating previously denied claims for the three new Agent Orange presumptive conditions (Parkinson's disease, ischemic heart disease, and B-cell leukemias). We surged over 37 percent of the VBA workforce to adjudicate these claims in a short period of time. This was a huge benefit for Veterans, but it did place a burden on the backlog. VA has received nearly 260,000 Agent Orange claims based on the new presumptive conditions and has already put \$3.7 billion into the hands of over 131,000 of our Vietnam Veterans and their survivors. All retroactive claims for living Veterans have been completed. We have completed the ratings on all retroactive claims that will benefit survivors and are now focusing on administrative actions to identify next of kin and complete these claims. Our focus on processing these complex claims contributed to a larger claims backlog, but it remains the right thing to do for our Vietnam Veterans, many of whom waited a long time for these benefits.

IDES: Through IDES, VA and DoD ensure seamless service delivery for our wounded, ill, and injured Servicemembers. VA is on track to reach our target of processing IDES claims in 100 days. In FY 2011, we made major improvements in service delivery, decreasing processing time in areas of VA responsibility from 186 days to 104 days. IDES provides a single set of disability examinations and a single-source disability rating, for use by both Departments in executing their respective responsibilities. This results in more consistent evaluations, faster decisions, and timely benefits delivery for those medically retired or separated. Last year, IDES expanded from 21 sites to 139 sites. VBA currently dedicates 94 Veterans Service Representatives and Military Services Coordinators to full-time IDES processing, and we significantly increased rating resources dedicated to IDES claims processing from 45 Rating Veterans Service Representatives (RVSRs) to 126 RVSRs currently assigned. This level of staffing represents four times the FTE devoted to claims processed under

our traditional model. We are also in the process of integrating Vocational Rehabilitation and Employment (VR&E) counselors into the IDES process to provide upfront transitional counseling for our Servicemembers and their families. This year we are placing 110 VR&E counselors at the busiest IDES sites around the country.

Number of medical conditions claimed: The complexity of the workload also continues to rapidly increase, as Veterans of all eras now claim greater numbers of disabilities and the nature of the disabilities (such as PTSD, combat injuries, diabetes, and environmental diseases) becomes increasingly complex. Last year, the number of medical conditions claimed by Veterans who served in Iraq and Afghanistan averaged 8.5, a dramatic difference from Veterans of earlier eras (e.g., World War II Veterans average 1 to 2 medical conditions; Vietnam Veterans: 3 to 4; Gulf War Veterans: 9 to 11 and recently increasing to 15; and 20 or more for those wounded, ill, and injured Veterans).

Even with the unprecedented workload increases, VBA achieved nearly a 15 percent increase in output each year over the past three years (2009 through 2011) when compared to 2008, completing over one million disability claims in each of the past two years. VBA expects production levels to continue to increase each year through our transformational initiatives focused on people, process, and technology. Our Veterans, their family members, and survivors deserve no less.

At the same time that VA has seen this increase in the disability compensation program, VA has also seen significant growth in other benefit programs. In FY 2011, approximately 925,000 Servicemembers, Veterans, and other beneficiaries participated in all of the education programs administered by VA, a 16 percent increase over FY 2010. In FY 2011, VBA helped 73,000 Veterans (83 percent of Veterans in default) retain their homes or avoid foreclosure; this was a 10 percent increase over the number helped in FY 2010. Additionally, VBA continues to expand the multiple means Veterans have available to contact us, improving telephone service and online web access to provide choices and flexibility for our Veterans. From 2009 through 2011, the total number of contacts that VBA has with Veterans increased 59 percent, from 9.1 million to 14.5 million.

Disability Claims Backlog: Despite unprecedented VBA claims production – completing over 1 million claims each year for the last two years – VA's backlog has

grown. We have received an unprecedented growth in claims – nearly 48 percent more than three years ago. Included in this growth are 45 percent of the 1.6 million Veterans who have honorably served during more than a decade of war in Iraq and Afghanistan are rightfully filing claims and at unprecedented levels. Thankfully, these dedicated men and women are 10 times more likely than previous generations to have survived the multiple deployments they've selflessly made, but they are returning with triple the medical issues of previous generations – driving the complexity of these claims and their associated workload to an all-time high.

Transformation to a 21st Century VBA

VBA's transformation is demanded by a new era, emerging technologies, the latest demographic realities, and our renewed commitment to today's Veterans, family members, and survivors. In the face of dramatically increasing workloads, VBA must deliver first-rate and timely benefits and services – and they must be delivered with greater efficiency. VBA is aggressively pursuing its Transformation Plan, a series of tightly integrated people, process, and technology initiatives designed to eliminate the claims backlog and achieve our goal of processing all claims within 125 days with 98 percent quality in 2015.

Our plan is based on more than 600 ideas solicited from our employees, Veterans Service Organization partners, members of Congress and their staffs, as well as other stakeholders. After evaluating a multitude of innovative ideas, we focused on the 40+ most promising, tested, and measured initiatives that served as a basis for the initiatives in our Transformation Plan. As we implement these initiatives, VBA is closely tracking current metrics (the number of claims considered part of the backlog, which VA defines as claims pending over 125 days; claims production; quality of rating decisions; decision timeliness; etc.) to assess results and, if necessary, adjust our efforts. We are also working to expand what we measure to more clearly show the impact of the Transformation Plan, both at local and national levels. VBA continues to review the initial 600 ideas for process improvements to ensure all potentially valuable transformation actions are evaluated. We also continue our quest for additional new and innovative ideas to further transform our claims processes.

VBA's Implementation Center, established at VBA headquarters as a program management office, is streamlining the process of transformation by ensuring new ideas are approved through a governance process, and that implementation and training are carefully planned and executed utilizing a comprehensive change management approach. This allows us to focus on implementing initiatives that will achieve the greatest gains, without degrading current performance. The Implementation Center is now overseeing the deployment of the newly transformed organizational model in a phased implementation schedule that will be in use at 16 regional offices by the end of FY 2012 and at all regional offices by the end of CY 2013.

People-Focused Initiatives

Our employees are the key to our success, and over 50 percent of them are Veterans themselves. We are strengthening the expertise of our workforce by changing the way we are organized and trained to do the work. Our new standardized organizational model incorporates a case-management approach to claims processing. Distinct processing lanes are being established based on the complexity and priority of the claims and employees are assigned to the lanes based on their experience and skill levels. Integrated, cross-functional teams work claims from start to finish, facilitating the quick flow of completed claims and allowing for informal clarification of claims processing issues to minimize rework and reduce processing time. Less complex claims move quickly through the system in a designated "express" lane, and the quality of our decisions improves by assigning more experienced and skilled employees to the more complex claims in our "special operations" lane. The new organizational model also establishes an Intake Processing Center at every regional office, adding a formalized process for triaging claims and enabling more timely and accurate distribution of claims to the production staff in their appropriate lanes. Based on actual testing of these initiatives over time, we estimate that our people-focused initiatives will contribute to a 15-20 percent improvement in productivity and 4 percent improvement in quality when fully implemented in all regional offices.

At VBA we are increasing the productivity of our workforce and the quality of our decisions through national training programs and standards. Our redesigned and

expanded 8-week centralized Challenge Training Program for new claims processors has achieved dramatic results. On completion of the training, employees complete 150 percent more claims per day as new employees, with a 30 percent increase in accuracy, when compared to early student performance under the previous program. Our training and technology skills programs continue to deliver the knowledge and expertise our employees need to succeed in a 21st Century workplace. We have already seen a nationwide four percent improvement in claims quality as a result of this new training initiative.

Process-Improvement Initiatives

VBA has established a "Design Team" concept to support the transformation of its business processes. Using Design Teams, VBA is conducting rapid development and testing of process changes, and automated processing tools in the workplace to assure that changes will be actionable and effective before they are implemented. The goal of our Design Teams is to implement, execute, and measure an improved facet of our operations with a mindset toward increasing productivity and improving quality. We are focusing on streamlining processes and eliminating repetition and rework in the claims process while delivering optimal service. After fully testing process improvements in pilot sites, we expect our process initiatives to contribute to a 15-20 percent increase in productivity and a minimum four percent improvement in claims quality as it relates to current processing initiatives when fully implemented nationwide. As we continue to find new, promising initiatives and scale these initiatives nationally, these estimates could change. Initial process improvements include:

Quality Review Teams: We transformed our local quality assurance process by establishing dedicated teams of quality review specialists at each regional office. These teams evaluate decision accuracy at both the regional office and individual employee levels, and perform in-process reviews to identify and eliminate errors at the earliest possible stage in the claims process. The quality review teams are comprised of personnel trained by our national quality assurance (Statistical Technical Accuracy Review or "STAR") staff to assure local reviews are consistently conducted according to national standards. An initial focus of these teams is to reduce medical examination errors, which currently represent 30 percent of our benefit entitlement quality errors. In

addition to quality improvements, the need for reexaminations will be minimized, thereby reducing claims processing time in 39-day increments for every reexamination avoided. Since inception of quality review teams in March 2012, the return rate for corrections has improved by 20 percent, demonstrating that immediate feedback and training have a positive effect on quality.

Simplified Notification Letter: Implemented in January 2012, the new decision notification process streamlines and standardizes the communication of claims decisions. VA implemented this initiative for three reasons:

- Our Veterans didn't always understand the two different documents that explained their disability rating decision. This confusion was the second most common reason that Veterans contacted our call centers.
- It was consistent with the Plain Writing Act of 2010 (Public Law 111-274).
- It improves the consistency and productivity of the raters.

The simplified letters consolidate the two separate documents that were previously sent into one clear and concise letter, which contains the substance of the decision, including a summary of the evidence considered and the reason for the decision. Testing of this initiative at the Atlanta and St. Paul Regional Offices resulted in productivity increases of 15 percent, while sustaining accuracy rates, and reductions of 14 days in average processing time. This increase was a result of standardizing and simplifying language in rating decision documents while allowing individually customized rationales. As a direct result, raters can now process more ratings each day with greater consistency and fairness. Since nationwide implementation of this initiative, the increased production has decreased the number of claims awaiting a rating decision by 28 percent, from approximately 123,000 to 89,000 claims. Additionally, the number of rating decisions completed per Rating Veterans Service Representative has increased by 16 percent.

Rules-Based Calculators: This initiative provides new automated employee job-aids that use rules-based programming to assist decision makers in assigning an accurate service-connected evaluation. These new calculators significantly contribute to improvements in rating quality and consistency. During testing, the initiative resulted in improved quality, from 83 percent to 94 percent. Sixteen stand-alone calculators are currently being used by claims processors. The following calculators have already been

embedded in one of our technology initiatives, the Veterans Benefits Management System (VBMS), which I will describe later in testimony:

1. Hearing loss calculator: Generates stand-alone paragraphs for use in rating decisions.
2. Effective date builder: Suggests appropriate effective dates for awards and provides supporting text for decisions.
3. Evaluation builder: Helps assign correct evaluations and generates text to explain a disability grant as well as criteria for the next higher rating.
4. Integrated rules for joint disabilities and the endocrine system.

Disability Benefits Questionnaires (DBQs): DBQs are templates that solicit the medical information necessary to evaluate Veterans' medical conditions. VA has made 71 DBQs available to the public, so that Veterans can take them to their private physicians for completion. Ten additional DBQs for specialized medical examinations and opinions are used by VA physicians, bringing the total number of DBQs to 81. DBQs facilitate submission of a fully developed claim, the fastest means of getting a claim processed. Veterans participating in the Fully Developed Claims Program, often supported by their Veterans Service Organization (VSO) representatives, send all the required evidence with their claims and certify that they have nothing further to provide. By doing this, they dramatically reduce the processing time of their claim. The more claims we receive that are fully developed, the faster we can make decisions. Currently, claims submitted under the Fully Developed Claims Program are processed in an average of 117 days. We especially recognize the Maine Department of Veterans Services for the outstanding assistance they are providing to the Veterans they represent, submitting 42 percent of their claims as fully developed claims.

Technology Initiatives

A key component of the Transformation Plan is our new technology solution for paperless claims processing, VBMS. We have been developing and testing VBMS in two regional offices, Salt Lake City and Providence, since 2011. We expanded this technology to two additional offices, Fort Harrison and Wichita, in

2012 and will be deploying VBMS to 12 more offices by the end of this fiscal year. The new technology will be deployed to all regional offices by the end of CY 2013.

Key to VBA's transformation is ending the reliance on the outmoded paper-intensive processes that thwart timely and accurate claims processing. VBA is deploying technology solutions that improve access, drive automation, reduce variance, and enable faster and more efficient operations. VBA's planned digital, paperless environment will also enable greater exchange of information and increased transparency to Veterans, the workforce, and our stakeholders. We know that 73 percent of our Veterans prefer to interact with VA online. We are therefore taking a new approach, which includes online claims submission. Our strategy includes participation of stakeholders such as Veterans Service Officers, State Departments of Veterans Affairs, County Veterans Service Officers, and the Department of Defense (DoD) in providing digitally ready electronic files and claims pre-scanned through online claims submission. This will be accomplished through electronic data sharing and utilizing a stakeholder portal.

Our Transformation Plan also includes the following major technology initiatives that aim to improve access and increase efficiency, with goals to contribute to an additional 15-20 percent increase in productivity and a four to six percent improvement in claims quality:

VBMS: To improve the efficiency of the claims process, VA is transitioning to a business model that relies less on the acquisition and movement of paper documents. VBMS is a business transformation initiative supported by technology to improve service delivery. VA recognizes technology is not the sole solution to improving regional office performance and eliminating the claims backlog; however, it is the critical hallmark of a forward-looking organization. Without VBMS, we cannot succeed in meeting our goal of processing all claims within 125 days with 98 percent accuracy in 2015. The centerpiece of VBMS is a paperless system, which will be complemented by a new organizational model, enhanced tools and training, and improved business processes and workflows. VBMS will dramatically reduce the amount of paper in the current disability claims process, and will employ rules-based claims development and decision recommendations utilizing rating calculators where possible. Additionally, by using a service-oriented architecture and commercial off-the-shelf products, VA will be positioned to take advantage of future advances in

technology developed in the marketplace to respond to the changing needs of Veterans over time.

Last year, VA developed, tested, and began processing a limited number of original claims for disability compensation using VBMS at the Providence and Salt Lake City Regional Offices. These efforts validated the ability of users to enter and process claims to completion within the new, web-based, electronic claims processing system, while ensuring successful integration with existing databases and legacy applications.

VA added new system functionality in 2012, which was deployed to the Providence and Salt Lake City Regional Offices, and recently expanded to the entire Wichita and Fort Harrison Regional Offices. VBMS will release additional system functionality in July 2012 prior to beginning national deployment. VBMS will be deployed to an additional 12 regional offices bringing the total to 16 regional offices by the end of FY 2012. All regional offices will be using VBMS by the end of calendar year 2013.

From FY 2009 through the end of FY 2012, the projected cost of VBMS development, sustainment, and deployment to 16 regional offices is approximately \$537 million. This total also includes costs associated with the Virtual Regional Office proof of concept, VETSNET and Virtual VA operations and maintenance, and licenses to support VBA operations. As an integrated investment, delivering VBMS will enable VBA to complete significantly more claims each year. Additionally, VBMS will facilitate integration across VBA's benefits programs for automated, rules based claims processing. This standardization of capabilities will reduce long-term costs and align VA enterprise requirements. The costs associated with this initiative reflect the complexity of the system development effort and scope of capabilities required to transform current paper-intensive processes to an electronic operating environment.

Once VBMS is fully developed, it will enable end-to-end electronic claims processing for each stage of the claims life cycle. The functionality of VBMS 2.0 software included the ability to establish claims, view and store electronic documents in an electronic folder, rate electronic or paper claims, and easily conduct searches for information. In the paper-based environment, our employees spend significant time manually searching through hundreds of pages of records to locate claim-specific information. The robust VBMS search capability eliminates time related to manual searches and assists users in quickly locating information. The system also provides the

ability to track evidence requested from beneficiaries. The rating application provides users with web-accessible, rules-based tools, and rating calculators to ensure consistency in rating decisions and improve the overall quality and timeliness of decisions.

In the software release for VBMS 3.0, new functionality provides the ability to generate a guided evidence development plan, which assists users in identifying required evidence supporting Veterans' claims. This plan then automatically generates a Veterans Claims Assistance Act letter and a medical record request to private physicians. In addition, new functionality includes the ability to broker, or reassign, claims electronically to any VA regional office where VBMS is deployed, allowing fluid movement of pending work and workload balancing. The VBMS initiative will continue to use incremental technology releases to modernize and automate the benefits adjudication process.

Veterans Relationship Management Initiative (VRM): VRM engages, empowers, and serves Veterans and other claimants with seamless, secure, and on-demand access to benefit and service information. Veterans now have access to benefit information from multiple channels – on the phone, on line or through our shared DoD/VA portal called eBenefits.

VRM is transforming VBA's National Call Centers through the introduction of new Veteran-friendly technologies and features. In October 2011, VA deployed Virtual Hold technology. During periods of high call volumes, this system enhancement allows callers to leave their name and phone number instead of waiting on hold for the next available operator, and the system automatically calls them back in turn. Over 2 million return calls have been made through the Virtual Hold system since November 2011. This represents an acceptance rate for callers of 51 percent, exceeding the industry standard of 30 percent, and our successful re-connect rate is 93 percent.

In December 2011, VA deployed Scheduled Callback technology, allowing callers to make an appointment with us to call them at a specific time. Since deployment, over 785,000 scheduled callbacks have already been processed. The J.D. Power and Associates' client-satisfaction scores for our National Call Centers indicated a four-point uptick in overall satisfaction, from 738 to 742, for those callers that utilized the Virtual Hold option from November 2011 to March 2012.

VRM also deployed a pilot of our new "Unified Desktop" technology. This initiative will provide National Call Center agents with a single, unified view of VA clients' military, demographic, and contact information and their benefits eligibility and claims status through one integrated application, versus the current process that requires VA agents to access up to 13 different applications. Agents will benefit from not switching between multiple applications or being timed out. These new developments provide functionality not previously available, such as real-time analytics and reporting, "smart" scripts, and caller contact history and appeals information, all from one screen. This will not only help ensure our Veterans receive consistent, comprehensive, and accurate responses, but will increase the speed to answer calls, and provide better "first-call resolution" for our clients.

eBenefits Portal: eBenefits, the joint VA/DoD client-services portal for life-long engagement with Servicemembers, Veterans, and their families, is a fundamental component of the VRM initiative. Our life-long engagement now begins with the Servicemember's entry into military service and extends throughout his or her lifetime – and will include access for Veterans' survivors. The eBenefits portal provides users with self-service options and greater access to benefits and health information at the time and method of their choosing, including a new single-sign-on exchange with My HealtheVet. We have reduced the burden on obtaining an eBenefits Premium (Level 2) account by allowing beneficiaries to register online or over the phone. In September 2011, VA and DoD, in a collaborative partnership, registered its one-millionth user on eBenefits. Current eBenefits enrollment exceeds 1.7 million users, representing more than a 500-percent increase since January 2011. eBenefits makes it easier for Veterans to get what they want – when they want it. Veterans and Servicemembers are downloading over 120,000 letters per month for purposes including military service verification, benefits summaries, commissary privileges, and civil service preference. This year, DoD is making enrollment in the eBenefits portal mandatory for all Servicemembers upon entry into military service.

The eBenefits portal also provides an online capability and 41 self-service features to check the status of a claim or appeal; review the history of VA payments; request and download military personnel records; secure a certificate of eligibility for a VA home loan; and numerous other benefit actions. We continue to aggressively

expand and update on-line self-service and access capabilities. We are engaging our Veterans Service Organization partners in registering Veterans for eBenefits accounts. In the coming months, Servicemembers will be able to complete their Servicemembers' Group Life Insurance applications and transactions through eBenefits. Recent enhancements allow Veterans to view their scheduled VA medical appointments. They will soon be able to file benefits claims online in a "Turbo Claim-like" approach and upload supporting claims information that feeds our paperless claims process. In 2013, we plan enhanced self-service tools for the Civilian Health and Medical Program of VA (CHAMPVA) and VetSuccess programs, as well as the Veterans Online Application for enrolling in VA healthcare. eBenefits can be accessed via <https://www.ebenefits.va.gov>.

Conclusion

VA is in an era of unprecedented production and unprecedented demand, and our Transformation Plan is critical to achieving our goals for improving the delivery of benefits to our Veterans, their families, and survivors. We will continue to vigorously pursue our people, process and technology-centered improvements designed to eliminate the claims backlog and achieve our goal in 2015 of processing all claims within 125 days with 98 percent accuracy.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions you or other Members of the Subcommittee may have.

Mr. CHAFFETZ. Thank you.
We will now go to Mr. Manar. You are recognized for five minutes.

STATEMENT OF GERALD T. MANAR

Mr. MANAR. Thank you.

On behalf of the more than 2 million members of the Veterans of Foreign Wars of the United States, and our auxiliaries, I would like to thank you for the opportunity to testify today on the VBA claims transformation process.

Edmund Burke wrote that those who do not know history is destined to repeat it. It is for that reason that we discuss at length in our written testimony the historical events which greatly influenced and contributed to the over 2 million pending claims, adjudicative actions and appeals that make up the VBA workload today. Congressional inaction, institutional practices within VA, leadership lapses, managerial ineptness, legislative initiatives, administrative actions, court decisions by the score and economic hard times have all come together in the last two decades to create this workload.

Let's talk about solutions to this problem. First, there is no magic bullet. There is no one solution which will suddenly allow VBA employees to make quality decisions in a timely manner. VA has tried many times with many ideas in the last few years. It is important to distinguish marginal programs from potential game-changers.

We should recognize that VBA has yet to determine what is the optimal claims processing system for today. It has experimented with case management in several offices. While processing time improved, this model proved to be resource-intensive. Lean claims processing pioneered in Little Rock improved work flow within the regional office and provided opportunities for continuous learning. However, only marginal improvements were shown over time.

Just one week ago, the VA trumpeted the creation of specialized teams, or lanes, for processing the bulk of claims within select regional offices. While some cases may be decided more quickly, we are aware of nothing in this initiative which will ensure higher quality decisions and significant improvements in timeliness. These initiatives address certain problems and produce some results. However, none, in our view, are expected to have a significant impact on either quality or production.

The simplified notification letter program is designed to allow rating specialists to work more rapidly, and it does. Despite changes directed by General Hickey, our recent reviews of decisions made under the SNL program show a failure to fully comply with VA directives. VA is required by law to provide veterans with the reasons and bases for the decisions made in their cases. While the SNL program provides generic reasons for decisions, these are not adequate to meet the requirements of the law. As a result, we have renewed our opposition to the SNL initiative until full compliance with the law is achieved.

VBMS is the VBA's foundation for a 21st century claims processing system. It is intended to be sufficiently flexible to allow the addition of programs, both now and in the future. VBMS is de-

signed to facilitate the creation of efficiency. However, we do not expect significant improvements in claims processing timeliness or quality immediately following deployment. If history is any guide, VBMS will actually slow claims processing during the first six months following deployment as software problems are identified and fixed.

VBA has stated that VBMS will be rolled out to 12 more regional offices by September. We strongly urge VBA to fix known problems before rolling VBMS out to additional offices.

Many problems continue to slow development of this massive undertaking. It was only last week that VBA met with service organizations subject matter experts for two days to define the SNL requirements for access to VBMS. A significant number of problems must be resolved so that our service offices can fully access records in VBMS, so that we can represent veterans before VA. These are not new problems. VFW service officers in three VBMS offices still cannot access veteran records processed in VBMS.

There can be no misunderstanding. VBA must see this through to conclusion. VA has no alternatives, no fallback position. It must succeed in creating a fully functioning, veteran-centric, interactive, user friendly and highly agile claims processing system. Failure to do this will have dire consequences for the future of VBA and veterans benefit programs.

Further, VBMS should not be deployed without full and complete access by VSOs to all records of veterans and other claimants for whom we hold the power of attorney. Failure to provide full and complete access at any point in this process means that veterans are denied due process and are deprived of the representation allowed by law.

We believe that VBMS has the potential to be the game changer, but only if it is done right and only if VBA creates the best work process that works in this totally new electronic environment. This must be done in tandem to take advantage of the potential efficiencies and capabilities of this new information technology.

We have worked closely with General Hickey to address our concerns. We have great respect for her leadership and vision for VBA. We will continue to working with VA to resolve problems that arise so that veterans, their families and survivors receive correct decisions in a timely manner from VA.

Mr. Chairman, thank you for the opportunity to provide testimony this morning. I will be pleased to answer any questions you may have.

[Prepared statement of Mr. Manar follows:]

STATEMENT OF

GERALD T. MANAR, DEPUTY DIRECTOR
NATIONAL VETERANS SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE
AND FOREIGN OPERATIONS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

**Taking Care of Our Veterans: What is the Department of Veterans Affairs Doing to
Eliminate the Claims Backlog**

WASHINGTON, DC

July 18, 2012

MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE:

On behalf of the more than 2 million members of the Veterans of Foreign Wars of the United States (VFW) and our Auxiliaries, I would like to thank you for the opportunity to testify today on the VBA claims transformation plan within the Veterans Benefits Administration (VBA).

The number of compensation, pension and education claims, award adjustments and appeals currently pending before the Department of Veterans Affairs (VA) totals 2,075,272.¹ The VA will tell you it is something different, but that's the actual number.

There are many "rules" in management, but one of the top rules has to be this: You cannot fix a problem unless you know what it is. One wonders why VBA officials insist that the number of claims it has is only its rating workload. However, the problem is not two million pending

¹"Monday Morning Workload Report", Department of Veterans Affairs, July 9, 2012
<http://www.vba.va.gov/REPORTS/mmwr/index.asp> This total is the sum of all pending compensation, pension and education actions found on the Final Aggregate spreadsheet. It also includes pending appeals shown for compensation and pension programs since these appeal are under development in the VA regional offices and processing centers. VA officials frequently provide lower numbers when discussing the workload and backlog. References to workload usually refer to pending compensation and pension claims requiring rating action. The pending backlog usually refers to pending rating claims requiring rating action pending longer than 125 days. On July 9, 2012, those numbers were 918,819 and 608,068, respectively. The VFW counts all pending work, including appeals, since these actions must be processed by VBA employees.

claims. The problem is that VA has yet to devise a work process that completes those claims in a timely manner with high quality.

We will discuss our views on VBMS and another transformation initiative shortly; however, to understand the current problems it is important that we first examine some of the reasons for the current backlog of pending claims and appeals.

What we have here is a bipartisan multigenerational mess. It is a uniquely American problem.

The American people, through their elected representatives in Congress, recognize the contributions and sacrifice of the millions of men and women who have served in her armed forces in both war and peace. They have come to understand that as horrific as are some injuries received in combat, as many or more service members are disabled from injuries or disease incurred while preparing for war. As a result of this understanding, Congress created a unique set of programs designed to compensate veterans for their service incurred disabilities, provide benefits to the survivors of those who died as the result of that service and ensure that veterans have opportunities to obtain housing and an education.

The VA disability compensation program is complex. It is the result of legislation dating back to at least the 1930s. It is a program which has been refined and expanded, both legislatively and administratively, throughout its existence. It is often cumbersome and occasionally arcane. However, it has served the needs of veterans, their survivors and the American people for over 80 years.

Today's workload problems didn't happen overnight. In fact, their origins date back decades. In the 1970s the VA agreed to VBA staffing cuts in exchange for a budget which would allow it to place computers in its regional offices for the first time. That the computer system it bought was reportedly obsolete at the time it was installed is, perhaps, more an indictment of purchasing practices than anything else. However, this action set the stage for information technology (IT) miscues and missteps which plagued VA down to the present.

Under both internal and external pressures from the mid-1970s through 2000, VA failed to adequately describe its real workload and consistently underestimated the number of staff needed to process anticipated receipts and its existing backlog of pending claims.² This practice, through both Republican and Democratic administrations, abdicated the responsibility of identifying and funding VBA staffing needs to Congress. The result was, until the last decade, significant shortages in critical claims processing FTE in VBA.³

In the last decade Congress has authorized substantial increases in FTE. This is a good thing. Unfortunately, no university or trade school prepares students for a job of claims processing. Once hired, VA must train its employees in the laws, regulations, processes and procedures they

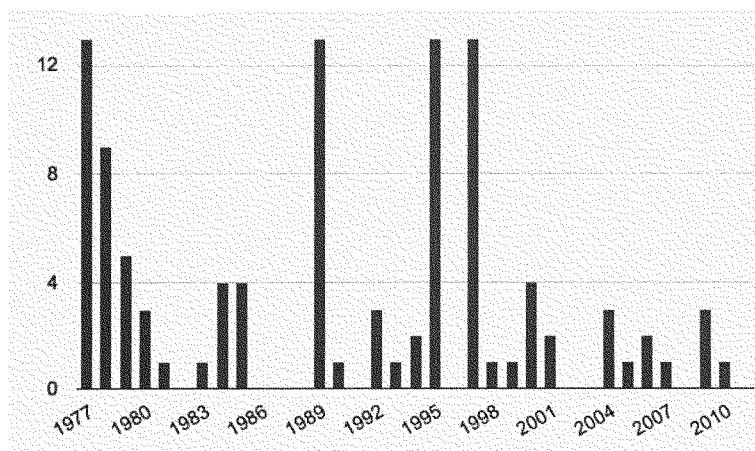
² This practice is not confined to VBA staffing levels. Even today, VA repeatedly and substantially underestimates the amount of major and minor construction funds it needs to maintain its extensive medical infrastructure. The Independent Budget, FY 2012. http://www.independentbudget.org/2012/6_new_construction.pdf

³ This was not an insignificant or transient problem. In the 1990's a good rating specialist could complete five (5) or more ratings per day. In a year with 260 workdays, that rating specialist could complete 1,300 ratings. If Congress failed to fund, and VBA failed to staff, just 100 rating specialist positions, 130,000 ratings would not be completed.

must follow in deciding what evidence is needed, whether service connection can be granted, what evaluation to assign and from which effective date. This training takes time and resources. While VBA has streamlined and refined the training process, seeking to make its new employees productive in increasingly shorter periods of time, the truth remains that it takes a year or more for a Veterans Claims Representative (VSR) to learn and mature within their position, and it takes two to three years for a Rating VSR to acquire the skills necessary to make decisions with some speed and with a modicum of quality.

Adequacy of VA budgets was only one of the reasons why VBA is in its current state. Even when Congress passed a budget for VA, it was often months late. The chart, below, shows the number of appropriation bills enacted by October 1st for Congresses from 1977 through 2010. Note that in only four years did Congress complete its work on time. This meant that those departments not blessed with a budget were forced to work under continuing resolutions, often for months. In several years, Congress used continuing resolutions to fund the Executive Branch for the entire year.

Appropriations bills enacted by October 1st



The problem is that during a continuing resolution VBA does not hire personnel to fill vacancies. Even when a budget is finally passed, it routinely takes VA a substantial amount of time to crunch the numbers and allocate staffing ceilings based on the budget. Only then can managers in VA's regional offices begin the process of recruiting, selecting and training new personnel. In those years when there was no budget, there was no hiring. Consider a regional office such as

⁴ "Duration of Continuing Resolutions in Recent Years", Congressional Research Service, 2011, http://assets.opencrs.com/rpts/RL32614_20110322.pdf

Los Angeles which, in the 1990s, had a 10-15 percent attrition rate per year. The inability to hire replacement FTE for extended periods contributed substantially to the increases in workload during that decade at that and many VA regional offices. The problems created by these gaps cascaded down through the years. For instance, personnel were often unprepared to assume greater responsibilities when vacancies above them arose because they had not been in their current position long enough.

The administrations and Congresses of the last several decades are not solely responsible for today's workload crisis within VBA. VA and VBA leaders and managers failed time and again to fully recognize and address problems while they were still malleable.

The people not to blame for the current state of affairs at VA are Secretary Shinseki and Under Secretary for Benefits Hickey. On the day Secretary Shinseki took office in 2009, VBA had about 850,000 pending claims and appeals. There were 1,570,000 claims and appeals pending when USB Hickey was sworn in on June 6, 2012.

Each year, since 2009, VBA has completed more claims than it did the year before. However, with hundreds of thousands of men and women returning from a decade of wars in Iraq and Afghanistan, many wounded from both physical and psychological injuries; increased outreach efforts; over 230,000 fresh claims from veterans of the Vietnam war who were exposed to herbicides; and thousands more seeking additional benefits in the worst economic downturn since the Great Depression, to date, VBA has not yet been able to overcome the burdens of its past.

Since Eric Shinseki became Secretary, VA has had a set of goals. Since Allison Hickey became USB, VBA has had a vision. In our view, they are diligently working to overcome the problems of the past and are driving VA forward more rapidly than any Secretary and Under Secretary for Benefits in memory. Congress has given VA the staffing sufficient to defeat the backlog and the administration continues to voice its confidence that VA is turning the corner and is on the road to success.

While we continue to have significant concerns about VBA, we are working with them to identify problems and make adjustments so that in the end veterans and their families receive every benefit to which they are entitled under the law, in a timely manner and with assurance that decisions are correct.

VBMS

Over the last 20 years we have watched VBA struggle to determine how it would modernize its claims processing systems. "Struggle to determine" because VBA has lacked a coherent vision of what a 21st Century claims processing system should be. Lewis Carol, author of *Alice in Wonderland*, is often quoted as saying: "If you don't know where you're going, any road will get you there." To the despair of many of us, VBA started down many roads, only to find that nearly all got them precisely nowhere.

In our view, VBA is still struggling to find its vision. Without a clear vision, an ultimate goal, it advances in fits and starts, making some progress, but often at the cost of wasted time, money and the energy of its people.

In the last year Allison Hickey, Under Secretary for Benefits, has worked hard to bring that vision into focus. Just a year ago this month she called 50 people to a Strategic Planning and Implementation Workshop. Through two grueling, 12-hour days she worked with them to define where VBA should be by 2015. By the end of the workshop they had taken the vision from its murky, ethereal shape and had developed the outline of goals and the start of a plan.

They started the process of paring away the programs and pilots that weren't working. They sought to identify those things that were working but not delivering sufficient value to continue. Then they began to examine which of the remaining initiatives would help them get to their goals, and figure out what was required to further the process.

In all of this there was recognition that VBA could not overhaul its claims processing systems without first overhauling its computer and software infrastructure.

How best to describe the computer systems used by VBA to process claims? Imagine a house first built in the late 1970s. The house was an old design, but because the plans and materials were already out of date the price to build it was considered reasonable. The house was modest at first, and because it was new, its owners thought that it would serve them for many years to come.

Over the next 40 years many rooms were added to the house. The rooms had funny names, such as BIRLS, COVERS, RBA 2000, BDN and MAPD⁵, to name a few. Each room was added at different times. Some doors failed to open onto hallways. Some had central air conditioning while others had none. In some rooms the plumbing worked fine while there were chronic problems in others. Visitors to this house often had to go back outside and enter through a different door just to get to another room. As a consequence of poor planning and design, the house was not very efficient and it was difficult to live in.

This analogy describes the computer systems VA uses today. While it is true that many changes and improvements have been made, the basic foundation on which all these systems are built is inadequate to support a functional claims system. It is slow, inefficient, requires repetitive input and it is difficult to update and repair.

VBMS is VBA's attempt to build a foundation for a new house. It's not just designed to sustain the software programs VBA envisions for the immediate future, it is intended to be sufficiently flexible to allow the addition of programs not yet contemplated.

⁵ Benefits Identification and Records Locator System; Control of Veterans Records System; Rating Board Automation 2000 was an updated version of the original Rating Board Automation program, Benefits Delivery Network, Modern Awards Processing - Development

It is important to understand that VBMS is the foundation. VBMS is designed to facilitate the creation of efficiencies. As such, we do not anticipate that the rollout of VBMS over the next year will initially result in significant improvements in claims processing timeliness or quality. In fact, if history is any guide, the deployment of VBMS will actually slow claims processing during the first six months as software problems are identified and fixes installed.

We do anticipate some efficiencies from the start. For instance, information concerning individual veterans, now scattered in multiple locations requiring separate input, will be stored in one location. Whenever that information is required, VBMS is designed to retrieve that centrally stored data.

For instance, right now a Veterans Service Representative (VSR) must enter a veteran's address in several different programs to ensure that the address is current. Systems do not automatically update. Similarly, a veteran's Power of Attorney (POA) must be entered in different programs to allow access by veterans representatives. With VBMS, a VSR need update the system in one place only and other programs will draw from that central data point to find the most current address or POA.

There has been some discussion of late that the deployment of VBMS may be delayed. There is a fine line between rolling out a new program too soon and delaying rollout too long while seeking to fix all the problems. VBA's initial plans for rapid development and deployment of VBMS were, in our view, unrealistic from the start. It is our understanding that development and testing of VBMS was to be conducted in rapid succession: collect the business requirements in Baltimore for a few months, deploy the first version to Providence for six months, update and deploy the second version to Salt Lake City for six months then roll it out to the other regional offices. To date VBMS is in four regional offices and, we are told, fewer than 800 cases have been processed to completion.

We believe that rolling out VBMS prematurely, before it is fully stressed to identify the majority of issues and problems it contains, is a bad business practice, bad for veterans and bad for morale of an already demoralized VA workforce. Examples are replete in the history of VBA claims processing of what happens when a new software program is deployed before it is ready for prime time.

BIRLS has been a useful tool to aid claims processors for many decades. It contains, among other things, data on veterans' military service. In an effort to clean up and verify the data contained in this program, VBA undertook a project in the 1980s called BIRLS Redesign. This program was rolled out to the field without adequate testing. As a result, tens of thousands of records had to be corrected or updated by hand, costing VBA thousands of man-hours of lost productivity.

In the 1990s VBA developed a program called RBA to assist rating specialists in the completion of rating decisions. In 2000, VBA updated the program and deployed it to the field without sufficient beta testing. As a consequence, creation of rating decisions slowed to a crawl while thousands of VA's most critical decision makers spent months identifying software bugs and struggled with "workarounds" while computer programmers fixed problems.

While it is counterproductive to delay release of a computer program until all the bugs are identified, these two examples are ample evidence of what happens when a new program is inadequately tested and released too soon.

We encourage this Committee to continue its oversight of VBA and VBMS while recognizing that it may be necessary to accept modest delays in deployment of this major initiative in order to avert the negative effects of rolling out a program with defects simply to meet a deadline.

VBMS is just one of many initiatives underway in VBA. A list of Transformation Initiatives⁶ on VA's website offers a fascinating, though dated, summary of the dozens of ideas tried, adopted or discarded in a quest to find the most efficient way to develop and decide claims in a timely manner.

Simplified Notification Letters (SNL) is an initiative thoroughly embraced by VBA leadership. An examination of what this initiative does to veterans is illustrative of the mindset of VBA in the last year.

The veteran service organizations first became aware of this project in June 2011 when our service officers in Atlanta notified us of its existence. Initially called Disability Evaluation Narrative Text Tool (DENTT) and later Rating Redesign, a team working in the Atlanta and St. Paul regional offices designed a process which could best be described as "Back to the Future". Instead of creating a time machine in a DeLorean, this team reached back to a simpler pre-VCAA, pre-veterans court era when ratings were simply conclusions with no discussion of the evidence considered, nor the reasons and bases as to why the decisions were made.

Instead, this initiative, now called SNL, required the rating specialist to include a set of codes at the end of the rating. The codes, in turn, were used by VSR's to select standard paragraphs for inclusion in the decision notice letters to veterans. While these standard paragraphs were better written and more understandable than those previously used by VA, they were generic and did not include the minimum information needed by a veteran to decide whether the decision was likely to be correct. With only general information provided by VA, veterans are faced with the choice of blindly accepting the decision or filing a Notice of Disagreement⁷ in order to obtain the reasons for the decision.

In September 2011, the VFW conducted an on-site review in Atlanta of rating decisions made under this initiative. After reviewing 60 ratings and accompanying notice letters, we concluded that the quality of the rating decisions was worse than that reported by VA through its STAR quality review program, and that veterans were not receiving adequate notice to satisfy legal and judicial requirements. Local management bragged that production was increased by 40 percent when cases were rated under this initiative.

⁶ <http://benefits.va.gov/TRANSFORMATION/docs/initiatives.asp?l=atl>, November 18, 2011

⁷ A Notice of Disagreement is the first step in the appeal process. Upon receipt, VA is required to review the decision, determine if additional development is required, and a new decision is warranted, if no change is warranted, a Statement of the Case, which provides the reasons and bases, as well as applicable citations of law and regulations supporting the decision, is issued to the appellant. 38 CFR 19.26, 20.201

Over the ensuing months we continued to complain about the inadequate notice being provided to veterans. To be fair, Under Secretary of Benefits Hickey listened to our concerns and changes have been made in the SNL program in an attempt to address the problems we noted.

Under the most recent changes, rating specialists were given additional instructions on providing sufficient details and discussion to explain their decisions. Restrictions on how much "free text" narrative they could insert in a rating were removed. At the time these changes were implemented in late February 2012, we concluded that if field personnel followed the instructions it would be possible to create barely adequate decisions and notice letters.⁸

Since May 2012, the VFW has conducted a review of SNL ratings and letters from several regional offices. Fifty three (53) percent of the cases reviewed contained errors in either the rating, decision letter or both. There were only a few examples of where claimants were provided what we view as legally adequate notice.

VBA's apparent inability to compel compliance by rating and authorization personnel with the most recent written directives concerning the SNL program force us to renew our opposition to this initiative. While we understand VBA's desire to increase production, we believe that this increased output is being done at the expense of veterans' legal right to know why decisions have been made in their cases. No two veterans, nor their disabilities, are alike. Canned generic paragraphs are not sufficient to tell them why their claims were decided in a particular way. VBA should suspend the SNL program until they can ensure that veterans receive adequate notice as required by law.

Despite our concerns about some elements of the transformation process, we believe that VBA is headed in the right direction, with energetic leaders who have voiced the clearest set of goals and possess the sharpest vision of any VA leadership team in decades. We continue working with VA to help ensure that the rights of veterans are not abridged in order to process claims more quickly. We continue to maintain that it is more important that VA make correct decisions rather than fast wrong decisions.

We urge this Committee to continue its oversight of VBA while it undergoes this journey from a 20th century paper bound claims processing system to a 21st century model which effectively utilizes IT to create efficiencies, significantly improve quality and complete claims more timely.

Mr. Chairman, this concludes my testimony, and I look forward to any questions you and the Committee may have concerning these issues or other programs or pilots the VA is conducting to improve the claims process

⁸ VA regulations and Federal court decisions make it clear that VA must provide claimants the reasons and bases for the decisions it makes. "Every claimant has the right to written notice of the decision made on his or her claim . . ." 38 CFR 3.103(a) "Claimants and their representatives are entitled to notice of any decision made by VA affecting the payment of benefits . . . Such notice shall clearly set forth the decision made, any applicable effective date, the reasons for the decision. . ." 38 CFR 3.103(b). See also *Gilbert v. Derwinski*, 1 Vet.App. 49, 56-57 (1990) and *Bolton v. Brown*, 8 Vet.App. 185, 191 (1995).

Mr. CHAFFETZ. Thank you. I appreciate it.
We will now recognize for five minutes Mr. Violante.

STATEMENT OF JOSEPH A. VIOLANTE

Mr. VIOLANTE. Thank you, Mr. Chairman and members of the Subcommittee. On behalf of the Disabled American Veterans and our 1.2 million members, thank you for this opportunity to present testimony about the VA claims processing system.

DAV has the Nation's largest service program which last year provided free representation to nearly a quarter million veterans and their families, assisting them in obtaining over \$4 billion in new and retroactive benefits to which they were entitled. By helping veterans file more complete and accurate applications for benefits, DAV and other VSOs also aid VA by reducing their workload and helping them reach the right decisions for veterans.

Mr. Chairman, the problems plaguing the VA claims processing system are well-known. The number of claims filed each year is growing. The complexity of claims filed is increasing. The backlog of claims pending is staggering and the quality of claims decisions remains far too low. These problems did not arise over the past year or the past four years, or for that matter, over the past ten years. Nor will they disappear this year or next.

Earlier this year, the Veterans Benefits Administration began rolling out its new operating model and technology solution to regional offices. But it is far too soon to make judgments about whether they are or will be successful. Although Congress must continue to play an important role in holding VBA accountable through aggressive oversight such as today's hearing, VBA must be allowed to complete this transformation process.

For two years, Secretary Shinseki has focused on achieving the ambitious goal of having zero claims pending more than 125 days, and all claims completed to 98 percent accuracy standards. While the elimination of the backlog will be a welcome milestone, we must remember, eliminating the backlog is not the same goal as transforming the claims process system. Nor does it guarantee that veterans are better served. The backlog is a symptom, not the root cause.

In order to achieve real and lasting success, VBA must instead remain focused on creating a claims process system that is carefully designed to get each claim done right the first time.

One of the most positive developments in recent years has been the open and candid attitude of VBA's leadership, particularly Under Secretary Hickey, toward developing a true partnership with DAV and other VSOs who assist veterans in filing claims. Although she has only been in her position for a little over a year, we have been impressed with her leadership style that is shaking up entrenched bureaucrats who have long resisted change.

Mr. Chairman, regardless of the new process or technologies employed, we firmly believe that the key to success in helping veterans receive timely and accurate decisions on benefit claims and ultimately the key to VA's success is building a culture focused on quality and accountability. That begins with an unwavering commitment to education and training.

DAV continues to recommend that VBA significantly increase the hours devoted to annual training and that all employees, coaches and managers undergo regular testing to measure job skills and knowledge as well as the effectiveness of the training. Perhaps the most critical element to the success of VBA's transformation strategy is new technology, especially VBMS system, which is being rolled out nationally with full deployment scheduled for the end of 2013. We have been pleased with VBA's efforts to incorporate the experience and perspective of our organization through VBMS development process, and we continue to work with VA to help ensure that all the capabilities needed to do the job ahead.

One major concern we have is their use of the simplified notification letters, or SNLs, which provide automated and simplified rating decisions and notification letters. Many of the SNLs we have reviewed contain so little information and explanation that even an experienced DAV NSO has difficulty determining if the rating decision was correct. While we want automation and rules-based decisions, support has to be a central part of the new claims process. VBA must not use technology to increase productivity at the cost of accuracy and quality.

Thank you, Mr. Chairman. That ends my statement. I would be more than happy to answer any questions.

[Prepared statement of Mr. Violante follows.]

*STATEMENT OF
JOSEPH A. VIOLANTE
NATIONAL LEGISLATIVE DIRECTOR
OF THE
DISABLED AMERICAN VETERANS
BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE
AND FOREIGN OPERATIONS
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES
JULY 18, 2012*

Chairman Chaffetz, Ranking Member Tierney and Members of the Subcommittee:

On behalf of the Disabled American Veterans (DAV) and our 1.2 million members, all of whom are wartime disabled veterans, thank you for the opportunity to present testimony on the many issues related to reforming the Department of Veterans Affairs (VA) claims processing system. The timely payment of adequate disability compensation to veterans who have been permanently disabled in service is one of the highest obligations our nation must fulfill. Unfortunately, today there are too many veterans waiting too long to receive decisions on their claims for these benefits that are far too often wrong. While these problems have persisted for decades, over the past three years the Veterans Benefits Administration (VBA) has taken important strides toward comprehensively transforming its claims processing system. It is far too early to make judgments about whether it will succeed, and there are many challenges remaining, but there are some reasons to be optimistic that it could succeed. As an organization dedicated to building better lives for veterans, their families and survivors, DAV is proud to play a role in helping VBA in this process.

Since 1920 DAV has offered free representation to veterans, their dependents and survivors seeking benefits and services from VA and other government agencies. In this capacity, DAV National Service Officers (NSOs) focus on educating injured and ill veterans about their benefits and the claims process, assisting them with filing claims for benefits and then by advocating on their behalf to ensure they receive all the benefits and services they have earned through their service. DAV has the nation's largest service program, with 100 offices located throughout the United States and in Puerto Rico and a corps of approximately 240 NSOs and 30 Transition Service Officers (TSOs). DAV provides free representation to veterans and their families with claims for benefits from the VA, the Department of Defense and other government agencies, representing more veterans than all other accredited veterans service organizations (VSOs) combined. In 2011, DAV NSOs and TSOs assisted nearly a quarter million veterans and their families with their claims, obtaining over \$4 billion in new and retroactive benefits. By helping veterans file more complete and accurate applications for benefits, DAV and other VSOs assist VA by reducing their workload and ensuring more accurate claims decisions.

Mr. Chairman, the problems plaguing the VBA claims processing system are well known: the number of claims filed each year is growing; the complexity of claims filed is increasing; the backlog of claims is staggering; and the quality of the claims decisions remains

far too low. These problems did not arise over the past year or the past four years, or even the past ten years for that matter, nor will they disappear this year or next. VBA has struggled for decades to provide timely and accurate decisions on claims for veterans benefits, especially veterans disability compensation, and there have been numerous prior reform attempts that began with great promise, only to fall far short of success. However, over the past couple of years, we have seen some promising signs that VBA is finally on the right track and we continue to urge Congress to oversee and support these efforts, and most importantly, allow them to finish so that they have a chance to be successful.

For several years, VBA has been focused on achieving the ambitious goal set by Secretary Shinseki of having zero claims pending more than 125 days and all claims completed to a 98 percent accuracy standard. While the elimination of the backlog will be a welcome milestone, we must remember that eliminating the backlog is not necessarily the same goal as reforming the claims processing system, nor does it guarantee that veterans are better served. The backlog is a symptom, not the root cause. Just as someone with the flu can take aspirin to reduce their high temperature, that will not cure them of their illness, nor prevent it from returning in the future. For example, VBA could quickly eliminate the backlog of claims by denying all of them, or for that matter granting all of them. However, neither option would be of benefit to veterans in the long run. In order to achieve real and lasting success, VBA must instead remain focused on creating a claims processing system that is carefully designed to get each claim *done right the first time*.

VBA is now in the third year of its latest effort to transform its outdated, inefficient, and inadequate claims processing system into a modern, automated, rules-based, and paperless system. In the coming year, we will begin to see whether their strategies to transform the people, processes and technologies will finally result in a cultural shift away from focusing on speed and production to a business culture of quality and accountability, which is the only way to truly get the backlog under control.

One of the more positive developments in recent years has been the open and candid attitude of VBA's leadership, particularly Under Secretary Hickey, towards developing a true partnership with DAV and other VSOs who assist veterans in filing claims. VSOs have vast experience and expertise in claims processing, with local and national service officers holding power of attorney (POA) for hundreds of thousands of veterans and their families. In this capacity, VSOs are an integral component of the VA claims process, operating behind the firewall, and we remain committed to working with VBA to fix this system.

For this reason, we have been particularly pleased that Under Secretary Hickey has been such a forceful advocate to expand VBA's partnership with VSOs and bring transparency to its ongoing transformation efforts. Although she has been in her position for just over a year, we have been impressed with her forceful leadership style that has shaken up many entrenched bureaucrats resistant to change. VSOs have been increasingly consulted on a number of the new initiatives underway at VBA, including disability benefit questionnaires (DBQs), Veterans Benefit Management System (VBMS), Stakeholder Enterprise Portal (SEP), and many of their myriad business process pilots. It will be imperative that this cultural change occur not just at central office, but also at each of the 57 regional offices.

For example, there has been clear guidance sent from VBA's central office to its 57 regional offices (VAROs) that DBQs completed by private physicians to evaluate disabilities be treated as equivalent to those completed by VA or VA-contracted examiners. However, we continue to hear reports that even when private medical evidence, including properly-completed DBQs, have been submitted with a claim, and they are credible, competent and adequate for rating purposes, many Veterans Service Representatives (VSRs) and Rating Veterans Service Representatives (RVSRs) continue to order unnecessary VA exams, further slowing and clogging up the claims process. This is just one example of why the institutionalization of new cultural norms within such a large bureaucracy will not be quickly or easily achieved. However, for the first time in a long time, we have a VBA leadership team interested in changing the culture and working with VSOs to reform the claims processing system and we urge Congress to support them along this path.

Mr. Chairman, the biggest challenge facing VBA is their rising workload. Over the past decade, the number of veterans filing claims for disability compensation has more than doubled, rising from nearly 600,000 in 2000 to over 1.4 million in 2011. This workload increase is the result of a number of factors over the past decade, including the wars in Iraq and Afghanistan, an increase in the complexity of claims and aggressive new outreach efforts to inform veterans of their benefits. Furthermore, new presumptive conditions related to Agent Orange exposure (ischemic heart disease, B-cell leukemia and Parkinson's disease) and previously denied claims, resulting from the Nehmer decision added almost 200,000 new claims this year; leading to a workload surge that has just now been completed. While Congress has significantly boosted the resources provided to VBA in order to allow significant staffing increases in recent years, and even though VBA is processing more claims than ever, workload continues to rise faster than work production, leading to a growing backlog of pending claims.

Three years ago, under the weight of an outdated information technology system, increasing workload and growing backlog, VBA made the decision to comprehensively transform the way it processes claims for benefits in the future, while simultaneously attempting to reduce the backlog of claims pending using its existing infrastructure. After two years of strategizing, planning, experimenting and testing, VBA has just now begun to rollout its new operating model and technology solutions, and it is too soon to make judgments about whether they are or will be successful. It would be like trying to judge whether a newly constructed race car, filled with the latest technologies, will be successful after completing only one lap of a 500 mile race, rather than waiting until it reaches the finish line. VBA's transformation strategy calls for 2012 to be a year of transition; full implementation of the new operating model is planned for 2013; in 2014, the VBA anticipates stabilization and assessment of the new system; and 2015 is planned as the year of "centers of excellence," an apparent reference to a future state that will centralize some VBA activities or functions. Although Congress must continue to play an important role in holding VBA accountable through aggressive oversight such as this hearing, VBA must be allowed to complete its transformation process.

Mr. Chairman, regardless of the processes or technologies employed, we firmly believe that the key to success in helping veterans receive timely and accurate decisions on benefits claims, and ultimately the key to VA's success as an organization, is based on building a culture focused on quality and accountability, and that begins with an unwavering commitment to education and training. At DAV, our NSOs begin their careers with a rigorous 16-month on-

the-job training program, conducted by tenured supervisory NSOs with subject matter expertise. Throughout their training, DAV closely monitors the progress and knowledge retention of NSOs through web-based testing and monthly evaluations. In addition to the training provided directly by DAV, NSO trainees must also successfully complete academic instruction on relevant medical and legal topics. NSO trainees who have successfully completed the first four months of training, and passed the requisite tests and other evaluations, will begin performing supervised claims work in their fifth month. They continue to receive training and instruction and must pass a comprehensive web-based examination every four months.

At the conclusion of their 16th month on the job, DAV NSOs are required to pass a comprehensive web-based examination covering all of the topics from the entire training period. DAV training is a lifelong commitment and all NSOs must participate in a comprehensive Structured and Continuing Training (SCT) program designed to keep them up-to-date on changes to the laws and regulations affecting veterans' benefits. All NSOs are required to take pre-tests and then successfully complete 32 monthly training modules with post-testing requirements for each module. When an NSO completes the entire 32-month SCT program, they then start the entire training cycle again from the beginning with the changes, updates and new information provided by DAV's national training staff who constantly monitor and update the course materials.

By comparison, the VBA training program for its employees, particularly VSRs and RVSRs is shorter, less rigorous and has fewer testing requirements. It begins with an initial orientation phase at Regional Offices for new employees followed by eight weeks of "Challenge" training providing them a basic introduction to their job responsibilities. Since expanding the "Challenge" training to eight weeks a couple of years ago, VBA's policy is to have new VSRs and RVSRs immediately begin working on claims after they complete their initial training, although they will continue receiving both on-the-job training and mentoring from more senior employees in their RO. They also continue with a required course of online learning through VBA's Training and Performance Support System (TPSS) on subjects such as how to utilize VBAs computer-based programs, medical terminology, how to review and interpret medical evidence, as well as understanding and applying the law and regulations when evaluating evidence and rendering decisions. After they have completed all of the TPSS modules for new employees, they will then have the same continuing training requirements as all VSRs and RVSRs, which consists of 85 hours of annual training. While there are tests conducted during the initial training, and there is also a one-time certification examination required for all VBA employees, there is no regular testing performed to measure the effectiveness of annual training, nor is there any other regular testing of employees to ensure that they have the knowledge and skills required to successfully perform their jobs, or to identify individual or systemic deficiencies in the claims processing system.

Considering the complexity of their jobs, and in order to build a culture of quality and accountability, VBA must ensure that employees complete all of their training requirements, and must take steps to ensure that they have adequate time to do so. DAV continues to recommend that VA significantly increase the hours devoted to annual training for all VSRs, RVSRs and DROs. Furthermore, after employees have been trained it is important that they are regularly tested to ensure that they have the knowledge and competencies to perform their jobs. A GAO report published in September 2011 found that there did not exist a nationwide training

curriculum for VBA's Decision Review Officers (DROs), despite the fact that 93 percent of regional managers interviewed supported such a national training program, as did virtually every DRO interviewed. We would note that following a recent DRO examination in which a high percentage failed to achieve acceptable results, the VBA required all DROs to undergo a one-week training program to enhance their knowledge and job skills. This is exactly the type of action that should regularly occur within an integrated training, testing, and quality control program. VBA cannot accurately assess its training or measure an individual's knowledge, understanding, or retention of the training material without regular testing. We believe it is essential that all VBA employees, coaches, and managers undergo regular testing to measure job skills and knowledge, as well as the effectiveness of the training. At the same time, VBA must ensure that certification tests are developed that accurately measure the skills and knowledge needed to perform the work of VSRs, RVSRs, DROs, coaches, and other managers.

One of the most promising developments over the past year is VBA's new initiative to stand up Quality Review Teams (QRTs) in every regional office. Developed from a review of the best practices used at certain high-performing regional offices, the QRT program will assign full-time, dedicated employees whose sole function is to seek out and correct errors in claims processing. QRTs will also work to develop in-process quality control measures to prevent errors before decisions are made.

In recent months, VBA has begun to roll out a new operating model for processing claims for disability compensation, one that will change the roles and functions of thousands of VSRs and RVSRs at Regional Offices across the country. Building upon the best practices developed from VBA's myriad of processing pilots conducted over the last several years, the I-Lab in Indianapolis developed a new operating model for processing claims that relies on the segmentation of claims as its cornerstone. The traditional triage function was replaced in the new operating model with an Intake Processing Center, putting experienced claims personnel at the front end of the process, with responsibility to direct claims along three separate tracks: Express, Core, and Special Ops. The Express lane is for simpler claims, such as fully developed claims, claims with one or two issues, or other simple claims. The Special Ops lane is for more difficult claims, such as those with eight or more issues, longstanding pending claims, complex conditions, such as traumatic brain injury and special monthly compensation, and other claims requiring extensive time and expertise. The Core lane is for the balance of claims with between three and seven issues, claims for individual unemployability (IU), original mental health conditions, and others. VBA is currently deploying the new operating model at more than a dozen VAROs this year, with full implementation by the end of 2013.

Perhaps the most critical element to the success of VBA's transformation efforts will be technology, especially VBA's VBMS, which has been in development for more than two years. Beginning at the Providence, Rhode Island VARO in November 2010; a second testing site at the Salt Lake City, Utah VARO was initiated just over a year ago and two more pilot sites were recently stood up at the Wichita, Kansas VARO and the Fort Harrison, Montana VARO. The VBMS is designed to provide a comprehensive, paperless, and rules-based method of processing and awarding claims for VA benefits, particularly disability compensation and pension. We have been especially pleased with VBA efforts to incorporate the experience and perspective of our organizations throughout the VBMS development process. Understanding the important role

that VSO service officers play in the claims process. VBA proactively sought frequent and substantive consultation with VSOs, both at the national VBMS office and at the pilot locations.

Currently, the Providence and Salt Lake City VAROs are processing only original claims for disability compensation within VBMS, whereas both Wichita and Fort Harrison process all claims within VBMS and also use the new operating model developed from VBA's experience at its I-Lab. VBA has completed just over 1,000 claims to date using the VBMS system, and it is too early to reach conclusions about the effect it will have on processing times, processing accuracy or the backlog. VBA will continue to roll out VBMS to additional VAROs this year, with full implementation scheduled for the end of next year. We continue to work closely with the VBMS team and remain hopeful that it will be successfully implemented on time and with the full capabilities necessary to achieve its goals.

One problem with VBMS that recently came to our attention was the inability of our NSOs to access the VBMS system at the pilot locations in order to review rating decisions due to problems with validating POA status for claimants we represent. VBA officials have told us that this problem will be resolved in the next iterative release of VBMS functionality scheduled for mid-July, and we are currently assessing whether the solution has been implemented and is adequate to allow us to do our jobs on behalf of injured and ill veterans.

Another concern with VBMS that has yet to be satisfactorily resolved is VBA's long-term scanning and digitizing solution for paper documents and claims folders. Even before VBMS was first conceived, it was clear that in order to have a paperless claims process there must be a comprehensive system in place to digitize paper documents. Yet VBA has failed to finalize a long-term scanning solution, in part because it has not yet definitively answered fundamental questions about when and which legacy documents will be scanned into VBMS. Although VBA has committed to moving forward with a paperless system for new claims, it has not yet made a final determination under what conditions existing paper claims files would be converted to digital files. Because a majority of claims processed each year are for reopened or appealed claims and because files can remain active for decades, until all legacy claims are converted to digital data files, VBA could be forced to continue paper processing for decades. While there are very difficult technical questions to be answered, and significant financial considerations involved in transitioning to all-digital processing, particular involving legacy paper files, we believe VBA would be best served by taking the most aggressive approach feasible in order to shorten the length of time this transition takes. While the conversion from paper processing to VBMS will require substantial upfront investment, it will pay dividends for VBA and veterans in the future. We continue to urge VBA to provide, and Congress to review, a clear plan for eliminating legacy paper files, one that includes both timelines and resource requirements.

Another area of concern with the VBMS system is the implementation of rules-based decision support for automating ratings. After some initial indecision, VBA did commit to making such an element a core component of VBMS, which began initially at the Atlanta VARO with a local pilot program called the Disability Evaluation Narrative Text Tool, or DENNT. Early versions of DENNT, however, lacked sufficient information regarding the reasons and bases for rating decisions. After raising our concerns with Under Secretary Hickey, significant changes were made, and the DENTT program was rolled out nationally as a new initiative called

Simplified Notification Letters, or SNLs, providing automated rating decisions and notification letters. SNLs use automated calculators and evaluation builders to guide rating decisions and then rely on coded, standardized text to generate notification letters and rating decisions. Essentially VBA has created a rating decision that is combined with a notification letter, instead of having a separate and distinct rating decision and notification letter, in order to save time and reduce workload. However, many of the SNLs we reviewed contain so little information and explanation that even an experienced DAV NSO has difficulty determining if the rating decision was correct without reviewing the full file. Even if SNLs do lead to a reduction in processing times—and we have yet to see convincing evidence that they will—the lack of information and confusion created by such abbreviated decision letters will likely lead to more appeals, thereby shifting workload within VBA rather than eliminating it.

While we certainly want rules-based decision support to be a central part of the new claims process and VBMS, VBA must not use technological automation to eliminate essential manual steps, such as the inclusion of sufficiently detailed free text explanations that are crucially important to the veteran. We believe that requiring raters to provide detailed, plain English explanations of their decisions will not only better inform veterans (and their representatives), but will also lead to better reasoned and more accurate decisions by the raters themselves. We continue to urge VBA to take steps to address the deficiencies we have identified with SNLs, and put a system in place to ensure that there is consistency in how SNLs are produced both within and amongst VAROs.

At present, VBA has finished developing evaluation builders for all of the diagnostic codes in the VA Schedule for Rating Disabilities (VASRD); however, only about half of them have been embedded directly into the VBMS system; the remaining ones are still functional but reside outside VBMS. The major difference is that evaluation builders outside VBMS are not able to be as easily or quickly modified when corrections or changes are necessary, a concern since the entire VASRD is currently in the process of being updated and revised. We continue to urge VBA to move as expeditiously as possible to fully embed all calculators and evaluation builders directly into the VBMS system.

Mr. Chairman, as the largest organization representing injured and ill veterans, DAV remains committed to working with Congress and VBA to achieve our shared goal of reforming the claims processing system so that veterans get all the benefits they have earned in a timely manner. With continued oversight and support from Congress, we are hopeful that VBA's current transformation plan will succeed and remain ready to assist them in any way we can.

That concludes my testimony and I would be happy to answer any questions the Subcommittee may have.

Mr. CHAFFETZ. Thank you. And again, to all three of you, if you have additional testimony that you would like to add, we would be happy to add that to the record.

I would now like to recognize myself for five minutes. Madam Under Secretary, Mr. Manar I think accurately points out in his testimony that in order to solve a problem, you need to know exactly what the problem is. I see a major discrepancy in some of the numbers and I want to help clarify that. In your testimony, in talking about the integrated disability evaluation system, you say "We went from 240 day average in the legacy system to 56 days." And it goes on. There is a definition of the backlog.

The House Armed Services Committee staff and the House Veterans Affairs Committee staff on July 13th of this year, which is not too long ago, gave a briefing to these two committees. It says in here that the current monthly average completion time is 408 days. You say it is 56 days. And they say it is 408 days. Can you help clarify that for me, please?

Ms. HICKEY. Thank you, Chairman Chaffetz, for your question. First of all, let me just start by clarifying a few basic definitions for us all, so as I say things, you will understand what words I am using and their context.

We have in the inventory and pending an overall number of 854,000. That is not backlogged. Those are claims that even as we have been sitting here for the last 10 to 15 minutes, some more claims have come in to us from veterans, service members and survivors—

Mr. CHAFFETZ. Okay, let me stop you right there. On July 16th, which is not very long ago, the Monday morning workload report says there are 919,461 claims. You say that number is, what did you say it was, 860 something?

Ms. HICKEY. The numbers that I am using are 854,000.

Mr. CHAFFETZ. Okay, so we are off by about 50,000 or 60,000. And we are talking about something that is just a couple of days old. Why the discrepancy on those numbers?

Ms. HICKEY. Chairman Chaffetz, our backlog and our inventory is a dynamic inventory.

Mr. CHAFFETZ. I know, but I am talking about the dynamism here of less than 10 days.

Ms. HICKEY. Chairman, I am happy to answer the questions if I am allowed an opportunity to do so.

Mr. CHAFFETZ. Sure. I want to know. You are saying that that number is 800 and something thousand. And I am just saying that the VA's Monday morning workload report says it is 919,461. That is as of July 16th.

Ms. HICKEY. Chairman, I am happy to answer that question, if allowed to answer the question.

Mr. CHAFFETZ. Ma'am, just answer the question, yes.

Ms. HICKEY. Thank you very much.

Mr. CHAFFETZ. At this time, that is why I asked the question, please answer it.

Ms. HICKEY. Thank you very much, Chairman.

The numbers that I am using are from the end point of a month, probably the end of May. So you are probably using the end of this week's report. I chose not to use a floating number that continues

to change over time and over dates and over weeks. So I used an end of month number to be able to come talk to you, to be able to have a solid number to have a discussion around.

Regardless of what it is, I will tell you that our inventory and our pending is not our backlog. And typically, statistics show 61 percent of that backlog are supplemental claims that people, veterans who are already receiving compensation from us are coming back for the second, third or a fourth claim in that process.

So of the number I will use, 854,000, I could use your number as well, and I could use the weekly report's number and backlog, and it would be exactly the same thing which is about 65 to 66 percent of our claims are in backlog, meaning they are more than 125 days old.

Mr. CHAFFETZ. Okay, so, okay, that is great. More than 125 days old. You say in your testimony, to hear your testimony, things are getting so much better. We went from a 240 day average in a legacy system to 56 days.

Ms. HICKEY. Chairman Chaffetz, I would be happy to answer the question and the disparity for the briefing, what you just handed out. I have different processes that have different standards. The process you described is our integrated disability evaluation system that we work with DOD for our most wounded and ill and injured service members.

Mr. CHAFFETZ. In your testimony—

Ms. HICKEY. The numbers that you are describing are the VA, the 56 days are the VA numbers in that complete process, and VA has the responsibility—

Mr. CHAFFETZ. Hold on, hold on. Hold on, let's tackle them one at a time. This is your testimony: "We are so closely collaborating with DOD through the integrated disability evaluation system." You say that is 56 days. This report, this briefing that went to another committee just last week says it is 408 days. That is not exactly close. Which one is it?

Ms. HICKEY. Chairman, that is VA days for the 10,000 we have done in fiscal year 2012. The VA days, the days that I have responsibility for doing them are 56 for those 10,000.

Mr. CHAFFETZ. Are you saying this is accurate or inaccurate?

Ms. HICKEY. I am saying I do not know what is on that slide. If you were to give me a slide and give me a chance to digest that slide, I would be happy to do that, Chairman. You have access to that information right at this moment, I do not. I will be happy to take it for the record and respond to you.

Mr. CHAFFETZ. In its simplified format, here, how bad do you think this problem is? I am trying to quantify it. And I am concerned because we are not off by a couple of hundred people here. We are talking about hundreds of thousands of people. And in your testimony, you would lead the American people to believe it is getting much better. But if you look at it over the course of time, it is getting worse. It is getting worse.

Ms. HICKEY. Chairman Chaffetz, I have clearly stated in my testimony that 65 percent of people in more than 125 days from a VA perspective is unacceptable. I have clearly stated that.

Mr. CHAFFETZ. And you say that this is decades old problem.

Ms. HICKEY. And it is a decades old problem. And for the first time, we have an integrated plan that goes after the way we are organized and trained to do the work, the process we have done that we have streamlined, the technology that we are bringing in that under this Administration and this Secretary, VBA has never had an emphasis on its IT infrastructure to get from a paper-bound process to a paperless system that we do right now. We are implementing it right now.

Mr. CHAFFETZ. Okay, my time is far expired. The numbers and the discrepancies here are absolutely stunning.

I will now yield to the gentleman from Massachusetts, Mr. Tierney.

Mr. TIERNEY. Thank you.

Gentlemen, Mr. Manar, Mr. Violante, you have been working with Ms. Hickey on a regular basis. I would like you to give me some idea of your level of confidence in the partnership that your organizations have with the Department right now.

Mr. VIOLANTE. I have been in this town for close to 30 years working on veterans issues, 20 on the legislative staff of Disabled American Veterans. And I can tell you that this is the first time we have had the type of relationship that we do. It is open, it is candid. We get brought into the process much earlier than in the past. And we have a dialogue. And with that dialogue, there are things that are changed, there are some that aren't.

But I feel very comfortable with the fact that we have this relationship now with the Under Secretary that hopefully will be in the best interest of veterans.

Mr. TIERNEY. Mr. Manar?

Mr. MANAR. I can certainly echo those remarks. I have known, worked for, a significant number of Under Secretaries for Benefit. And General Hickey is by far the most energetic and most focused Under Secretary that I have had any dealings with at all. Our relationship with her is based on openness. She listens to what we say, our concerns. We do not always agree, and I would not expect that we would. But the fact that we can resolve many problems without issuing press releases or standing on the steps of the Capitol Building and holding a press conference tells that it is a much better relationship than anything we have experienced in many, many years.

Mr. TIERNEY. So that is a good start, I would assume, on that. Madam Secretary, I commend you for that. I think it is so important that you work with our veterans and their representatives in this kind of an operation on that.

I do hear that there is a problem with the simplified notification letters. Can I assume that that is being worked on, or is that hard and fixed and never going to change? Madam Secretary?

Ms. HICKEY. Congressman Tierney, let me talk a little about simplified notification letters and the involvement we did have, and I appreciate the involvement of Mr. Manar in this process.

That idea frankly was born from the gentleman that sits to your side. When I was doing my walkarounds, I had the wonderful opportunity to meet with Congressman Braley, who pointed out in my very first meeting with him the superb work and effort that he had done on the Plain Writing Act of 2010, that mandates that Federal

agencies who talk to their constituencies, in our case our veterans, family members and survivors, do so in plain, simple language rather than convoluted legalese and medical jargon. I saw at the very first moment I met him I left that office and took it back and said, why aren't we doing this? Why aren't we doing this in VA?

One of the results of that is the simplified notification letter. The simplified notification letter, by the way, is also, the convoluted letters we have had were the number two reason our veterans called us on our 1-800 number.

Mr. TIERNEY. And sometimes the number one reason they called our offices.

Ms. HICKEY. Absolutely. They said to me, explain these letters. I will tell you, as a veteran that retired in 2007 and got these two letters, that was confused by them as well, that we needed to tackle that issue. I appreciate what Congressman Braley had done under this Act, give us an extra push to do this.

Here is what the results were. Because we didn't just do this in PowerPoint, we didn't just make it a fluffy idea that we just went and implemented. We implemented this new process in a live regional office and then a second one. The first time, before we had the great input from Mr. Manar, I got 33 percent more claims out of that regional office than I had before implementing that initiative.

I respected Mr. Manar's input to say, there is not enough information in this letter. We adjusted the letter to add more free text into that letter, to let that veteran hear a little more information without getting back to the 10-page term papers we were sending these veterans and they were struggling.

I lost about half of the list I got out of that process, but I am willing to accept 15 percent. It is nothing to sneeze at. When it is allowed us, since we have implemented it, 1 March, to decrease the ratings waiting to be awarded by 12 percent, in four months, by 12 percent. I have done 30,000 more claims in four months by doing this process.

Yes, I acknowledge the concerns of my VSO partners, and I call them partners, because I need them to go through this process. I acknowledge their concerns that sometimes our employees aren't filling in that new little text box the way they should. We are working that hard, I have made an investment in quality review teams in every single regional office and they have that responsibility to make sure we are doing it right. I have asked his folks in the offices to help us and point to the ones that don't make sense.

Mr. TIERNEY. Thank you very much. I yield back.

Mr. CHAFFETZ. Thank you.

I now recognize the gentleman from Texas, Mr. Farenthold, for five minutes.

Mr. FARENTHOLD. Thank you, Mr. Chairman.

Madam Under Secretary, I realize you all are working very hard to streamline the process and get these claims handled faster. But it is not just disability claims that are some of the complaints that I am hearing from veterans in South Texas. It is the amount of time necessary to get medical attention. I hear from VA employees more or less off the record that they are having trouble hiring and maintaining physicians to work in their hospitals and clinics. And

I am hearing from doctors back home that it is taking in excess of a year sometimes to get payments on vouchers from the VA.

Can you talk a little bit about what is being done to address these problems as well?

Ms. HICKEY. Thank you, Congressman Farenthold, for your question. I will say that I am on the benefit side, but certainly hear about the work they are doing on the health side very frequently. I know that Dr. Petzel is the Under Secretary for Health, is working very, very heavily on making sure all of his physician positions are filled. I know we have a big push on hiring and we are seeing in a great many of your locations are having some good effort of hiring, about 5,000 mental health professionals in rapid order. They are making some really good headway and getting some really strong candidates across the Nation.

I believe that will help. This is obviously not my area of responsibility. But I believe that will help.

Mr. FARENTHOLD. I guess what I am getting at and what concerns me is, and maybe we will address this to our veterans service representative, Mr. Manar and Mr. Violante, is, is there a culture within the VA of well, we will get it done eventually, as opposed to what I think it should be of, if we need to stay late to finish this work for our veterans, we need to do that? Would either one of you gentlemen like to comment on that?

Mr. VIOLANTE. Thank you, Congressman. I believe that the majority of VA employees are dedicated employees that do what they need to do to ensure that veterans are taken care of. Over the years, the problem has been underfunding of the VA health care system. We were able to get advanced appropriations in place for VA, which has helped greatly. But we are still seeing that there are insufficient funds for VA to hire the people that need to be hired and to ensure that veterans are getting the proper access.

Mr. FARENTHOLD. And I understand that funds are an issue for everything. Unfortunately, it is not a bottomless pit in the Federal Government as far as money goes. It is something that we obviously in Congress are struggling with. But I think if you look at how we have addressed budgets, we have been very generous to the VA as compared to some of the other agencies.

Mr. Manar, you also mentioned in your written testimony, or actually in your testimony, that there were some things that Congress had failed to do. I would be interested in what you think we have failed to do in Congress that has adversely affected our veterans.

Mr. MANAR. Thank you. As I pointed out in my written testimony, the failure to pass budgets on time, it is no secret, it happens—

Mr. FARENTHOLD. You are on the wrong side of the Capitol making that argument.

[Laughter.]

Mr. MANAR. It is a joint problem, okay. But the continuing resolution has become a nightmare for the VBA and people in the regional offices. In my prior life, I worked for the VA for a little over 30 years. I was a manager in Los Angeles and had 150 people working for me. I can tell you in the 1980s and 1990s, whenever there was a failure to pass a budget on time, we were put into a

hiring freeze. And in Los Angeles, we were experiencing on average 10 to 15 percent turnover every year.

In that kind of situation, where you wait sometimes three or four months, sometimes an entire year or more before you are allowed to hire, you wind up with huge gaps in employee positions and employee development. And it cascades over years. It is not the kind of thing where if it happens once every five years you can make adjustments and live with it. This is a problem that is nearly constant, according to reports that I have seen and information I put in my testimony.

Mr. FARENTHOLD. Let me ask Ms. Hickey. It has been pointed out that part of the problem is, it is a complicated system, there are lots of things you have to look at. How long does it take to get an employee up to speed where he or she can be effective in their job and get them trained to do that?

Ms. HICKEY. Thank you, Congressman, for the question. It allows me to talk about one of our transformation initiatives, which is fundamentally changing that. In the past, it would be 18 months to two years to get someone to a full journey level capability to rate a case. What I will tell you under our new challenge training, where we are taking our folks and giving them national level training, intensive level training, we are seeing some phenomenal results. And we have repeated it four times, so I know it is not a fluke.

Mr. FARENTHOLD. And are they able to work with your medical professionals on the site? How much do you trust the doctors in the military, or your own VA doctors, to make those determinations versus independent work that your staff has to do?

Ms. HICKEY. Congressman, I will tell you, we always depend on the medical opinion that comes to us and the medical exam that comes to us from a trained medical person, a certified person. We do not make those decisions on our own. We rely heavily on our health administration physicians who do our compensation exams and tell us the results. Even now our clinical doctors, I will also tell you, with the new disability benefit questionnaires, another transformation effort we are doing, we now have the ability for private medical physicians, for our veterans to bring us those documents, fully filled out, and for us to use them in the course of doing our claim adjudication.

Mr. FARENTHOLD. I am way over time. I appreciate everyone's testimony and their hard work for those who have served our Country.

Mr. CHAFFETZ. Thank you. We will now recognize the gentleman from Iowa, Mr. Braley, for five minutes.

Mr. BRALEY. Thank you, Mr. Chairman.

General Hickey, Madam Under Secretary, thank you for your kind words. I didn't come here looking for them, but I think your comments about the impact of the Plain Writing Act, which applies to every Federal agency, not just the VA, are an example of why agencies need to do a better job of eliminating legalese and gobbledegook in their writing, so that their intended audience actually understands what is being told to them. I am glad that the impact of those changes is having a positive impact on your agency.

One of the things that I can tell you is I am very honored to serve on both Veterans Affairs and the Oversight and Government Reform Committee. We talk about this problem on Veterans Affairs all the time. It is the number one issue my veterans back in Iowa talk to me about. But as someone who spent my entire adult life dealing with disability evaluation systems, I can tell you, a lot of people who complain about this problem have very little understanding of the scope and magnitude of the problem.

So if you are standing in front of a claims file that could reach this high of records from someone who may have had multiple amputations, traumatic brain injury and treatment for post-traumatic stress disorder over a long period of time, and you are trying to go through and analyze medical information to determine the nature and extent of somebody's disability impairment rating, and you are doing that by hand, it is a far more time-consuming process than when you have the capability of doing word searches in an electronic format.

And one of the things that we know is by moving away from this paper-based system to a paperless electronic system, we will hopefully greatly simplify the ability of ratings analysts to get the information they need in a timely basis. Because you have to establish first of all a service-connected disability, then an injury that is related. Then you have to prove the nature and extent of the impairment of each single injury. Then you have to determine what that impact is on a whole body impairment. These are very confusing things to the people being evaluated, let alone to some of the evaluators.

So my hope is that this process that is in place is going to get us to the point where we can radically shorten and simplify the time it takes. But it also comes down to what Mr. Manar and Mr. Violante were talking about, which is the culture of we can do this that I believe has been missing for far too long in this process.

There was a famous judge in Virginia, Bob Marriage, who started the rocket docket, who would go in and clean up claims backlogs in Federal courts all over the Country by changing the dynamic of how people in that process viewed their obligation to the people in the system.

So I am interested in knowing, General, why you think the process that is in place right now is going to get you to where you need to be in the time frame set out.

Ms. HICKEY. Thank you, Congressman Braley. Thank you for the description of your real life experience with this issue, because that is what we face every single day. I literally have raters sitting with little rubber fingertips going through the 18 inches worth of paper to try to find the one time it says "back" in that record. And they are working hard to find that.

But I also have raters today in VBMS in four different sites who are putting the word "back" into a searchable function in VBMS, and it is highlighting the word "back" throughout that 18 inches of former paper that is now an image, and it is telling them by the push of a next, next, next button where it is in that 18 inches and solving all of that time and effort.

In addition, it is allowing them to sit and write, with their fancy tools they now have in VBMS, annotations, circle it so that when

our VSOs want to see the reasons for our decisions, or really know what the data is we looked at, they can see it right away and they will be able to, by the way, when we deliver this month on the full round that we are going forth on VBMS.

Why do I think it will work? Because nothing in this plan is PowerPoint. We have tried it, tested it, measured it, gotten data on it and made a decision that together all of this will help us to go after this issue and knock it down.

Mr. BRALEY. Thank you.

Mr. Manar, Mr. Violante, I am going to direct my last question to both of you, because you both identified something that is very real. That is, Mr. Violante, you said building a culture based on quality and accountability should be the goal. But it is impossible to do with insufficient funds. And it seems to me when we are talking about taking care of our veterans, you can't talk about implementing a dramatic new change in the system itself and then keep going back and wondering whether there is going to be enough money to pay for that transformation.

So what concerns do you have on the funding side?

Mr. VIOLANTE. Well, we have asked the Veterans Affairs Committee to do some oversight on that. Because we want to make sure that the money that we are asking Congress to provide the VA is being used properly. I can't tell you if the money they are putting into VBMS is appropriate. I can tell you we think what they are doing with VBMS is the way it should go. We have been arguing this point for a decade on a searchable data base. We would like to see that happen.

But again, we are aware VA has been fortunate, more fortunate than any other Government department or agency. But we are sending men and women into situations that cause them to have problems. And this Government needs to take care of those problems, regardless of what that cost is.

Mr. BRALEY. Mr. Manar?

Mr. MANAR. One of the things that we have suggested to committee staff members is that as part of the oversight function of the House Veterans Affairs Committee that you commission an independent third party review to take a look at VBMS, its development, where it is now, what problems are being addressed, how they are being addressed, whether the contractors they are using or the in-house personnel are adequate to the task. And to come up with recommendations so that, at this point, the program can be refined and adjusted, rather than wait until the end and find that there are a number of problems that still exist, that still keep them from achieving the timeliness and the quality and work process that they hope to achieve with this system.

Mr. BRALEY. Thank you. I yield back.

Mr. CHAFFETZ. Thank you. I now recognize the gentleman from Idaho, Mr. Labrador, for five minutes.

Mr. LABRADOR. Mr. Chairman, I don't have any questions. I yield my time to you.

Mr. CHAFFETZ. Thank you.

Madam Under Secretary, the VA reported that it did award \$2.8 million to 245 senior executives. How do we justify that? That is a very small group of people. We have hundreds of thousands, close

to a million veterans waiting in line and 245 people got \$2.8 million in bonuses? How do we justify that?

Ms. HICKEY. Chairman Chaffetz, thank you for the question. First of all, I will tell you in VBA, since 2009, we have actually decreased by a full third the number of our SESers that are getting outstanding ratings. So we have done what this Administration has asked us to do, which is to really scrutinize the ratings that we are giving to our senior executives and bring them down.

I will tell you from a VBA perspective, I have 98 metrics, performance metrics, that I rate every single one of our senior executives against. They are performance based, they are production and quality based.

Mr. CHAFFETZ. How—I appreciate that, but—

Ms. HICKEY. And in those environments where I do have outstanding leaders, I need to keep those outstanding leaders. They are making a difference for our veterans, their family members and survivors.

Mr. CHAFFETZ. How many of them, how many of the people that work for you got those bonuses?

Ms. HICKEY. Congressman, I will have to bring you the explicit information. I wasn't prepared to come and talk about bonus structure. I certainly can have that data and would be happy to share it with you.

Mr. CHAFFETZ. All right. It is certainly not unanimous, this love fest, for these simplified notification letters. In fact, Mr. Manar and Mr. Violante both commented in their written statements that, let me read, Mr. Violante said "Many of the SNLs reviewed contained so little information and explanation that even an experienced officer has difficulty determining if the rating decision was correct without reviewing the full file." And Mr. Manar, in his testimony, wrote "With only general information provided by VA, veterans are faced with a choice of blindly accepting the decision or filing a notice of disagreement in order to obtain the reasons for the decision."

The concern is, if you get a 100 percent disability, you are probably going to agree with it. If you get a 5 percent or 10 percent, you are probably going to have some questions. We are trying to find the proper balance between handing somebody so many documents and simplifying the process. But these two gentlemen here certainly don't seem to be, based on those statements, fans of this.

How do we find that proper balance?

Ms. HICKEY. Chairman Chaffetz, thank you for your question. I will address it by saying that I today provide access to our VSOs to every one of those files for them to do whatever research they want to do. They will have even greater access to knowing exactly the data and the information that we know when they are joining us this month on VBMS when we go into the new Veterans Benefit Management System.

In addition, I have wholeheartedly encouraged, as we go through change, there are adjustments and adaptations. There is a learning process. I have wholly encouraged them, at the local unit level when they have a service officer, to find one that just doesn't have enough, for them to go directly to that supervisor and say, need a little help there, there is not enough there. But we will handle that

on the spot and we will train to that as we learn more and more about that.

Mr. CHAFFETZ. Don't you think that is contributing to the backlog? People are having to get back in line again to—

Ms. HICKEY. It has not. In fact, it is handled on the spot and it has reduced our backlog by 30,000.

Mr. CHAFFETZ. Do you really think that veterans are convinced that it is just "handled on the spot?" I mean, our office, we get these all the time. This is a lot, for you to say that they are just handled on the spot.

Mr. Manar, is that true? Are they handled on the spot?

Mr. MANAR. Depending on the regional office, and the individuals that our service officers deal with, they are sometimes handled on the spot. In other instances, and it is rare, our service officers are told, if you don't like it, you can appeal it. And then there is a wide range of interactions in between.

Our concern isn't, we are concerned about the SNL letters because it is not just our service officers having to try and figure out why VA made a decision. We train our people to do that, to go behind and look at the data and basically reevaluate it and see if they would have arrived at the same conclusion. But perhaps 50 percent of veterans are not represented. So they have to accept whatever VA gives them on blind faith or decide whether they are going to appeal on their own.

The point here, and I would like to say this, General Hickey has worked with us significantly to try and improve these letters. She put out some directives last February to the field that if those directives were followed, the letters, they would be barely adequate, in our view, but at least they would be adequate. The problem is that when we have come along in April and May and looked at letters and decisions that have been made in many different offices, we are finding a significant number, 50 percent to 60 percent, that are not getting the job done.

Mr. CHAFFETZ. That is a pretty high number. Mr. Violante, I know I am past my time, but I want to give you an opportunity to respond, then we will go to the gentleman from Illinois.

Mr. VIOLANTE. Like Mr. Manar, we have similar experiences with regard to whether or not we can get something corrected on the spot, depending on the regional office and the employees.

With regard to the SNLs, we are not opposed to the concept. We have seen some good ones come out. And we have brought the bad one to General Hickey's attention. But if they can work on that, there is a balance that needs to be done, so that veterans can understand in a simplified way what the VA's decision is.

Mr. CHAFFETZ. Thank you. I will now recognize the gentleman from Illinois, Mr. Quigley, for five minutes.

Mr. QUIGLEY. Thank you, Mr. Chairman.

General Hickey, getting back to something that Mr. Braley talked about. That is the electronic records or digital records or what have you. Just to clarify, in an ideal world, what is the format from which you get information from DOD on a veteran?

Ms. HICKEY. Thank you, Congressman Quigley. In an ideal world, I would get every bit of it electronic, data to data, directly

into my system. Second best answer is put it on a CD disk and don't give it to me in paper.

Mr. QUIGLEY. How much information do you get in an ideal format today?

Ms. HICKEY. Electronically?

Mr. QUIGLEY. Yes.

Ms. HICKEY. Virtually none. I get most of it in paper.

Mr. QUIGLEY. And no editorials here, but your understanding of whether DOD is moving that direction, you're understanding that that is their intention, how far along they are in that vein?

Ms. HICKEY. We are in conversation heavily on multiple fronts with DOD for all the different pieces of evidence that they have for that service member. And some places we are further ahead. I will tell you the electronic health record, substantially further ahead. We have established a whole program management office and they are marching in that direction. From some of the personnel records and the existing service treatment records, we are beginning that discussion and trying to drive a quick solution home in that regard.

Mr. QUIGLEY. And I am optimistic that maybe some day we will get to that point. Perhaps I am too optimistic because I am a Cub fan.

[Laughter.]

Mr. QUIGLEY. But what exactly does that mean? One record, all other things being equal, the average time it saves you to be able to make a decision between a stack of papers and a digital record?

Ms. HICKEY. Thank you, Congressman, for that question. I will tell you yes, on average, our days, today is 250 average days to complete a claim. One hundred and seventy-five of those 250 days are we, VA, waiting for evidence we don't own. That is the significant reason why we need to get data, not paper. And we need to get access to systems, not wait for a monthly report that rolls to us that gives us that information.

Mr. QUIGLEY. And I appreciate that.

I also understand that there is a disparity between the different regions of the Country about what you get in terms of a fully developed claim. I understand that the veterans work with the VSOs. But you have a far better record in some areas, without offending anyone, than others. Can you explain the difference that makes and what we can do about that?

Ms. HICKEY. Absolutely, Congressman Quigley. This goes to the bigger issue. Let me first say that your particular regional office in Chicago is one of our stellar examples of VSOs working, veterans service officers, State directors, county service officers, working closely with the regional office to bring in something we called fully developed claim, which means we have partners helping us gather all that evidence and putting it together and giving it to us. When we do that, we do those claims in substantially less time. In fact, it is 117 days on average to do that, well below the 125 mark.

Another great example is our Togus, Maine office, where those State representative, those VSOs have driven a 43 percent of every claim that comes in the door is a fully developed claim. And that makes a difference on our timeliness, it makes a difference on our quality. And frankly, in our new organizational model, I can put those down the express lane and get them done quickly.

Mr. QUIGLEY. Now, it is fair to assume that veterans are veterans wherever they are from across the Country. So what accounts for the difference between developing a fully developed claim in one area versus another otherwise? Is it just the training, the information, the management aspects of what is taking place in those areas?

Ms. HICKEY. Congressman Quigley, we are working, actually a pretty in-depth exchange with our veterans service officers and our State directors, pulling some of these benchmark regional offices and the folks that are working with them into a team to say, tell us how you are doing this, so that we can replicate this level of contribution of fully developed claim in lots of other places. So we will be asking your Chicago regional office and your State and local VSOs in Chicago to join us. We will be asking the Maine one who have done such a great job, in Chicago, Togus, to come and help us.

I don't know explicitly but I need to drive those fully developed claims up much higher than we have them today. I think on average we get about 3 percent nationally, if I do an average over the whole mix; 3 percent of them we are getting in right now today fully developed. I am willing to do whatever barriers I have to break down to have our partners and our VSOs and our State veterans affairs offices to help us do that, and to help that veteran.

Mr. QUIGLEY. Mr. Chairman, if it is appropriate, if the other two gentlemen wish to comment on those two points.

Mr. VIOLANTE. Mr. Chairman, one of the things too you need to consider with the fully developed claim is who is filing the claim. I have been out of the military now for 40 years. And if I was going to file a claim saying that I had an injury back in the military, it would be hard for me as an individual to try to go back and contact all those doctors that I saw. That makes it difficult.

So if you are a younger veteran just getting out or someone that has been in the same area all your life, it is a lot easier to get that fully developed claim together than it is in some other cases.

Mr. MANAR. Another impediment for service officers is their very caseload. At a time when there are so many claims pending before the VA, the question is, how much time can they devote to a single individual to work with them to help make a case fully developed. So in some of our offices where service officer caseload is extremely high, I would expect that they would have lower percentages of cases that are fully developed.

Mr. QUIGLEY. Thank you. I yield back.

Mr. CHAFFETZ. Thank you. We will now recognize the gentleman from Vermont, Mr. Welch, for five minutes.

Mr. WELCH. Mr. Chairman, thank you for calling this hearing. And I thank all of the witnesses who are here for your good work. It is very, very challenging. I appreciate that the backlog is a problem.

A couple of things. One, in Vermont, we process in Vermont most of our local claims, not the pension claims. And that local administration has a better turnaround time in Vermont than the national average. General Hickey, do you have plans to try to facilitate local administration of claims, which in our case certainly seems to have a better outcome?

Ms. HICKEY. Thank you, Congressman Welch, for your question. I will tell you nationally, we still do that model everywhere. We still have local adjudication of claims. I think what you might, if I can offer, what you might be talking about is the pension claim consolidation we have done into the three centers.

Mr. WELCH. Well, I want to get to that, that is correct. Because the pension claims in our case are done in Philadelphia, and the turnaround time is pretty slow. We have had some very, very tough situations, including one family that contacted our office. This woman, the mother of Howard Hoye, the son who had contacted us, they had a claim that just wasn't answered for years, and it wasn't until after the mother died, and this was her trying to get pension benefits from what she was entitled to as the survivor, it wasn't until after she died that they adjudicated this.

What are the prospects for moving this much more quickly on the pension side?

Ms. HICKEY. Thank you, Congressman, for your question. I will tell you one of the reasons why we consolidated those claims is so we could put oversight, and it is very applicable to this Committee, on that work, which was frankly being overshadowed by compensation at work when it was being done in the regional office. We did as a result of doing that increase the quality of those decisions substantially. They are now up at 98 percent. I am not happy with the fact that we are not moving some of those claims fast. Neither are the people who are working them. We have a team who is putting together—

Mr. WELCH. I understand your concern. I am just trying to get to understand this. In the case of this claim, the application was logged in as received in May of 2010. But it sat literally untouched for six months. What would be the system problem that allowed this claim to be sat untouched for six months?

Ms. HICKEY. Congressman Welch, I would be happy to take that specific one or any other specific ones you have and go look at them. I can't make a judgment on that particular case. There are oftentimes other issues. I would be happy to take it for the record and get you a response back very quickly.

Mr. WELCH. It might be helpful just so that I understand what the challenges are that you face and your system faces. It worked after this woman died, she got a condolence letter like almost immediately. So one part of the system was working. But the part that really would have been beneficial to her during her life was not working.

So maybe we can incorporate that condolence system that seemed to work immediately into the pension review system that did not.

Ms. HICKEY. Congressman, I would be happy to take that and look at it and get you a good response.

Mr. WELCH. Okay. You are providing us with a copy of your strategic plan?

Ms. HICKEY. I am, Congressman. The House Veterans Affairs Committee asked me to produce the plan. I have the plan. When I went back to get the plan to send it over, I realized there are 2014 and 2015 budget numbers in there. I am not allowed to release those 2014 and 2015 budget numbers at this point in time.

So we scrubbed those out and we recirculated back through the approval process, so that it can arrive here.

Mr. WELCH. Thank you very much, General.

Mr. Manar, in a June 19th hearing before the Veterans Affairs Committee, you were pretty vocal about your support of the VBA's initiatives overall. How could the VA improve?

Mr. MANAR. A broad question. How can the VA improve?

Mr. WELCH. Well, it is a broad question, but presumably you have thought about it a lot, so the one, two, three would be very concrete suggestions. Otherwise it is just a general discussion.

Mr. MANAR. All right, how could VA improve. The emphasis right now is on production. Everybody is appalled at the, call it inventory, backlog, workload or however you want to call it. It is a huge number. And as you have seen in our testimony, both written and oral, we use the 2 million plus number of claims and issues pending, because all of those things have to be processed by VBA personnel and those are the same people who work the front and the back end of rating cases. So if those were to go away, you would certainly have a lot more people focused on development and processing award decisions and everything would move more quickly. So it is all part of the backlog there, the workload.

What would we suggest? Focus on quality. We are appalled, as some other members mentioned earlier, about the low quality rate, high error rate, 16 percent nationally, in some offices it is as poor as 25 percent. If you go look at the accuracy reports from six or eight months ago, before some changes were made in Baltimore, for several years they were rocking along at a 30 or 32 percent error rate on ratings. This is totally unacceptable. And those kind of problems are easily corrected.

But the correction requires an impact on production, which means that VBA managers are reluctant to take those actions. What I would suggest is that especially for trainees, but for anyone who has quality issues identified, they need to have their ratings reviewed by a second person. I know that that takes place, mentoring for new people, for a little while. But it is far too easy to give what they call single signature authority to new ratings specialists. And the number of cases that are reviewed in a year's time on an individual are relatively few. There are lots of opportunities for problems that go unidentified.

Our service officers and those of other service organizations are the last quality check that VA has in terms of the quality of a rating. That is why the earlier question about can we get problems fixed is really critical. Because if that problem goes out the door and is unfixed at that point, then usually it is a veteran who is impacted negatively. It is strange, but anecdotally, in my experience, most mistakes that VA makes, although they tend to be bipartisan, they tend to go against veterans much more frequently than they do against the government.

Mr. WELCH. Thank you.

Mr. CHAFFETZ. Thank you. I now recognize the gentlewoman from California for five minutes.

Ms. SPEIER. Thank you, Mr. Chairman. I really appreciate your holding this hearing. This is precisely the kind of work I think we should be doing on oversight.

And I want to say to General Hickey, I am impressed by you. I have not been impressed, however, by what I see as a west coast crisis. And that is, the delays that are taking place in Seattle, Oakland and Los Angeles are truly unacceptable. And I want to go over a few things with you.

I spent maybe four or five hours at Oakland meeting with your directors there. I then joined with Congresswoman Barbara Lee and we had a fix-it session in San Francisco. You have probably heard about it. Over 250 veterans showed up. They were angry, they were hostile and they had every right to be. I am just going to tell you a few of these stories.

Sergeant Arie Sollenburg had multiple tours in Iraq. He was facing eviction from his apartment while he waited for over a year for a disability ruling. He was unable to work, a fact that took Oakland VA months and months to try and verify. He needed treatment for PTSD. He was ordered by the VA, actually, to go to the VA medical center in Oakland.

The breaking point came the day before I took his wife and his mother to meet with the director at Oakland. Until that meeting was set up, the Oakland office was unaware that Mr. Sollenburg was hospitalized in the VA facility where he was expected to remain for several months. At a VA fix-it meeting that we had, he told a packed room that he almost committed suicide.

Now, the good news is that he will be boarding a plane for home tomorrow. He has had his surgeries, he has had treatment for PTSD. And he has his disability benefits. Had we not intervened, Mr. Sollenburg would be probably dead today.

Another gentleman, a 93 year old World War II vet who was confined to a wheelchair, showed up at the fix-it meeting. He waited for over two years to have his claim adjusted. He had a service connection of 60 percent. He was there, in his condition, his caregiver said, it has been two years and now you are telling us that we have to go back to a doctor to determine what his status is, even though we have already done that.

Now, the good news there is, because we had that fix-it meeting, within a week he was given retroactive payment of \$32,000 and is now receiving \$2,000 a month. But he is 92 years old.

Michael Cortez argued that his Parkinson's disease was caused by exposure to Agent Orange. He again waited for two years. As it turned out, because we had that fix-it meeting, his claim was recently resolved. He has a one-time retroactive payment of \$92,000, and now he is receiving \$3,400 a month.

Now, I am telling you these stories, because had we not intervened, they would still be languishing. We have a huge problem on the west coast. They are not incorporated in the pilot program that you are doing at various VA claims facilities around the Country. And I have a series of questions I want to ask and limited time. So what are you going to do to fix it on the west coast?

Secondly, I have sent a letter to the director, basically saying, if you have Agent Orange claims and they are a Vietnam vet, they are old. They are in their 70s now, some of them even in their 80s. If they are Agent Orange and there is a presumption and they have the condition that the presumption cites, why aren't we fast-tracking those claims?

And then my third question is on MST. As you know, military sexual assault is absolutely out of control in the military, 19,000 case a year. As I understand it, your reviews have found differences in denial rates between sexual assault PTSD and other PTSD cases. I would like to know what you have found and what you are doing about it. And for those that have been previously denied, what can be done for them in terms of refile and being re-considered.

Thank you.

Ms. HICKEY. Thank you, Congresswoman Speier.

Let me start very quickly with what we have done in Oakland and where I am going and that I am going to repeat this same process in other regional offices that are performing, having challenges in performance. This is, by the way, the very first time that anybody in VA and any VBA Under Secretary has ever done this. As you know, we stood down Oakland, other than we kept some production going. We stopped all the inflow into Oakland. I got your leader, a brand new leader in there helping to get this right. I have also moved the area director from Phoenix up to Oakland, where he sits in working with the new senior leader there in Oakland. We took every single one of your employees, our employees, in that regional office and we ran them back through challenge training.

The good news is, we are done with that in June, they are back to work and I will tell you what the results of that training were for them for their quality. They were before this environment, their quality was about 69 percent. That quality translates into a production problem, because when we find the error, we have to recycle it back, as you well described.

They are now, after that course, their post-training test was at 93 percent. So we will see an impact associated with retraining that entire regional office from head to toe. And I am going to use that model to go after others who are in that same challenged environment.

The second thing we have done is I have established across the Nation, in every single regional office, and I am so glad that Mr. Manar raised quality so I can tell you, I made an investment last fall. There are now quality review teams that are trained to the star national quality levels that are working in every single regional office helping us to fix our errors. And why does that matter? Not just because of what that quality number says. But every time we make a mistake, it costs us 39 days in the process. So if you have extremely low quality, you are likely to have a recycle of those claims quite frequently, and a lot of 39-day limitations.

Third thing I will say, you asked about old claims, AO fast track. We do have a fast track for our Agent Orange claims. I am happy to continue to advertise that we have one. And by the way, those are not the three presumptives that we have just done under this Administration, taking care of those three presumptive conditions. We are all done with those. We will have Agent Orange claims forever, until the last Vietnam veteran who was ever exposed to that is not here anymore. We will have those claims. They are not the one for the three presumptives that took us 37 percent of our work

force and more than 260,000 claims that we did in the last two years. Right decision to make by our Vietnam veterans.

That did have an impact in Oakland. It did have an impact in Seattle. It did have an impact in every single regional office across our Country. It had an impact to the tune of 260,000 claims in backlog that would have not have been in backlog. But I still stand firm for our Vietnam veterans, and the daughter of a Vietnam veteran to say it was absolutely the right thing to do by those men and women who were never welcomed home the way this Administration and this Secretary has made that a priority for me to do.

Then the last thing we will do, I am so glad you brought up military sexual trauma. It is the very first issue I grabbed the reins on and ran with when I got on station here, aside from, obviously, the backlog. And I will tell you, I am the one that asked for us to go show, show me what our grant denial rate is between MSTD, PTSD and what it is between PTSD for the other three, combat, fear, terrorism. I asked for us to do that. I got it back and I said, this is unacceptable. We had a 25 percent difference in our grant denial rate. I said, we are going to change this process. We did.

And by the way, the process is now in a segmented lane, which is one of our new transformation initiatives. We have trained, from the VBA person who handles it coming in the door, through the exam doctor in the health administration who does the health exam and we now have everybody trained. I just got the data last Friday that shows I have closed that gap as a result of that effort. We have increased our grants a full 35 percent and our MST as of last Friday because of the direction we did, the actions we took to make those right and do those right and well.

Ms. SPEIER. Mr. Chairman, can I ask a follow-up question? I know my time has expired.

Mr. CHAFFETZ. Feel free, sure.

Ms. SPEIER. Thank you.

What are we doing about those that had their claims denied? Are we going back now and saying, refile?

Ms. HICKEY. I am glad you asked that question as well, Congresswoman Speier. We are sending letters to everyone we have ever denied and saying, this is what we do, we have a new process, if you feel you were denied in error, please send it to us and we will reaccomplish it.

Mr. CHAFFETZ. Before the gentlewoman yields back, I would ask unanimous consent actually to include the inspection of the VA regional office for Phoenix, Arizona, dated July 17th. One of the concerns, if I understand it, it took the head of, or one of the leaders in the Phoenix office to put them into Oakland to solve the problem. But when the inspector, office of the inspector general went down to the Phoenix office, they found that in one of the summaries, staff did not correctly process 47 percent of the disability claims.

So I would ask unanimous consent that we include this in the record.

Mr. TIERNEY. I will allow unanimous consent only if General Hickey gets a chance to make a comment about that.

Mr. CHAFFETZ. Sure.

Ms. HICKEY. Thank you, Congressman Tierney and Chairman Chaffetz. I would appreciate the opportunity.

The leader that I put in Phoenix is not the Phoenix regional office director. He is the area director for all of the west environments. So I moved him there to provide better oversight in Oakland. He happens to have his office as area director office in the geography called Phoenix, Arizona.

The second thing I will tell you is, it is important to note in the IG reports, and the IG states it in their report, there is a sentence in there that says this does not reflect the overall quality of all things done at this regional office. This reflects the bit and piece that we specifically went to look at. I will tell you, one of the things they have been looking at is something called 100 percent temporary disability. What that mean is if you went and had a medical situation, you had a knee surgery, you are given 100 percent temporary disability for a short period of time in which we will then come back after that period of time and readjudicate your claim based on the healing time associated with that injury.

We had a computer problem, we had, had is the operative word, we had a computer problem that was not capturing the comments that our people were putting in there that would notify them when that period was up. That has been fixed as of June. It is now working. It is not going to create that problem again.

But it is a period of time when they were at Phoenix, which was several months ago. That was still an issue. It also notes in that Phoenix report that those people had been fixing those issues as directed by the STAR and compensation services as they were going.

Mr. CHAFFETZ. Thank you. I would invite you, if there are additional comments in response to the inspector's report, to please include those for the record.

Ms. HICKEY. I am happy to do so, Chairman.

Mr. CHAFFETZ. I now recognize myself here as we kind of conclude things. Listen, I appreciate the gravity and the task. I can tell in your voice and inflections you are passionate about this issue.

I appreciate the fact that you actually show up to these hearings. We had invited Deputy Secretary Gould to show up here, but he was unavailable. My understanding is that when there is an opportunity at the Veterans Affairs Committee, it was unavailable for him to show up, but you actually showed up. So I appreciate your being here. This is not easy to go through, and the task is difficult, to say the least. We are talking about 300,000 employees and \$140 billion, and people dealing with very difficult situations.

So A, I want to thank you for being here, and the passion that you bring to this. Our job, role and responsibility is to provide some oversight and to try to fix the problem. Because we are Oversight, but we are also Government Reform. So as we look at this, we want to try to come up with solutions, not just point out some problems. I am sure they are evident to you and to others.

So I want to give you a second here. And it is hard to do it justice, given the gravity. Any question deserves a 45 minute answer. If you could just wave your magic wand and do two things, very briefly, and I will give you each an opportunity to answer this, what would you do?

Ms. HICKEY. I would implement the plan that we have developed that produces good results, and we are seeing the results.

Mr. CHAFFETZ. Okay. Mr. Manar?

Mr. MANAR. I would, if I could wave that magic wand, I would change the culture on quality. As I said earlier, the emphasis is on production and the huge backlog. But if 16 percent of the cases, decisions are wrong, then you are not serving those veterans.

Mr. CHAFFETZ. And let me just interject there. When I talked to somebody who is on the Veterans Affairs Committee, they stated that as well. Their concern was customer service. We look at all these metrics and backlogs and other things. But maybe one of the things we ought to be looking at is customer service and how pleased the veterans are with the services that they are provided. Maybe that is the way. Instead of handing out \$2.8 million to senior executives, maybe it ought to be the people on the front lines that are going through this. And not just to get their scores higher and give our more claims, but how they are treated, how they go through that process. Somebody can come in and independently—maybe that is the metric that needs to change. Maybe that is part of that culture that you talk about in terms of quality.

But please continue. Sorry to interrupt.

Mr. MANAR. The other thing is, and it is going to come, five years down the road, six, eight years, however long it is, but it needs to be today. And that is when a veteran walks into a hospital and receives treatment, and they are already service connected for the condition for which they are being treated, the results of that examination, that treatment, should, as soon as the doctor hits enter, should automatically drop into their VBA record. And if it indicates that they are entitled to a higher evaluation, they should be given that. And in the rules-based decision-making process, it is certainly possible.

Mr. CHAFFETZ. Okay. Let me give Mr. Violante an opportunity here.

Mr. VIOLANTE. Thank you, Mr. Chairman.

If it is only two things, the two things would be better training. Because DAV national service officers that have been with DAV for a year or 30 years go through continuing training their entire career. They are tested. I would like to see VA do more of that.

And the second thing would be accountability as it relates to quality. Because we don't have that now. The emphasis is on production, not on quality. And if, as I said in my testimony, if we do it right the first time, we will save a lot of problems and a lot of time.

Mr. CHAFFETZ. Thank you. And again, I have a hard time believing that your service was 40 years ago. I don't know how old you were when you started out, I didn't know we were taking people at age 6 or so. But I appreciate both of your service.

[Laughter.]

Mr. CHAFFETZ. If I could wave my magic wand, I would totally agree with what you said. And I am not nearly as close to it as you all here today.

Somehow, some way, there has to be a better communication between the Department of Defense and veterans. The handoff is pathetic. And until the Secretaries themselves, personally, personally

take this under their wing, it will not happen. Our military, the American people, we are willing to do and can do anything if we have the political will to do it. And I recognize it is different.

But the idea that we have all these different standards, that you are not getting the information that you need in a format that you can deal with, in this day and age, is just totally unacceptable. I think the Department of Defense has a lot of questions to also answer in this, because the VA is on the receiving end of this, and it is not necessarily in the format and the way we can deal with it. It has to be a priority. People should be getting stars on their shoulders, not just for going out and winning wars, but also taking care of the men and women that are under our service.

So again, I thank you all for your service. Let me yield to the gentleman from Massachusetts.

Mr. TIERNEY. Thank you very much.

First of all, I thank all three of you for your testimony and your time here today. I think that obviously, production is an issue, and quality is an issue. But I think they are related, I think all of you recognize that and mentioned that you can't really get at the quality issue if everybody is leaning so hard trying to catch up on the production end of it. I think you have a plan in place trying to do that, and I think this is absolutely part of it. The accountability comes with that, as does the culture and the attitude situation here. I am impressed with the attitude that I hear from all of you. It seems to be cooperative, it seems to be willing to point out what you think is going wrong without getting nasty and mean about it or blaming people for it, and then work together to try and address it. And General, you seem to be very interested in responding to those things that are pointed out in a positive way, not taking it personally or as a negative, and moving forward to getting it done. I think that is exactly what we need to do.

Our job is oversight, the Chairman is absolutely right. So we don't always come off as probably being as congratulatory as we ought to be for when things are going right, because we are supposed to be trying to keep the foot on the pedal and keep people moving in that direction. But I think occasionally we have to acknowledge when things are moving in that direction and just still keep our oversight function on there, looking for ways into doing the reform.

This Committee should be proud of itself. We were the committee that actually got the ball rolling on sexual assault in the modern era here, and then the Armed Services Committee picked it up from that. But there were a lot of good women in Congress who had bills that weren't getting hearings. And this Committee provided the hearings and has been taking it up and going into the proper committee for that.

Walter Reed hearings in this Committee I think started a lot of work, particularly about fixing the facilities and making sure the people that were transitioning from the Department of Defense to VA got more attention. And now we have that issue, trying to iron out that transition period on that. And I think that is all to the better on that basis.

So we need to keep working together in this format. Our oversight, our reform, your continued work together. Madam Secretary,

let me just say that if I had one thing that I would want to keep constant, it is your involvement in this and your attitude and your passion for it. I am impressed. We may come to some point where we want to take a different view on that. But for all three of you, I think you are doing an excellent job in your respective positions and you are working the way, professionally and positively, the way we need this to happen. I thank you for that, and I think the American public and the veterans in particular should be grateful that all of you are working so hard, taking this so seriously and thank you.

Mr. CHAFFETZ. I thank the gentleman.

Again, thank you all for your service to this Country. I appreciate the hearing today and this Committee now stands adjourned.

[Whereupon, at 11:32 a.m., the committee was adjourned.]

Opening Statement of Jason Chaffetz, Chairman
Subcommittee on National Security, Homeland Defense, and Foreign Operations
“Taking Care of Our Veterans: What is the Department of Veterans Affairs Doing
to Eliminate the Claims Backlog?”
July 18, 2012

Good morning and welcome to today’s hearing: “Taking Care of Our Veterans: What is the Department of Veterans Affairs Doing to Eliminate the Claims Backlog?”

I would like to welcome Ranking Member Tierney, Members of the Subcommittee, and members of the audience.

The National Security Subcommittee has a long history of overseeing matters affecting the treatment of our troops and veterans. Under both Republican and Democratic leadership, members have worked side-by-side to help ensure the best care for our wounded warriors.

Last year, we addressed the lengthy transition of wounded warriors from the Department of Defense to the Department of Veterans Affairs.

Today’s hearing will focus on the growing number of pending disability claims and lagging processing times for our veterans.

We will also evaluate strategies moving forward to efficiently address the number of paper-based claims currently in the VA’s backlog.

As a Nation, we are grateful for the service of our veterans. The business of defending a nation can be a dangerous one. When our veterans return from battle wounded and ill, it is the VA’s responsibility to ensure their recovery. We owe it to our veterans to swiftly, accurately, and effectively address their needs.

Unfortunately, as of last week, 918,819 veterans are awaiting word from the VA to make a determination on their disability claims. Over 66 percent of those claimants are considered to be “backlogged” by the VA. In other words, 608,058 veterans have claims pending over 125 days. Regardless of how we categorically expand or shrink these numbers, close to a million veterans are stuck in the first stages of receiving needed disability benefits.

In some cases, veterans have waited years to receive their disability benefits. The stories of veterans kept waiting for their earned benefits are too common. Moreover, some veterans who appeal the VA’s decision on their claims have waited over a decade. Therefore, we must ensure an efficient and accurate claims process.

According to the VA’s performance summary, the national error rate for processing claims is about 16 percent. However, some regional offices, such as the Baltimore office, maintain error rates of 29 percent. Further, reports have indicated that

some California regional offices have error rates of up to 60 percent. These rates of error are unacceptable.

Moving forward, VA Secretary Eric Shinseki has set a goal to achieve claim completion in less than 125 days with 98 percent accuracy by 2015. Meanwhile, VA has also spent over \$340 million on the Veterans Benefit Management System (VBMS) to process future claims in electronic format. However, it is uncertain what the VA's plans are to address the current backlog of paper-based claims to process roughly one million veterans still waiting for their benefits.

In his second inaugural address, President Lincoln declared that we must strive to "care for him who shall have borne the battle and for his widow and his orphan . . ." As a war-time President during the Civil War, he recognized the importance of taking care of our veterans and their families.

In that same spirit, we will concentrate on the federal government's efforts to swiftly, accurately, and effectively reduce the veterans' claims backlog based under certain guiding principles.

- Veterans must not have to wait prolonged periods for benefits to which they earned.
- Veterans must be kept informed throughout the claims process.
- The federal government's efforts must be cost-effective.
- We must fine-tune and constantly update systems to ensure the fastest, cheapest, and most efficient processes.

I hope that our discussion today will address these principles and bring us closer to finding a solution. No veteran entitled to benefits earned from their service to our nation should be kept waiting.

I look forward to hearing from the panel, and appreciate everyone's willingness to be here.

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



**Inspection of the
VA Regional Office
Phoenix, Arizona**

July 17, 2012
12-00246-226

ACRONYMS AND ABBREVIATIONS

| | |
|------|--|
| NOD | Notice of Disagreement |
| OIG | Office of Inspector General |
| QRT | Quality Review Team |
| RVSR | Rating Veterans Service Representative |
| SAO | Systematic Analysis of Operations |
| STAR | Systematic Technical Accuracy Review |
| TBI | Traumatic Brain Injury |
| VARO | Veterans Affairs Regional Office |
| VBA | Veterans Benefits Administration |
| VSC | Veterans Service Center |

To Report Suspected Wrongdoing in VA Programs and Operations:
Telephone: 1-800-488-8244
E-Mail: vaoinfo@va.gov
(Hotline Information: <http://www.va.gov/oig/contacts/hotline.asp>)



Report Highlights: Inspection of the VA Regional Office, Phoenix, Arizona

Why We Did This Review

The Veterans Benefits Administration (VBA) has 57 VA Regional Offices (VAROs) nationwide that process disability claims and provide a range of services to veterans. We conducted this inspection to evaluate how well the Phoenix VARO accomplishes this mission of providing veterans with access to high-quality benefits and services.

What We Found

The VARO lacked effective controls and accuracy in processing some disability claims we sampled during our inspection. Management of temporary 100 percent disability evaluations had excessive processing errors. Inaccuracies in processing 87 percent of these claims resulted when staff did not establish controls to schedule future medical reexaminations. Without effective management of temporary ratings, VBA risked paying excessive and unnecessary financial benefits. Staff used insufficient medical examination reports and incorrectly processed 30 percent of the traumatic brain injury claims. Further, staff used incorrect effective dates in granting benefits for 20 percent of the herbicide exposure-related claims. In total, VARO staff did not correctly process 39 (47 percent) of the 83 disability claims. These results do not represent the overall accuracy of disability claims processing at this VARO as we sampled claims we considered at higher risk of processing errors.

VARO staff followed VBA's policy on correcting errors identified by Systematic

Technical Accuracy Review program staff. However, VARO managers did not ensure staff completed or used adequate data to support Systematic Analyses of Operations. Mail management was generally effective although Veterans Service Center management did not take action until the time of our inspection to halt staff use of manual date stamps, which VBA policy prohibits because it can result in incorrect effective dates and inaccurate benefits payments to veterans. VARO staff did provide adequate outreach to homeless veterans.

What We Recommended

We recommended the VARO Director develop and implement a plan to monitor the effectiveness of training on processing traumatic brain injury and herbicide exposure-related disability claims, and addressing Gulf War veterans' entitlement to mental health treatment. Management also needs to ensure staff complete and use adequate data to support Systematic Analyses of Operations.

Agency Comments

The VARO Director concurred with our recommendations. Management's planned actions are responsive and we will follow up as required on all actions.

A handwritten signature in cursive script that reads "Linda A. Halliday".

LINDA A. HALLIDAY
Assistant Inspector General for
Audits and Evaluations

TABLE OF CONTENTS

| | |
|---|----|
| Introduction | 1 |
| Results and Recommendations | 2 |
| 1. Disability Claims Processing | 2 |
| 2. Management Controls | 7 |
| 3. Workload Management | 9 |
| 4. Eligibility Determinations | 10 |
| 5. Public Contact | 11 |
| Appendix A VARO Profile and Scope of Inspection | 12 |
| Appendix B VARO Director's Comments | 14 |
| Appendix C Inspection Summary | 18 |
| Appendix D Office of Inspector General Contact and Staff Acknowledgments | 19 |
| Appendix E Report Distribution | 20 |

INTRODUCTION

Objective

The Benefits Inspection Program is part of the Office of Inspector General's (OIG) efforts to ensure our Nation's veterans receive timely and accurate benefits and services. OIG Benefits Inspectors contribute to improved management of benefits processing activities and veterans' services by conducting onsite inspections at VA Regional Offices (VAROs). These independent inspections provide recurring oversight focused on disability compensation claims processing and performance of Veterans Service Center (VSC) operations. The objectives of the inspections are to:

- Evaluate how well VAROs are accomplishing their mission of providing veterans with access to high-quality benefits and services.
- Determine whether management controls ensure compliance with VA regulations and policies; assist management in achieving program goals; and minimize the risk of fraud, waste, and other abuses.
- Identify and report systemic trends in VARO operations.

In addition to this oversight, inspections may examine issues or allegations referred by VA employees, members of Congress, or other stakeholders.

Scope of Inspection

In March 2012, we conducted an inspection of the Phoenix VARO. The inspection focused on five protocol areas addressing eight operational activities. The five protocol areas were disability claims processing, management controls, workload management, eligibility determinations, and public contact. We did not review competency determinations as in previous inspections because the Veterans Benefits Administration (VBA) has centralized Western Area fiduciary activities at the Salt Lake City VARO.

We reviewed 53 (9 percent) of 578 disability claims related to traumatic brain injury (TBI) and herbicide exposure that VARO staff completed from October through December 2011. In addition, we reviewed 30 (7 percent) of 450 rating decisions where VARO staff granted temporary 100 percent disability evaluations for at least 18 months, generally the longest period a temporary 100 percent disability evaluation may be assigned under VA policy without review.

Appendix A provides details on the VARO and the scope of our inspection. Appendix B provides the VARO Director's comments on a draft of this report. Appendix C provides criteria we used to evaluate each operational activity and a summary of our inspection results.

RESULTS AND RECOMMENDATIONS

1. Disability Claims Processing

The OIG Benefits Inspection team focused on disability claims processing related to temporary 100 percent disability evaluations, TBI, and herbicide exposure. We evaluated claims processing accuracy and its impact on veterans' benefits.

Finding 1 Phoenix VARO Could Improve Disability Claims Processing Accuracy

The Phoenix VARO lacked adequate controls and accuracy in processing claims for temporary 100 percent disabilities, TBI, and herbicide exposure. VARO staff incorrectly processed 39 of the total 83 disability claims we sampled and improperly paid a total of \$221,699 in veterans' benefits. VARO management agreed with our findings and began to correct the errors identified.

Because we sampled selected types of claims, our results are not representative of the full universe of disability claims processed at this VARO. As reported by VBA's Systematic Technical Accuracy Review (STAR) program as of February 2012, the overall accuracy of the Phoenix VARO's compensation rating-related decisions was 88.1 percent—1.1 percentage points above VBA's target of 87 percent.

The following table reflects the errors affecting, and those with the potential to affect, veterans' benefits processed at the Phoenix VARO.

Table 1

| Phoenix VARO Disability Claims Processing Results | | | | |
|---|-----------|------------------------------|--|-----------|
| Type | Reviewed | Claims Incorrectly Processed | | |
| | | Affecting Veterans' Benefits | Potential To Affect Veterans' Benefits | Total |
| Temporary 100 Percent Disability Evaluations | 30 | 8 | 18 | 26 |
| Traumatic Brain Injury Claims | 23 | 1 | 6 | 7 |
| Herbicide Exposure-Related Claims | 30 | 6 | 0 | 6 |
| Total | 83 | 15 | 24 | 39 |

Source: VA OIG based on analysis of VBA data

**Temporary
100 Percent
Disability
Evaluations**

Management of temporary 100 percent disability evaluations had excessive processing errors. VARO staff incorrectly processed 26 of 30 temporary 100 percent disability evaluations we reviewed. That means only 13 percent of these claims were done right. VBA policy requires a temporary 100 percent disability evaluation for a service-connected disability following a veteran's surgery or when specific treatment is required. At the end of the mandated period of convalescence or treatment, VARO staff must request a follow-up medical examination to help determine whether to continue the veteran's 100 percent disability evaluation.

For temporary 100 percent disability evaluations, including confirmed and continued evaluations where rating decisions do not change veterans' payment amounts, VSC staff must input suspense diaries in VBA's electronic system. A suspense diary is a processing command that establishes a date when VSC staff must schedule a reexamination. As a suspense diary matures, the electronic system generates a reminder notification to alert VSC staff to schedule the reexamination.

Without effective management of these temporary ratings, VBA is at risk of paying excessive and unnecessary financial benefits. Available medical evidence showed 8 of the 26 processing errors affected veterans' benefits—all 8 involved overpayments totaling \$192,165. Details on the two most significant overpayments follow.

- VARO staff did not schedule a medical reexamination to evaluate a veteran's prostate cancer. VA medical records showed the veteran had completed treatment, warranting a reduction in benefits effective August 2008. In the absence of a follow-up exam, VA continued processing monthly benefits and ultimately overpaid the veteran \$123,899 over a period of 3 years and 8 months.
- VARO staff assigned a temporary 100 percent disability evaluation for prostate cancer with an incorrect effective date of December 18, 2009. However, VA treatment records provided evidence of active cancer as of September 14, 2009, the date the veteran submitted his claim to VA. In this same decision document, staff also did not grant the veteran entitlement to an additional special monthly benefit based on the loss of use of a creative organ, as required. As a result of assigning an incorrect effective date as well as not establishing the additional benefit, VA underpaid the veteran a total of \$9,444 over a period of 1 year and 2 months. Ultimately, VA medical treatment records showed the veteran completed cancer treatment, warranting a reduction in benefit payments for this disability effective November 2010. However, VA continued processing monthly benefits and overpaid the veteran \$37,148 over a period of 1 year and 4 months. Because of the initial underpayment in

conjunction with the overpayment, VA ultimately made a net overpayment of \$27,704 to the veteran.

The remaining 18 errors in processing temporary 100 percent disability evaluations had the potential to affect veterans' benefits. Following are descriptions of these processing errors.

- In 14 cases, VSC staff did not schedule medical reexaminations to determine whether veterans' temporary 100 percent evaluations should continue. All 14 cases involved confirmed and continued rating decisions. Neither we nor VARO staff could determine if the evaluations should have continued because the veterans' claims folders did not contain the medical evidence needed to reevaluate each case.
- In four cases, VSC staff correctly processed non-disability claims related actions that did not require decision documents; however, they did not ensure suspense diaries remained in the electronic system to remind them of the need for medical reexaminations. As a result, VSC staff did not schedule reexaminations as required to provide the basis for re-rating the cases. Again, we could not determine if these temporary 100 percent evaluations should have continued because the veterans' claims folders did not contain medical evidence needed to reevaluate these cases.

For the 18 errors with the potential to affect veterans' benefits, an average of 2 years elapsed from the time staff should have scheduled medical reexaminations until the date of our inspection. The delays scheduling medical reexaminations ranged from 7 months to 5 years and 7 months.

Collectively, 22 of the 26 errors resulted from staff not establishing suspense diaries when they processed rating decisions requiring temporary 100 percent disability reexaminations. The remaining four errors occurred because VSC staff did not take final action on proposals to reduce veterans' temporary 100 percent disability evaluations. In November 2009, VBA provided guidance reminding VAROs about the need to add suspense diaries in the electronic record for confirmed and continued rating decisions. However, VARO management did not provide additional training and lacked an oversight procedure to ensure VSC staff established the suspense diaries and timely scheduled reexaminations as required.

In response to a recommendation in our national report, *Audit of 100 Percent Disability Evaluations* (Report No. 09-03359-71, January 24, 2011), the Acting Under Secretary for Benefits agreed to review all temporary 100 percent disability evaluations and ensure each evaluation had a future examination date entered in the electronic record. The Acting Under Secretary stated the target completion date for the national review would be September 30, 2011. However, VBA did not provide each VARO with a list

of temporary 100 percent disability evaluations for review until September 2011. VBA subsequently extended the deadline to December 31, 2011, then to March 31, 2012, and then again to June 30, 2012. To assist in implementing the agreed-upon review, we provided the Phoenix VARO with 420 claims remaining from our universe of 450 temporary 100 percent disability evaluations. As of mid-June 2012, VBA was still working to complete the national review requirement.

TBI Claims

The Department of Defense and VBA commonly define a TBI as a traumatically induced structural injury or a physiological disruption of brain function caused by an external force. The major residual disabilities of TBI fall into three main categories—physical, cognitive, and behavioral. VBA policy requires staff to evaluate these residual disabilities.

VARO staff incorrectly processed 7 of 23 TBI claims—one of these processing errors affected a veteran's benefits. In this case, a Rating Veterans Service Representative (RVSR) incorrectly used the same symptoms to assign evaluations for the veteran's post-traumatic stress disorder and TBI residuals, resulting in a total disability evaluation of 100 percent. VBA policy directs that staff cannot use the same symptoms to evaluate two separate disabilities, even though symptoms of cognitive impairment and mental disorders such as post-traumatic stress disorder often overlap. Staff should have ascribed the symptoms to one or the other disability to evaluate the veteran's claim, which would have resulted in an overall total disability evaluation of 90 percent. As a result, VA continued processing monthly benefits and ultimately overpaid the veteran \$26,136 over a period of 2 years.

The remaining six errors had the potential to affect veterans' benefits. Following are summaries of these errors.

- In five cases, RVSRs and Decision Review Officers prematurely evaluated TBI residuals using insufficient medical examination reports. According to VBA policy, when a medical examination report does not address all required elements, VSC staff should return it to the clinic or health care facility as insufficient for rating purposes. Neither VARO staff nor we can ascertain all of the residual disabilities of a TBI without adequate or complete medical evidence.
- An RVSR incorrectly evaluated TBI residuals as 10 percent disabling. Medical evidence showed the TBI residuals warranted no more than a 0 percent disability, entitling the veteran to health care for the condition but not monetary compensation. Because of the veteran's multiple service-connected disabilities, this error did not affect the veteran's monthly benefits, but could affect future evaluations for additional benefits.

Generally, errors associated with TBI claims occurred because VSC staff received inadequate training on TBI regulations and policies. During FY 2011, VSC management canceled training sessions to work on a high-profile, time-sensitive national project. The last training on residuals of TBI occurred in November 2011, and three errors we identified in processing these types of claims occurred after this training. Despite the training, interviews with VSC staff revealed they were not aware medical examination reports were insufficient if they did not specifically state whether the veteran's symptoms were due to TBI or a co-morbid mental disorder. Because of using insufficient medical examination reports, veterans may not have always received correct benefits.

**Herbicide
Exposure-Related
Claims**

VARO staff incorrectly processed 6 of 30 herbicide exposure-related claims we reviewed. All of the processing errors affected veterans' benefits—five involved underpayments totaling \$15,532 and one involved an overpayment totaling \$3,398. Details on the most significant underpayment and the overpayment follow.

- An RVSR incorrectly evaluated ischemic heart disease as 30 percent disabling. However, available medical evidence showed the veteran warranted a 60 percent evaluation. The RVSR also assigned an incorrect effective date of December 28, 2010, the date VA received the claim. The correct effective date should have been August 31, 2010, the date of a related legislative change. According to VA regulations, when a claimant submits a claim within 1 year of a legislative change, VA may authorize benefits from the date of the legislative change, if the veteran is eligible. In this instance, eligibility existed to pay the veteran from the date of the law change because medical evidence showed a diagnosis existed at that time warranting the 60 percent evaluation. As a result of using an incorrect effective date, VA underpaid the veteran \$8,153 over a period of 1 year and 6 months. We discussed the underpayment with VARO officials who agreed to take corrective action.
- An RVSR correctly granted service connection and assigned a 100 percent disability evaluation for ischemic heart disease. In the same decision, the RVSR correctly reduced the evaluation to 60 percent disabling, but used an incorrect effective date of June 10, 2011, the date of the veteran's medical reexamination. Available medical evidence showed the RVSR should have reduced the veteran's evaluation to 60 percent on April 20, 2011. As a result of the error, VA continued processing monthly benefits and ultimately overpaid the veteran \$3,398 over a period of 2 months.

Generally, inaccuracies associated with herbicide exposure-related claims processing resulted from ineffective training. During FY 2011, VSC management canceled training sessions to work on a high-profile.

time-sensitive national project. The last training on herbicide exposure-related conditions occurred in November 2011 and March 2012.¹ Interviews with VSC staff revealed that despite this recent training, RVSRs did not have a clear understanding of herbicide exposure-related regulations and policies. VSC staff also revealed there was no adequate mechanism in place to measure whether the training was effective. As a result, VSC staff did not consistently properly evaluate herbicide exposure-related disabilities and veterans may not have always received correct benefits.

Recommendation 1. We recommend the Phoenix VA Regional Office Director develop and implement a plan to monitor the effectiveness of training on the proper processing of traumatic brain injury and herbicide exposure-related claims.

Management Comments The VARO Director concurred with our recommendation. The Director stated that in April 2012 the Quality Review Teams (QRT) conducted training on the correct application of VBA's policies for evaluating TBI claims and proper processing of Herbicide exposure-related claims. The VSC provided updated training in May 2012 on both TBI and herbicide exposure-related claims emphasizing the findings from our visit. The Director indicated that in order to monitor effectiveness of all training, the QRT identifies deficiencies using local quality and in-process reviews, along with a local error tracker. The Director stated that as of May 2012, local quality review findings showed two TBI errors; however, neither error was related to co-morbid symptoms or insufficient medical examinations.

OIG Response Management's actions are responsive to the recommendation. We will follow up as required on all actions.

2. Management Controls

Systematic Technical Accuracy Review We assessed whether VARO management adhered to VBA policy regarding correction of errors identified by VBA's STAR staff. The STAR program is VBA's multifaceted quality assurance program to ensure veterans and other beneficiaries receive accurate and consistent compensation and pension benefits. VBA policy requires that VARO staff take corrective action on errors identified by STAR.

Phoenix VARO staff did not correct 1 of 13 errors identified by STAR program staff from October through December 2011. Because VARO management generally followed VBA policy regarding corrections of STAR errors, we made no recommendation for improvement in this area

¹ RVSRs are required to complete 60 hours of training per each fiscal year—40 hours in specific areas mandated by VBA and the remaining 20 hours as determined by the VARO. Rating herbicide exposure-related claims is not VBA-mandated training.

**Systematic
Analysis of
Operations**

We assessed whether VARO management had adequate controls in place to ensure complete and timely submission of Systematic Analyses of Operations (SAOs). We also considered whether VSC staff used adequate data to support the analyses and recommendations identified within each SAO. An SAO is a formal analysis of an organizational element or operational function. SAOs provide an organized means of reviewing VSC operations to identify existing or potential problems and propose corrective actions. The VSC Manager is responsible for ongoing analysis of VSC operations, including completing 11 SAOs annually. VARO management must publish annual SAO schedules designating the staff required to complete the SAOs by specific dates.

Finding 2 Oversight Needed To Ensure Complete SAOs

Eight of 11 SAOs were incomplete (missing required elements). VARO management did not provide adequate oversight to ensure VSC staff completed the SAOs in accordance with VBA policy. Further, although VSC managers stated they referred to VBA policy when completing the SAOs, they were unaware that recommended corrective actions in the SAOs required a time frame for completion of the actions. As a result, VARO management may not have adequately identified existing and potential problems for corrective action to improve VSC operations.

Management did not always use adequate data to support the 11 required SAOs. An example of an SAO that did not include adequate data involved mail handling. At the time of our inspection, the VARO had more than 1,400 pieces of drop mail awaiting association with veterans' claims folders. Drop mail is mail that requires no processing action upon receipt at the VARO. The SAO in question only discussed procedures for handling mail and did not include any data to analyze drop mail. If VARO staff had conducted an analysis of drop mail, they may have recommended corrective actions to reduce this large amount of pending mail.

In addition, management was unaware that SAO-recommended corrective actions required a time frame for completion of the actions. For example, the Appeals SAO recommended that the VARO identify Notices of Disagreement (NOD) in a timely manner; however, it did not provide an expected time frame for completion of this corrective action. An NOD is a written communication from a claimant expressing dissatisfaction or disagreement with a benefits decision and a desire to contest the decision. As of March 2012, VSC staff took an average of 66.5 days to record NODs—14.1 days more than the national average of 52.4 days. If VARO staff had assigned a date for completion of this SAO recommendation, they may have implemented steps to improve NOD timeliness.

Recommendation 2. We recommend the Phoenix VA Regional Office Director develop and implement a plan to ensure staff address required elements of Systematic Analyses of Operations using thorough analysis and relevant data.

Management Comments The VARO Director concurred with our recommendation. The Director indicated VSC's Program Analysts and Assistant Veterans Service Center Managers conducted training on June 27, 2012, to all staff responsible for completing SAOs. In addition to providing them with an overview of VBA's policy on SAOs, staff were instructed to include supporting evidence, findings and recommendations, and timeframes for completion of all recommendations in SAOs. The Director stated Program Analysts updated VSC's SAO recommendation tracker to include dates for expected completion, actual completion, and interim status updates.

OIG Response Management's actions are responsive to the recommendation. We will follow up as required on all actions.

3. Workload Management

Mailroom Operations We assessed controls over VARO mailroom operations to ensure staff timely and accurately processed incoming mail. VBA policy states staff will open, date-stamp, and route all mail to the appropriate locations within 4 to 6 hours of receipt at the VARO. The Phoenix VARO assigns responsibility for mailroom activities, including processing of incoming mail, to the Triage Team.

Mailroom staff were timely and accurate in date-stamping, processing, and delivering VSC mail to the Triage Team control point daily. However, we found the Phoenix VARO mailroom staff were actively using hand-held date stamps in violation of VBA policy. The policy required that VAROs destroy all hand-held date stamps no later than May 15, 2009, and replace them with lockable electronic stamps. Unbeknown to the VARO Director, VSC management misinterpreted this policy and allowed staff to continue using hand-held date stamps in the mailroom. We immediately informed the VARO Director of the continued use of the hand-held date stamps. Prior to our departure, we received confirmation from the Director that staff destroyed the hand-held date stamps on March 28, 2012; therefore, we made no recommendation for improvement in this area.

Triage Mail Management Procedures We assessed the VSC's Triage Team mail management procedures to ensure staff reviewed, controlled, and processed all claims-related mail in accordance with VBA policy. VBA policy indicates that oversight to ensure staff use available plans and systems is the most important part of workload management. It also states that effective mail management is crucial to the control of workflow within the VSC.

Staff did not properly manage 2 of 60 pieces of mail reviewed. As a result, we determined the Phoenix VARO was generally compliant with national and local mail-handling policies. Therefore, we made no recommendation for improvement in this area.

4. Eligibility Determinations

Entitlement to Medical Care and Treatment for Mental Disorders

Gulf War veterans are eligible for medical treatment for any mental disorder they develop within 2 years of the date of separation from military service. According to VBA, whenever an RVSR denies a Gulf War veteran service connection for any mental disorder, the RVSR must consider whether the veteran is entitled to receive mental health treatment.

In February 2011, VBA updated its Rating Board Automation 2000, a computer application designed to assist RVSRs in preparing disability ratings. The application provides a pop-up notification, known as a tip master, to remind staff to consider Gulf War veterans' entitlement to mental health care treatment when denying service connection for mental disorders.

Finding 3

Gulf War Veterans Did Not Receive Accurate Entitlement Decisions for Mental Health Treatment

VARO staff did not properly address whether 10 of 17 Gulf War veterans were entitled to receive treatment for mental disorders. These inaccuracies occurred because VSC staff lacked understanding of VBA policy and overlooked reminder notifications to consider entitlement to mental health treatment. As a result, veterans may be unaware of their possible entitlement to treatment for mental disorders and may not get the care they need.

Interviews with VSC staff confirmed they did not always follow VBA policy to consider entitlement to mental health treatment when denying Gulf War veterans service connection for mental health disorders. In November 2011, VARO staff conducted training on mental health treatment for Gulf War veterans. VSC staff stated that, despite this recent training, they still did not have a clear understanding of VBA policy and it was easy to bypass the reminder notifications.

- Recommendation**
3. We recommend the Phoenix VA Regional Office Director develop and implement a plan to monitor the effectiveness of training to ensure staff follow current Veterans Benefits Administration policy regarding Gulf War veterans' entitlement to mental health treatment when denying service connection for mental disorders.

Management Comments

The VARO Director concurred with our recommendation. The Director stated that in March 2012 VSC conducted training on the correct application of VBA's policy regarding Gulf War veterans' entitlement to medical care

and treatment for mental disorders. The QRT provided additional training to all decision makers in April 2012. The Director indicated that in order to monitor effectiveness of all training, the QRT identifies deficiencies using local quality and in-process reviews. The Director stated local quality review findings for May 2012 revealed only one error regarding failure to properly address a veteran's entitlement to mental health care.

OIG Response Management's actions are responsive to the recommendation. We will follow up as required on all actions.

5. Public Contact

In November 2009, VA developed a 5-year plan to end homelessness among veterans by assisting every eligible homeless veteran willing to accept service. VBA generally defines "homeless" as lacking a fixed, regular, and adequate nighttime residence.

Outreach to Homeless Veterans

Congress mandated that at least one full-time employee oversee and coordinate homeless veterans programs at each of the 20 VAROs that VA determined to have the largest veteran populations. VBA guidance, last updated in September 2002, directed that coordinators at the remaining 37 VAROs be familiar with requirements for improving the effectiveness of VARO outreach to homeless veterans. These requirements include developing and updating a directory of local homeless shelters and service providers. Additionally, the coordinators should attend regular meetings with local homeless service providers, community governments, and advocacy groups to provide information on VA benefits and services.

The Phoenix VARO has a full-time Homeless Veterans Outreach Coordinator. Our review confirmed that the coordinator provided outreach and contacted local homeless service providers as required by VBA policy. Therefore, we made no recommendation for improvement in this area. However, VBA needs a measurement to assess the effectiveness of this outreach.

Appendix A VARO Profile and Scope of Inspection

| | |
|---------------------|---|
| Organization | The Phoenix VARO administers a variety of services and benefits, including compensation benefits; vocational rehabilitation and employment assistance; specially adapted housing grants; benefits counseling; and outreach to homeless, elderly, minority, and women veterans. |
| Resources | As of January 2012, the Phoenix VARO had a staffing level of 457 full-time employees. Of this total, the VSC had almost 217 employees (47 percent) assigned. |
| Workload | As of February 2012, the VARO reported about 21,000 pending compensation claims. The average time to complete claims was 344.2 days—114.2 days longer than the national target of 230. |
| Scope | We reviewed selected management, claims processing, and administrative activities to evaluate compliance with VBA policies regarding benefits delivery and nonmedical services provided to veterans and other beneficiaries. We interviewed managers and employees and reviewed veterans' claims folders. |

Our review included 53 (9 percent) of 578 disability claims related to TBI and herbicide exposure that the VARO completed from October through December 2011. For temporary 100 percent disability evaluations, we selected 30 (7 percent) of 450 existing claims from VBA's Corporate Database. We provided VARO management with the 420 claims remaining from our universe of 450 for their review. These claims represented all instances in which VARO staff granted temporary 100 percent disability evaluations for at least 18 months as of January 27, 2012.

We reviewed the 11 mandatory SAOs completed in FYs 2011 and 2012. We reviewed 13 errors identified by VBA's STAR program during October through December 2011. VBA measures the accuracy of compensation and pension claims processing through its STAR program. STAR measurements include a review of work associated with claims that require rating decisions. STAR staff review original claims, reopened claims, and claims for increased evaluation. Further, they review appellate issues that involve a myriad of veterans' disability claims. Our process differs from STAR as we review specific types of disability claims related to TBI and herbicide exposure that require rating decisions. In addition, we review rating decisions and awards processing involving temporary 100 percent disability evaluations.

For our review, we selected mail in various processing stages in the VARO mailroom and VSC. We also reviewed 17 completed claims processed for

Gulf War veterans from October through December 2011 to determine whether VSC staff addressed entitlement to mental health treatment in the rating decision documents as required. Further, we assessed the effectiveness of the VARO's homeless veterans outreach program.

Data Reliability

During our inspection, we used computer-processed data from Veterans Service Network Operations Reports and Awards. To test reliability, we reviewed the data to determine whether they were missing key fields, contained data outside of the time frame requested, included calculation errors, contained obvious duplication of records, contained alphabetic or numeric characters in incorrect fields, or contained illogical relationships among data elements. Further, we compared veterans' names, file numbers, social security numbers, station numbers, dates of claim, and decision dates provided in the data received with information contained in the 100 claims folders we reviewed.

Our testing of the data disclosed that they were sufficiently reliable for our inspection objectives. Our comparison of the data provided with information contained in the veterans' claims folders at VARO Phoenix also did not disclose any problems with data reliability.

Inspection Standards

We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*. We planned and performed the inspection to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

Appendix B VARO Director's Comments

| | |
|---|--|
| Department of Veterans Affairs | Memorandum |
| Date | June 22, 2012 |
| From | Director, VA Regional Office Phoenix, Arizona |
| Subj | Inspection of the VA Regional Office, Phoenix, Arizona |
| To | Assistant Inspector General for Audits and Evaluations (52) |
| | <ol style="list-style-type: none">1. The Phoenix VARO's comments are attached on the OIG Draft Report: <i>Inspection of the VA Regional Office, Phoenix, Arizona.</i>2. Questions may be referred to John Capozzi, Assistant Veterans Service Center Manager, 602-627-2843. |
| | <i>(original signed by:)</i> Sandra D. Flint |
| | Attachment |

Phoenix VA Regional Office
Response to the Office of Inspector General, Benefits Inspection

Recommendation 1:

We recommend the Phoenix VA Regional Office (VARO) Director develop and implement a plan to monitor the effectiveness of training on the proper processing of traumatic brain injury and herbicide exposure-related claims.

RO response: Concur

The VARO Director concurs with this recommendation. The VSC provided an updated training session on traumatic brain injury (TBI) for all decision makers on May 29, 2012. We also provided training on Herbicide Claims Development on May 15, 2012. Both of these training sessions included an emphasis on the findings from the OIG visit. The audio and visual training materials used for the TBI training session were recorded by LiveMeeting software. This recording is now available on the Quality Review Team's (QRT) SharePoint site. All decision makers are able to review this session as needed.

All rated TBI cases continue to require a second signature by designated Decision Review Officers (DROs). Refresher training was provided to these DROs on May 29, 2012. The findings associated with these reviews are maintained in a spreadsheet available in our station's shared computer drive, and regularly analyzed by QRT personnel to identify trends and deficiencies.

The QRT conducted team specific training for all decision makers in order to teach the correct application of 38 CFR 4.124a, TL 09-01, and the correct development and rating of herbicide related claims. Three small classroom size and team specific sessions were conducted on April 12, 18, and 26, 2012. A summary of all the material to include references, used in this training session, is available for review on the QRT SharePoint site.

The QRT is focusing on identifying deficiencies with TBI rating decisions via the completion of both local ASPEN quality reviews and "in-process reviews" (IPRs). These two types of reviews, our local error tracker, and updates to our training, are all maximizing our ability to closely monitor the effectiveness of all training provided to decision makers. Our most recent local ASPEN quality review findings (May 2012) revealed two errors associated with TBI. Neither of the TBI errors dealt with co-morbid symptomatology and insufficient examinations.

The Phoenix RO requests closure of this item.

Recommendation 2:

We recommend the Phoenix VA Regional Office Director develop and implement a plan to ensure staff address required elements of Systematic Analyses of Operations using thorough analysis and relevant data.

RO response: Concur

The VARO Director concurs with this recommendation. The VSC has taken the following steps to address the identified deficiencies in the Systematic Analyses of Operations (SAOs).

VSC Program Analysts (PA) and Assistant Veterans Service Center Managers (AVSCM) developed a formal training curriculum to train all VSC staff responsible for conducting SAOs. Training was given on June 27, 2012. The training included: SAO formatting; elements of an SAO; an overview of M21-4, Chapter 5; and other relevant topics to ensure that the SAO provides a true analysis of the topic under review. In training, the VSC staff was instructed to include supporting data (folder pull lists, mail count, VETSNET Operations Reports (VOR) data, etc.), along with the findings and recommendations when submitting drafts of their assigned SAOs. Drafts will also include a timeframe for completion for all recommendations and will be submitted to the AVSCM assigned to track, review and approve this SAO for submission to the VSCM and the Director.

The SAO Recommendation Tracker maintained by the VSC Program Analysts (PAs) has been amended to include the expected completion date, the actual completion date, and dates for any interim status updates. The AVSCM assigned to track these recommendations will follow-up with the VSC staff member to whom completion of the recommendation is assigned. This AVSCM will then close out recommendations once complete.

The Phoenix RO requests closure of this item.

Recommendation 3:

We recommend the Phoenix VA Regional Office Director develop and implement a plan to monitor the effectiveness of training to ensure staff follow current Veterans Benefits Administration policy regarding Gulf War veterans' entitlement to mental health treatment when denying service connection for mental disorders.

RO Response: Concur

The VARO Director concurs with this recommendation. The VSC provided training on the correct application of 38 U.S.C. 1702 on March 6, 14, and 22, 2012. In addition, the QRT conducted team-specific training for all decision makers on this subject on April 12, 18, and 26, 2012. A summary of all the material used in this training session, including all references, is available for review on the QRT's SharePoint site.

The QRT is also focusing on identifying deficiencies in the correct resolution of VA medical care under 38 U.S.C. 1702 by closely monitoring and analyzing local ASPEN quality reviews and IPRs. These two types of reviews and updates to our training are maximizing our ability to closely monitor the effectiveness of all training provided to decision makers in this subject. Our most recent local ASPEN quality review findings (May 2012) revealed just one error associated with the failure to properly address the issue of 38 U.S.C. 1702.

The Phoenix RO requests closure of this item.

Appendix C Inspection Summary

Table 2 reflects the operational activities inspected, applicable criteria, and whether or not we had reasonable assurance of VARO compliance.

| Table 2. Phoenix VARO Inspection Summary | | | |
|--|--|------------------------------------|----|
| Eight Operational Activities Inspected | Criteria | Reasonable Assurance of Compliance | |
| | | Yes | No |
| Claims Processing | | | |
| 1. Temporary 100 Percent Disability Evaluations | Determine whether VARO staff properly reviewed temporary 100 percent disability evaluations. (38 Code of Federal Regulations (CFR) 3.103(b)) (38 CFR 3.105(e)) (38 CFR 3.327) (Manual (M)21-1 Manual Rewrite (MR) Part IV, Subpart ii, Chapter 2, Section J) (M21-1MR Part III, Subpart iv, Chapter 3, Section C.17 e) | | X |
| 2. Traumatic Brain Injury Claims | Determine whether VARO staff properly processed claims for service connection for all disabilities related to in-service TBI. (Fast Letter (FL) 08-34 and 08-36, Training Letter 09-01) | | X |
| 3. Herbicide Exposure-Related Claims | Determine whether VARO staff properly processed claims for service connection for herbicide exposure-related disabilities. (38 CFR 3.309) (FL 02-33) (M21-1MR Part IV, Subpart ii, Chapter 2, Section C.10) | | X |
| Management Controls | | | |
| 4. Systematic Technical Accuracy Review | Determine whether VARO staff properly corrected STAR errors in accordance with VBA policy. (M21-4, Chapter 3, Subchapter II, 3.03) | X | |
| 5. Systematic Analysis of Operations | Determine whether VARO staff properly performed formal analyses of their operations through completion of SAOs. (M21-4, Chapter 5) | | X |
| Workload Management | | | |
| 6. Mail-Handling Procedures | Determine whether VARO staff properly followed VBA mail-handling procedures. (M23-1) (M21-4, Chapter 4) (M21-1MR Part III, Subpart ii, Chapters 1 and 4) | X | |
| Eligibility Determinations | | | |
| 7. Gulf War Veterans' Entitlement to Mental Health Treatment | Determine whether VARO staff properly processed Gulf War veterans' claims, considering entitlement to medical treatment for mental illness. (38 United States Code 1702) (M21-1MR Part IX Subpart ii, Chapter 2) (M21-1MR Part III, Subpart v, Chapter 7) (FL 08-15) (38 CFR 3.384) (38 CFR 3.2) | | X |
| Public Contact | | | |
| 8. VBA's Homeless Veterans Program | Determine whether VARO staff provided effective outreach services. (Public Law 107-05) (VBA Letter 20-02-34) (FL 10-11) (VBA Circular 27-91-4)(M21-1, Part VII, Chapter 6) | X | |

Source: VA OIG

CFR=Code of Federal Regulations, FL=Fast Letter, M=Manual, MR=Manual Re-write

Appendix D Office of Inspector General Contact and Staff Acknowledgments

| | |
|-----------------|---|
| OIG Contact | For more information about this report, please contact the Office of Inspector General at (202) 461-4720. |
| Acknowledgments | Dawn Provost, Director Bridget Bertino Orlan Braman Madeline Cantu Michelle Elliott Lee Giesbrecht Rachel Stroup Dana Sullivan |

Appendix E Report Distribution**VA Distribution**

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This report will be available in the near future on the OIG's Web site at <http://www.va.gov/oig/publications/reports-list.asp>. This report will remain on the OIG Web site for at least 2 fiscal years.

Congressman Paul A. Gosar, D.D.S. – Arizona’s First Congressional District
Full Statement for the Record
**House Oversight and Government Reform Subcommittee on National Security, Homeland
Defense, and Foreign Operations Hearing: “Taking Care of Our Veterans: What is the
Department of Veterans Affairs Doing to Eliminate the Claims Backlog?”**

Mr. Chairman,

I appreciate the committee taking action to get to the bottom of this very disturbing problem that is affecting so many Arizona veterans.

As I have stated before, I believe our veterans are the nation’s greatest assets. They risk their families, their comforts, and their lives in order to protect others. Their unrelenting sacrifice and sense of duty to their homeland is a virtue that must be held in the highest regard.

In order for the federal government to appropriately repay these brave men and women for their service, each member of the Department of Defense and the Veterans Administration (VA) must be equally passionate and dedicated to serving our veterans. That means ensuring their benefits and working with the appropriate people to ensure that each benefit claim they make is vetted quickly and efficiently so their hardships are minimized.

As many people know—especially our service members—the United States Government has built and created a wide variety of incentives in order to attract soldiers to our all-volunteer force. These benefits include a well-rounded health care benefit program, a generous retirement plan, and educational and family assistance.

But these benefits are for nothing if they are not administered in a timely and proper fashion. And a current lack in timeliness and efficiency at the VA has brought us here today. My fellow committee members and I are here to seek the answers needed to ensure that our veterans’ needs are appropriately addressed.

For reference, I would like to share some interesting facts and figures from my district offices in Arizona. I have multiple caseworkers in those offices, but two that primarily handle VA cases. Knowing that backlogs and timeliness have increasingly become issues, I asked them to report to me on what our numbers looked like. The answers I received were astonishing.

According to our records, it often takes 45 to 60 days to even get a response from the VA saying that they have even received our initial inquiry. My primary VA Caseworker—a man named Larry Renken, who is himself a veteran of our armed services—then usually follows up with a second inquiry within the 30 to 45 day range asking for that initial receipt confirmation, to which he often gets his requested replies 7 to 14 days afterwards. I find this unacceptable.

Further, I understand that casework is often not a quick and easy process; but the numbers my staff reported to me on the average length of open cases were atrocious. Many cases were open for well over a year, with some cases outstanding for multiple years. Even if a veteran is going

to be denied a claim, I would hope that the VA would give that person a timely answer so they are not sitting around and waiting for their government to get back to them.

I understand that these numbers are not constants. Occasionally, the VA will quickly work through a case and maintain solid, timely contact with my office. My staff reported evidence of these cases to me as well. But I noticed this is the exception rather than the rule, which is why my colleagues and I are investigating the issue.

One of the affected veterans in my district is named Mr. Dale Kessler. He is a proud war fighter that was stationed on the *U.S.S. Enterprise* during the Vietnam conflict. His case, as it was reported to me, is our longest outstanding case, with his initial filing dating back to 2007. I then learned that the stress over his VA claim combined with his post-traumatic stress and his other disabilities caused Mr. Kessler to suffer a breakdown and thus, he was admitted to the hospital. This is utterly unacceptable and he deserves answers from the Veterans Administration.

There are other distressing cases that I have learned of that involve terrible miscalculations by the VA. On November 3, 2007, Mr. Gerald Handfield was given a 100% disability rating decision based on a VA service connection for plasma cell tumor (multiple myeloma) on his T-9 vertebrae, which was claimed as a soft tissue sarcoma. The T-9 was removed surgically and the adjacent vertebrae—the T-8 and T-10—were then fused, leaving him “unemployable.” He is, at present, receiving \$2,769 per month. On July 10, 2012, Mr. Handfield received a letter from the Phoenix Regional Office stating, “The rating decision dated November 3, 2007, is clearly and unmistakably erroneous because plasma cell cancer is not a condition in which presumptive service connection is warranted.” The VA has given him 60 days to rebut, but he will ultimately move from a 100% disability rating to 0%.

This veteran has planned his life around his VA disability payments and because of this drastic shift, he is now probably going to lose his home and vehicle. After speaking with the liaison at the regional office, the only thing Mr. Handfield can do is request a hearing within 30 days from the letter date. He has informed my office that he will do that, but since this decision is based solely on a “status” change from the 2007 decision, I am told he will not get far.

These are just a couple of the misgivings the VA has committed. If the lengths of these cases remain, and if the errors go uncorrected, I can only imagine what this will do for the morale of our service members—not to mention recruitment and retention moving forward.

In closing, I will be submitting some questions to the VA for answers based on these cases and VA operations at-large. I expect detailed answers for our veterans that have sacrificed so very much. Thank you.

STATEMENT FOR THE RECORD:

**THE HONORABLE JEFF MILLER, CHAIRMAN, HOUSE VETERANS' AFFAIRS
COMMITTEE; WITH
THE HONORABLE JON RUNYAN, CHAIRMAN, SUBCOMMITTEE ON DISABILITY
ASSISTANCE AND MEMORIAL AFFAIRS, HOUSE COMMITTEE ON VETERANS'
AFFAIRS
BEFORE THE HOUSE OVERSIGHT AND GOVERNMENT REFORM COMMITTEE,
SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE, AND FOREIGN
OPERATIONS:
"TAKING CARE OF OUR NATIONS VETERANS: WHAT IS THE DEPARTMENT OF
VETERANS AFFAIRS DOING TO ELIMINATE THE CLAIMS BACKLOG?"
JULY 18, 2012**

Secretary Shinseki repeatedly stated that 2009 was the year VA would "break the back of the [claims] backlog," yet, three years later, claims processing conditions have only deteriorated, despite the best efforts of Congress to aid and encourage the agency in any way possible.

It is our duty and privilege as the Chairman and member of the House Committee on Veterans' Affairs to serve our nation's heroes. We owe them an immense debt of gratitude, and must ensure that America's veterans have access to the VA benefits they earned—benefits, which allow them to enjoy the freedoms their service helped ensure can continue on for future generations.

The Committee's oversight has found, time and again, that VA continually fails our veterans in providing timely and accurate access to the benefits that they require to recover from their injuries and move forward with their lives.

These issues seem to stem from a VA cultural tendency to blame veterans, the number of claims, and technology, rather than recognizing its own systematic failure of management to stress quality and deadline enforcement, while also addressing its lack of urgency in addressing

its challenges. Disturbingly, this is evident even at the director level. At a recent briefing, rather than setting out incremental goals or presenting a long-term plan to address the backlog, General Hickey repeatedly mentioned that VA had plenty of time—until 2015—to resolve the backlog “problem.”

In response to VA’s claims that the source of its egregious backlog and error rate was the claim to staff member ratio, Congress appropriated funding for staff surges, yet, despite the hiring of an additional 3,300 employees, the backlog and error rate have only grown. In fact, a VA OIG audit found such appalling claims processing conditions at the Oakland Regional Office that the office had to be shut down for weeks to allow the employees, many of whom have worked at VA for decades, to undergo training to teach them to do the jobs many staff has held for years.

Funding also has been provided to the Veteran Benefits Administration’s (VBA) to implement a “Transformation Plan.” Despite the five years, VA still lacks the focus needed to resolve issues pertaining to the backlog. Indeed, though we have repeatedly requested it, the Committee has not even received a plan. Instead we are continually given vague power point presentations which list 40 initiatives in various stages of testing, with no proven results. Initiatives which, in light of continually pushed back implementation deadlines, may never actually be realized at VA.

Though we hope this transformation plan does indeed prove to be effective, based on the past, we doubt that the recent initiatives that VA made public are a long-term solution. Indeed, VBA’s flagship initiative—the VBMS system, which it touts as the solution to its claims processing issues, seems to be floundering at its test locations. Not only has the VA never elucidated an actual “plan,” but it also has never specified its actual intended purpose or goals with regards to this system. As a result, national roll-out deadlines, and system update deadlines have continually been extended, and workers at the pilot operation regional offices have said they feel as though they are being forced to fly a plane while it is still being built.

Of further concern, Congress is funding the development of this system which is designed to handle veteran claims of no more than 8 disabilities, when the average soldier returning from service overseas is now claiming disabilities of 15 or more, meaning that this system cannot

handle the majority of post-9/11 claims flowing into VA. Although VA has promised that its next system upgrade will address this problem, we have yet to see any progress.

VBA also has consistently failed to find a long-term solution to the scanning required by VBMS. Indeed, recent discussions with the National Archives and Research Administration (NARA), which is temporarily conducting some of the scanning for the VBMS system, revealed that VBA has no solution at this time, and indeed, failed even to renew its contract with NARA in a timely manner—VA did not take any action to renew this contract or take other action until our Committee called a hearing.

This situation is troubling not only because it demonstrates that rather than generating a solution of its own, VA is taking advantage of the good graces of a fellow government agency, but more important, because it demonstrates the complete, systematic failure of VA management to hold themselves accountable. Operations are so mediocre that the staff could not keep track of a simple contract expiration deadline, vital to the continuing operation of its flagship system, without the intervention of Congress.

Another concern is the Fully Developed Claims and Simplified Notification Letter initiatives. These initiatives require a veteran to sign away his due process rights to ensure that his or her claim is processed in a timely manner. It is appalling that a government agency, which should ensure efficient and accurate processing of all veteran claims, requires veterans to sacrifice the rights that safeguard them. Furthermore, this infringement of veterans' rights poses a risk that the U.S. Court of Appeals for Veterans Claims, or the U.S. Court of Appeals for the Federal Circuit, may repeal all claims involving Simplified Notification Letters. This would be disastrous for our veterans, and VBA has no contingency plan to rectify the situation.

The current state of affairs at VA cannot continue another year, let alone until 2015. The first step in improving service to our veterans is requiring VA to generate a concrete and realistic plan for transforming the claims process and eliminating the backlog. Then it must hold itself accountable for following the plan and adhering to all deadlines. The Committee understands that this process will require time, as any solid transformation should. But we also believe that VA has the opportunity, while creating a long-term solution based on results, to immediately begin to overhaul its culture to one in which mediocrity is unacceptable at all levels of the

agency. A zero tolerance policy for claims in which processing time takes more than 125 days must be instituted, with exceptions only for the most extreme cases. Deadlines must be enforced and management must take an active role in providing guidance and motivation to its employees, ensuring that they know how to do their jobs and that they are provided with the tools to do it in the proper manner. Rather than stressing only timeliness, quality in claims processing must be the primary goal. Reducing the error rate will result in decreased appeals and re-adjudications, which in the end will improve the backlog.

The role VA plays in caring for America's veterans is perhaps one of the most significant in our nation's history, and we are confident that it has the resources necessary to achieve these goals. Yet, it is clear that VA has lost sight of its core mission, and it is my hope that it will undergo a revitalization or cultural change, reminding itself of its importance in the lives of our most valued citizens and holding itself accountable to them. All that remains is for VA to decide to take advantage of this opportunity to become the agency of excellence our veterans, their families, and survivors deserve.

Questions for the Record
Submitted by
The Honorable Jason Chaffetz, Chairman
House Committee on Oversight and Government Reform
Subcommittee on National Security, Homeland Defense, and Foreign Operations

Hearing on "Taking Care of Our Veterans: What is the Department of Veterans Affairs Doing to Eliminate the Claims Backlog?"

July 18, 2012

Question 1: What can be done to expedite Mr. Kessler's case since it has been open for nearly 5 years? His condition is deteriorating and this five year backlogged claim is severely impacting his life. Who can I work with in your office to get a speedy resolution to this claim?

Response: We have provided the Committee the appropriate information on this case through the normal constituency affairs channels.

Question 2: What can be done to reinstate Mr. Handfield's disability claim? Who can I work with in your office to make sure that this kind of life-shattering claim reversal does not happen without some kind of remedy?

Response: On August 1, 2012, Michael Mansour, Office of Congressman Paul A. Gosar, D.D.S. informed VA that information on Mr. Handfield's case was no longer requested.

Question 3: Why is the Phoenix RO so far behind other ROs? It is my understanding that the Houston RO operates better than most. What are some of the differences? Is it personnel? Management systems? Different amounts of caseloads?

a. What can be done to bring Phoenix up to speed?

Response: The Phoenix Regional Office (RO) dedicated resources in fiscal year (FY) 2011 and through the first six months of FY 2012 to re-adjudicating more than 5,500 Vietnam-era Veterans' claims for disabilities relating to Agent Orange exposure. Phoenix was one of fourteen ROs assigned to work these Agent Orange claims. Because of the focus on completing these claims, the overall inventory of disability claims increased at this office. Since the beginning of FY 2012, the Phoenix inventory has decreased, and the focus is now been shifted back to processing the oldest claims in the inventory. The Phoenix RO anticipates continued and improved performance with the implementation of the Veterans Benefits Administration's (VBA's) Transformation Plan.

Question 4: I understand and appreciate your plans to expedite the claims and processing services. How soon can this plan be totally implemented for Phoenix? How soon can it be totally implanted for the nation at-large?

Response: VBA is vigorously pursuing its Transformation Plan, a series of tightly integrated people, process, and technology initiatives, designed to increase Veterans' access and eliminate the claims backlog. The Transformation Plan includes strengthening the expertise of our workforce, implementing process improvements that will increase our productivity, and deploying technology solutions that will end reliance on outmoded paper processes that prevent timely and accurate claims processing. The technology solutions will also allow maximum flexibility to manage our workload.

Nationwide implementation of transformation initiatives has already begun, with the Simplified Notification Letter (SNL) and Quality Review Teams (QRT) initiatives deployed to all regional offices, including Phoenix, earlier this year. VBA has also begun national implementation of its new organizational model that includes Segmented Lanes, Intake Processing Centers, and Cross Functional Teams. The new model was recently deployed to 16 regional offices (including the Phoenix Regional Office in June 2012), and is scheduled to be deployed to the remaining 40 regional offices by the end of calendar year 2013. VBA is currently testing our new automated paperless processing system, the Veterans Benefits Management System (VBMS), at 4 regional offices. Deployment of VBMS to additional field offices is scheduled to begin later this year.