

**STATEMENT OF LINDA A. HALLIDAY
ASSISTANT INSPECTOR GENERAL FOR AUDITS AND EVALUATIONS
OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
HEARING ON
"DEFINED EXPECTATIONS: EVALUATING VA'S PERFORMANCE IN THE
SERVICE MEMBER TRANSITION PROCESS"
MAY 29, 2014**

INTRODUCTION

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to discuss the results of the Office of Inspector General's (OIG) work related to the Department of Veterans Affairs (VA) Pre-Discharge Program. Our focus will be on a recently released OIG report, *Veterans Benefits Administration Quick Start Program*, which is one component of VA's Pre-Discharge Program. I am accompanied today by Ms. Nora Stokes, Director, OIG Bay Pines Benefits Inspection Division, and Mr. Ramon Figueroa, Project Manager, in that office.

BACKGROUND

Delivering timely and accurate benefits to the millions of veterans who served in our Nation's Armed Forces is central to VA's mission. The Veterans Benefits Administration's (VBA) Pre-Discharge Program includes four components: Benefits Delivery at Discharge (BDD), Quick Start, Very Seriously Ill/Seriously Ill, and the Integrated Disability Evaluation System. Every component is designed to provide service members a seamless transition from the Department of Defense (DoD) into the VA medical and benefits system. However, each component has unique requirements for service member participation.

VBA's Quick Start Program is one of several VBA transformational initiatives to improve claims processing and eliminate the claims' backlog. During fiscal year (FY) 2013, the Quick Start Program processed about 30,900 veteran disability claims, a small subset of the approximately 1.2 million claims completed by VBA during that year. According to program officials, service members submitting disability compensation claims under the Quick Start Program makes it possible to receive VA disability benefits as soon as possible after separation, retirement, or demobilization.

Service member claims meet Quick Start Program requirements if claims are submitted from 1 to 59 days prior to discharge or 60 to 180 days prior to discharge without required medical examinations. Quick Start claims are received by claims processing staff at various intake sites who initiate claims processing actions and then forward the claims to Consolidated Processing Sites (CPSs) that VBA established in 2008. Beginning in 2012, VBA also began Quick Start claims-processing at designated Day One Brokering Centers. Most Quick Start claims are processed by the CPSs which

are collocated with the San Diego VA Regional Office (VARO) and Winston-Salem VARO.

AUDIT RESULTS

In our audit, we reported that VBA had improved Quick Start claims-processing timeliness and accuracy. However, we also reported that significant improvement was still needed to achieve VBA timeliness and accuracy targets.¹ Our audit focused on VBA's timeliness and accuracy of processing Quick Start claims completed during 2011 and 2013.² In discussions with the Under Secretary for Benefits, we decided to compare and contrast results from our two independent reviews to assess the effectiveness of this VBA transformation initiative to improve claims-processing timeliness and accuracy.

TIMELINESS ISSUES

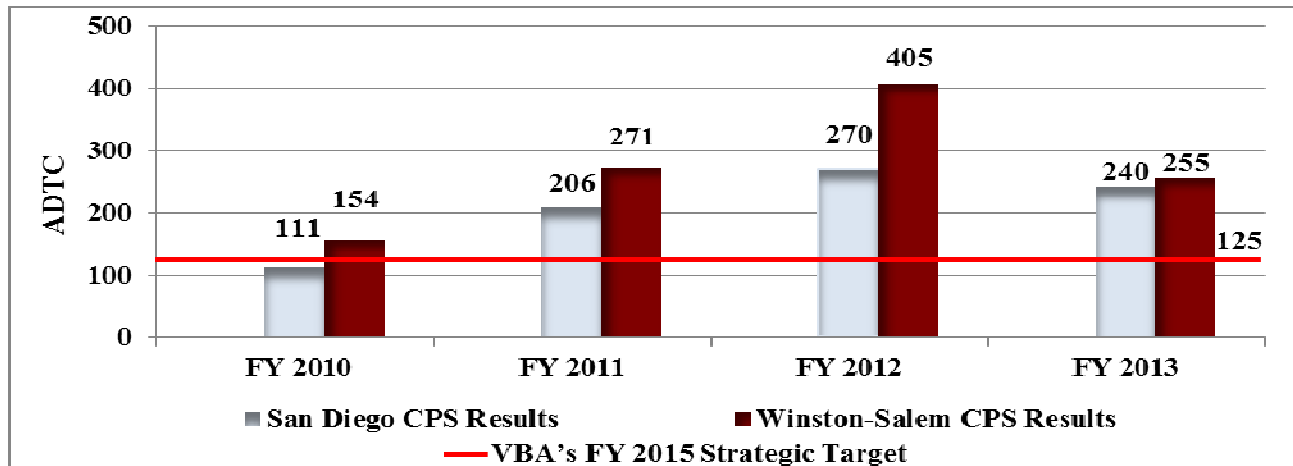
Given one of the objectives of the Quick Start Program is to make it possible for veterans' to receive VA disability benefits as soon as possible after separation, retirement, or demobilization, we determined significant opportunities exist for VBA to improve claims-processing timeliness. From 2011 to 2013, VBA improved Quick Start claims-processing timeliness by reducing the average days to complete (ADTC) from 291 to 249 days. Significant improvement is needed for VBA to realize the program objective of having VA disability benefits available for service members soon after leaving military service. Improvement in timeliness would also be needed to reduce the 249-day average to achieve the Secretary's FY 2015 target of 125 days to process disability claims.

As shown in the figure on the next page, in FY 2010 the Quick Start claims-processing timeliness for the San Diego and Winston-Salem CPSs was near VBA's target of 125 days. During FY 2011 the ADTC for both CPSs increased significantly. From FY 2011 to FY 2013, the ADTC for both CPSs initially continued to increase and then declined to 240 days for the San Diego CPS and 255 days for the Winston-Salem CPS. However the ADTC for both CPSs was still about double the 125-day average target.

¹ *Audit of VBA's Quick Start Program*, May 20, 2014.

² We reviewed statistical samples of disability claims completed in 2011 and April 2013 through June 2013.

Quick Start Program ADTC Compared With Strategic Target



We determined that the two designated VBA sites did not process Quick Start claims timely because VBA lacked adequate program controls in the following areas:

- Automated system reports from Veterans Service Network Operations Report (VOR) that track claims pending prior to military discharge.
- Recurring evaluations to assess CPSs' ability to meet program targets.
- Mandatory training on accurately identifying and processing Quick Start claims for CPS and intake site claims assistants.

The Under Secretary disagreed and attributed the delays to VBA initiatives to increase outreach and access for service members and veterans, increased use of technology and social media by veterans and their families to learn about available benefits and services, increased demands for compensation as a result of 12 years of war, and VA efforts to provide benefits to Vietnam veterans exposed to Agent Orange. While we agree increased demands for services and benefits contributed to the claims processing challenges, our other determinations are valid.

VOR Capabilities

VOR is VBA's automated system that provides data on a continuing basis regarding the number of Quick Start claims received and completed. In addition, intake site and CPS staff use VOR as a tool to assist staff in monitoring required claims-processing actions through establishment of suspense dates for actions such as following up on Compensation and Pension (C&P) examination and private medical record requests. Claims-processing delays occurred prior to service member discharge because intake site staff did not have an adequate VOR to track Quick Start claims development.

VOR did not track pending days for individual Quick Start claims from the date VBA receives and establishes active service members' claims to the date DoD discharges

service members. Because service members may submit Quick Start claims up to 180 days before discharge it is critical that VOR has the capability to track Quick Start claims prior to discharge. Despite the Under Secretary's disagreement that VOR limitations affected claims-processing timeliness, based on our discussions during the audit, VBA revised VOR to track the date an intake site establishes a claim and the date following a service member's discharge.

We projected the portion of Quick Start ADTC that occurred before DoD discharged service members was 41 days during 2011 and 57 days during 2013. VBA disagreed that claims-processing time should be included in Quick Start claims-processing timeliness performance results. However, considering one of the program goals for the Quick Start Program is to make it possible for service members to receive VA disability benefits as soon as possible after separation, retirement, or demobilization, we believe it is important for VBA to account for all time spent processing Quick Start claims, regardless of whether claims processing occurs before or after discharge. Excluding the time VBA staff spend on processing Quick Start claims before discharge prevents VBA and CPS managers from having the information needed to improve claims-processing timeliness. If VBA does not measure the true representation of the time it takes to process Quick Start claims, it cannot accurately determine the number of resources needed to process claims timely.

Recurring Program Evaluations

Program managers must ensure programs achieve their intended results, use resources consistent with VBA's mission, and protect programs from mismanagement. They can obtain that information through program evaluations. Those evaluations need to include systematic reviews that assess how well the program is working and examine achievements within the context of other performance aspects, such as process/implementation, outcome, impact, and cost benefit evaluations.

The lack of recurring evaluations of the Quick Start Program contributed to VBA not maintaining sufficient staff to process Quick Start claims inventories timely. While VBA uses a staffing model to allocate most staffing resources, it did not use the model or any other formal process to estimate staff needed for the Quick Start Program. Consequently, CPS staffing levels did not keep pace with program workload through FY 2013.

From FY 2010 through FY 2012, Quick Start pending claims inventory increased over 500 percent, while staffing levels increased about 100 percent. This caused the quarterly pending inventory per full-time employee (FTE) to increase from a low of 23 claims to a high of 198 claims. In FY 2012, staffing levels increased significantly from 173 to 261 FTEs, which reduced pending inventory per FTE to 67 claims. From FY 2012 through FY 2013, VBA successfully reduced CPSs' Quick Start claims pending inventory by about 8,800 or 51 percent. The Under Secretary agreed to conduct formal and in-depth recurring evaluations of Quick Start Program operations and controls.

We found that VBA reallocated staff from the Quick Start Program to other VBA priorities. In March 2011, the San Diego VARO requested 78 additional FTEs for the CPS. The request cited increases in Quick Start claims of over 400 percent from FY

2009 through FY 2010. The request also compared the period October through February for FYs 2010 and 2011, which showed a claims receipt increase of just over 50 percent. In response, VBA increased the CPS's ceiling by 30 FTEs to 130 FTEs in April 2011. However, according to CPS managers, the Veterans Service Center maintained the 30 staff and took 44 additional staff from the CPS to complete more than 8,000 Nehmer claims.³

Consequently, the San Diego CPS's pending inventory increased by 15 percent from about 10,100 to nearly 11,600 claims and ADTC increased 33 percent from 222 days to 295 days from April 2011 through March 2012. VARO management eventually shifted the 44 staff back to the CPS in October 2011 and added the 30 staff to increase the CPS's ceiling in March 2012. This was nearly a year after VBA approved the ceiling increase for CPS San Diego staff.

Inadequate Training on Quick Start Claims Impacted Timeliness

Quick Start claims-processing was also untimely because claims assistants did not receive adequate training on identifying and processing Quick Start claims. As a result, we identified instances where claims assistants incorrectly performed processing actions, misrouted claims to incorrect VBA facilities, and misidentified claims as the wrong type of claim. To ensure VBA staff process Quick Start claims timely, claims assistants at intake sites and CPSs must receive training on correctly identifying and processing Quick Start claims.

OIG Recommendations to Improve Quick Start Claims-Processing Timeliness

We offered four recommendations to help improve Quick Start claims-processing timeliness:

1. Establish VOR capabilities to track claims from the date VBA receives and establishes active service members' claims to the date of service members' discharge from military service. Even though the Under Secretary non-concurred with this recommendation, we note that VBA implemented this recommendation during our audit.
2. Track and report claims-processing time prior to service members' discharge in timeliness performance results for the Quick Start Program or its successor.

The Under Secretary non-concurred with this recommendation citing the following:

- VA has no legal authority to pay benefits until the claimant is separated from military service.
- The active duty service time may be extended, or the service member may decide to remain on active duty.
- Inclusion of time waiting for a service member to separate from service would not be an accurate measure of VA's timeliness.

³ Under the order of U.S. District Court for the Northern District of California, in *Nehmer versus U.S. Department of Veterans Affairs*, VA must re-adjudicate previously denied claims known as Agent Orange/Nehmer claims.

- The time that elapses between receipt of a pre-discharge claim and the award of benefits may not be directly related to the development of the claim.

We maintain that VBA's reasons for not including claims processing time prior to service members' discharge in timeliness performance results for the Quick Start Program are not valid because:

- The legal authority preventing VBA from paying benefits until DoD discharges service members from military service does not prevent VBA from tracking the time and resources spent developing Quick Start claims before DoD discharges service members. Considering the purpose of the Quick Start Program is to provide service members their benefits soon after discharge, it is critical VBA track, monitor, and report the claims-processing time prior to service member discharge.
- If service members extend active duty time less than 60 days from the expected discharge date at the time they submit their Quick Start claims, VBA generally continues to process their claims and thus this time should be included in VBA's timeliness calculations. Generally, if service members extend active duty time for 60 days or more, VBA does not process the claim under the Quick Start Program and time spent processing the claim should not be included in VBA's Quick Start timeliness calculations. When a service member extends their active duty status, prudent program management would require VBA to track the resources used, in order to measure the program's effectiveness.
- Regardless of whether or not VBA is waiting for service members to separate from military service, all time and resources VBA spends performing Quick Start claims-processing activities should be included in Quick Start performance metrics.
- VBA executives contend that pre-discharge claims-processing time should not be included in timeliness performance measures because some pre-discharge claims processing activities are outside VBA's control, such as the time VA facilities take to schedule and complete medical examinations. However, measuring this time is a true representation of the time it takes to process a claim in this program. VBA lacks control over the same type of claims-processing activities during post discharge claims processing, yet includes time for performing these activities in timeliness performance measures.

VBA's exclusion of time processing claims before service members' discharge results in VBA inaccurately reporting the total time taken to process claims and provide veterans their benefits. If VBA does not measure the true representation of time it takes to process Quick Start claims, it cannot accurately determine the number of resources needed to process the claims timely. Not monitoring claims-processing activities during pre-discharge time also limits VBA's information on challenges in this stage of claims processing and may hinder VBA from taking action to address them. Most importantly, tracking resources and time provides the view that is relevant to our veterans, who

measure the program's effectiveness based upon the date they file their claim to the date they receive information that benefits have been approved.

3. Conduct recurring evaluations that identify needed staffing adjustments to ensure sufficient staff are allocated to accomplish the timeliness targets of the Quick Start Program or its successor. The Under Secretary concurred with this recommendation.

4. Require CPSs and intake site claims assistants staff to obtain periodic training on identifying and processing claims submitted through the Quick Start Program or its successor. The Under Secretary concurred with this recommendation.

ACCURACY ISSUES

VBA's Quick Start claims-processing accuracy still needs significant improvement. For our review of 2011 claims, we projected CPS staff accurately processed 62 percent of Quick Start claims processed. For our review of 2013 claims, we observed improvement in claims processing actions and projected staff accurately completed 69 percent of the claims processed. However, a 69 percent accuracy rate is still at an unacceptable level and falls considerably short of VBA's 98 percent FY 2015 accuracy goal.

The inaccuracies we found included errors where CPSs did not process medical disability compensation claims in accordance with VBA policies and procedures. Generally, we found that CPS staff:

- Incorrectly evaluated disability claims – VBA's "Schedule of Ratings" policy details how VBA staff must rate disability claims using standardized criteria. We identified Quick Start disability claims with evaluation errors that resulted from misapplication of the rating schedule. In June 2012, a VA medical examination report showed a veteran's bilateral foot condition supported a non-compensable evaluation. However, in an April 2013 rating decision, a Rating Veterans Service Representative (RVSR) incorrectly over evaluated this condition and assigned a 30 percent evaluation. The RVSR also evaluated the veteran's right knee condition as 10 percent disabling, but the medical evidence did not provide the objective evidence needed to support the 10 percent evaluation assigned. VBA's Systematic Technical Accuracy Review (STAR) staff agreed the RVSR incorrectly evaluated the severity of both conditions that resulted in overpayments to the veteran totaling just over \$2,800.
- Improperly denied or established compensation benefits – VBA policy requires staff to deny claims when medical and other records do not establish claimed conditions occurred because of military service. In April 2013, an RVSR denied service connection for hearing loss and tinnitus even though military service treatment records showed these two conditions were diagnosed while the veterans was on active duty. Because the RVSR incorrectly denied this claim, the veteran did not receive nearly \$2,400 in benefit payments.

VBA policy requires staff to grant service connection for claimed disabilities if evidence shows a veteran incurred an injury or disease resulting in disability coincident with military service. However, in an April 2013 rating decision, an RVSR granted service connection for a residual disability associated with a right arm fracture. In this case, the results from the VA medical examination showed residual disabilities related to the fracture did not exist and that the condition had resolved. VBA's STAR staff disagreed that the RVSR's decision to establish benefits was in error and yet they agreed that VBA did not have a written policy that would support the granting of this claim. In November 2013, subsequent to our review of Quick Start claims processing, VBA's Compensation Service published a new policy related to the evaluation of fractures. In a Compensation Service Bulletin, claims processing staff were advised to establish service connection for fractures if the service treatment records contain X-ray evidence of the fracture. The guidance directed staff to assign a non-compensable evaluation even in the absence of a residual disability, such as limited motion or any other functional loss.

- Used inadequate medical examination reports to evaluate disability claims – VBA policies require RVSRs to return examination reports to the VA facility for correction or clarification if they are insufficient to evaluate disability claims. Generally, insufficient examinations lack required information or contain conflicting information. In April 2012, a veteran filed a Quick Start claim for service connection for multiple disabilities, including a left shoulder condition. In an April 2013 rating decision, CPS staff denied service connection for the left shoulder condition. However, the medical examiner did not examine the veteran's left shoulder as requested. VBA's STAR staff agreed the RVSR should not have denied the veteran's claim without receiving an adequate medical examination.

VBA and OIG Disagreements on Claims-Processing Accuracies

While we draw independent conclusions on the accuracy of claims decisions, we do engage VBA in discussions related to exceptions identified during our audits, reviews, and inspections. The purpose of the discussions is to assess the knowledge level of staff and their ability to apply VBA's policies related to the program under review. To the degree possible, we also seek concurrences with the exceptions identified as a measure to make meaningful recommendations that target the root cause of the errors.

For this audit, we engaged in discussion of errors with CPS staff; however, in June 2013 CPS managers advised the audit team that VBA's STAR staff would review prior error calls from 2011 as well as the error calls from 2013. Ultimately, VBA STAR staff agreed with our assessments in 43 of the 56 claims that we identified as having errors. VBA disagreed with the remaining 13 claims, generally due to the differences in how STAR staff and OIG staff identify claims-processing errors.

VBA's STAR Program has several classifications of errors such as Benefit Entitlement, Decision Documentation/Notification, and Administrative. VBA's national rating accuracy is based solely on Benefit Entitlement errors, which only include outcome-

related deficiencies found in the end product under review. VBA's general guideline is to record an error when an action taken violates current regulations or other directives. Outcome-related deficiencies include, but are not limited to, errors that result in an overpayment or underpayment to a claimant and deficiencies that would result in a remand from the Board of Veterans Appeals if not corrected.

In November 2013, we met with VBA STAR staff to further discuss claims-processing errors and reemphasized that our work is designed to assess VBA's compliance with its own policies and procedures to identify errors. During our review of the Quick Start sites, we determine whether CPS staff complied with VBA policy for claims processing. We report errors, classifying them as those that affect veterans' benefits and those that have the potential to affect veterans' benefits. Typically, errors that have the potential to affect veterans' benefits involve situations where the claims folders lacked required evidence, such as a medical examination or opinion needed to make accurate decisions. For these types of errors, neither OIG, STAR, nor CPS staff can accurately evaluate disability claims.

We concluded Quick Start claims are at risk of processing errors such as erroneous disability evaluations or improper grants or denials of benefits. As such, OIG's purview to conduct compliance reviews to determine if CPS staff consistently adhere to VBA policy is clearly necessary to ensure sound financial stewardship and minimize improper benefits payments.

Accuracy Recommendations

Based on our findings, we made five recommendations to VBA to improve the accuracy of Quick Start claims processing actions:

- Modify STAR to include a systematic review of claims processed through the Quick Start Program or its successor.
- Establish policies and procedures requiring CPSs to analyze trends of systemic issues identified during Quality Review Team and STAR evaluations of claims processed through the Quick Start Program or its successor.
- Establish policies and procedures requiring CPS managers to provide staff recurring training on systemic issues identified during trend analyses of Quality Review Team and STAR results.
- Require CPS managers to ensure staff adhere to VBA policies related to service connection while processing claims received through the Quick Start Program or its successor.
- Revise policies and procedures to clarify that evidence must establish a nexus linking veterans' claimed conditions to military service regardless of diagnosis proximity to discharge.

The Under Secretary agreed with four of the five recommendations we made to improve accuracy; however disagreed with our statement that Quick Start claims-processing inaccuracies resulted from insufficient oversight and training. We maintain that oversight was lacking at the national and local level. At the national level, VBA's STAR staff conducted some quality reviews on Quick Start claims; however, the methodology

used for selecting claims to review did not ensure a systematic and representative selection of these cases. At the local level, the two sites had limited quality review measures in place; however, comprehensive quality reviews did not occur or the results of the quality reviews were intermingled with traditional claims processing work at the VAROs. Further, management from both sites did not track the errors they identified during the limited reviews conducted so they could not target training to address deficiencies.

The Under Secretary also disagreed with the recommendation related to revising policies and procedures to clarify that evidence must establish a nexus. She indicated the rules for establishing a nexus linking a Veteran's claimed conditions to military service are published in 38 Code of Federal Regulations (CFR) 3.303 and 3.159. The Under Secretary also noted that there are no separate evidentiary standards that have been established for Quick Start claims and that a nexus between the current disability and military service must be shown for all conditions. Further, 38 CFR 3.159(c)(4)(ii) shows a medical opinion is not necessary if there is "competent evidence showing post-service treatment for a condition, or other possible association with military service."

We maintain that 38 CFR. 3.159(c)(4) outlines the elements for determining if a medical examination or medical opinion is necessary. One requirement for this determination is that the information and evidence of record indicates the claimed disability or symptoms may be associated with an established event, injury, or disease in service or with another service-connected disability. 38 CFR 3.159(c)(4)(ii) states that this requirement could be satisfied by competent evidence showing post-service treatment for a condition, or other possible association with military service. VBA incorrectly cites this provision as support for not needing a medical opinion, when it actually describes when a medical examination or medical opinion is necessary.

Our audit found inconsistent interpretations by CPS managers, STAR staff and managers, and C&P program managers regarding requirements on considering diagnosis proximity to discharge when establishing a nexus linking veterans' claimed conditions to military service. The lack of consistency between VBA policy makers, national quality review staff, and staff responsible for applying the policy demonstrates a need to clarify VBA policies and procedures for claims processing staff in an effort to minimize these types of errors in the future.

EFFECT ON VETERANS

The effect on veterans of VBA's untimeliness and inaccuracies in processing Quick Start claims was unnecessary delays and inaccurate benefit payments. We projected veterans using the Quick Start Program experienced an average delay of 196 days in receiving benefits totaling about \$88 million in 2011 and an average delay of 99 days in receiving benefits totaling approximately \$20 million in 2013. We also projected that inaccurate claims-processing resulted in some veterans being underpaid at least \$2.8 million and overpaid at least \$463,000 from December 2010 through July 2012.

CONCLUSION

VBA continues to face challenges in improving the timeliness and accuracy of disability claims processing actions as well as maintaining efficient CPS operations. Results of this audit, as well as results from benefits inspections of VAROs have consistently shown that claims processing staff do not always comply with VBA policy to accomplish their benefits delivery mission. Claims processing and operational problems identified during this Quick Start review are placing unnecessary burdens on separating service members and result in incorrect payments or veterans experiencing delays receiving these benefits. While VBA has made some incremental progress in areas specifically targeted through its own initiatives, much more work remains to be done. We will continue to look for ways to promote improvements in benefits delivery operations during our future nationwide audits and VARO inspections.

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