



Testimony  
Before the Subcommittee  
on Disability Assistance and Memorial  
Affairs, Committee on Veterans' Affairs,  
House of Representatives

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## VA DISABILITY EXAMS

# Improved Oversight of Contracted Examiners Needed

Statement of Elizabeth Curda, Director,  
Education, Workforce and Income Security

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Chairman Bost, Ranking Member Esty, and Members of the Subcommittee:

I am pleased to be here today to discuss the Veterans Benefits Administration's (VBA) oversight of disability medical exam contractors.<sup>1</sup> As you know, VBA relies on medical evidence to help determine a veteran's eligibility for disability compensation. To obtain such evidence, VBA staff may request that the veteran undergo a disability medical exam through the Veterans Health Administration (VHA) or contracted examiners. Over the past several years, VBA has used contractors to conduct an increasing number of these disability medical exams. From fiscal year 2012 through 2017, the number of these exams completed by VBA contractors more than tripled. According to the Department of Veterans Affairs (VA), it has increased its reliance on contractors to help avoid delays in the disability claims process related to completion of these exams.

In 2016, VBA awarded 12 exam contracts to five private firms, which cover disability medical exams conducted both in the United States and overseas. These contracts are worth up to \$6.8 billion and can last up to 5 years. VA reported that in fiscal year 2017 the agency spent \$765 million on disability medical exams conducted by these VBA contractors. VBA contracted examiners completed about 1 million disability medical exams from January 1, 2017 to April 2018, which is about half of these type of exams during this time.

VBA's exam contracts outline quality and timeliness targets that are used to assess contractor performance and may also be used to determine financial incentives, among other things. VBA established an exam program office in 2016 to manage and oversee contractors, monitor their performance, and ensure that they meet contract requirements. VBA also has an office dedicated to completing quality reviews of contractors' exam reports, which the exam program office uses to assess contractor performance against quality targets outlined in the contracts. According to agency officials, in part, because VBA wanted to update performance measures for its contractors, VA re-solicited contracts in May 2018 for exams conducted in the United States.

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<sup>1</sup>In this statement, we refer to examinations as exams.

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My remarks today are based on our October 2018 report on VBA's oversight of disability medical exam contractors.<sup>2</sup> This testimony addresses: (1) what is known about the quality and timeliness of VBA contracted exams; (2) the extent to which VBA monitors contractors' performance to ensure that they provide high quality and timely exams; and (3) how VBA ensures that its contractors provide qualified and well-trained examiners. I will highlight several key actions we recommended in our October 2018 report that VA can take to better oversee its contracted examiners.

For our report, we reviewed and analyzed VBA data on the quality and timeliness of exam reports completed from January 2017 to February 2018. We also reviewed relevant federal laws, regulations, selected provisions of selected contract documents, and VA guidance. We interviewed VA, VHA, and VBA officials; each of the five contractors; a private firm that performs audits of VBA contracted examiners' licenses; and three national veterans service organizations. More detailed information on our scope and methodology is available in our issued report. We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## VBA Has Limited Information on Contractor Quality and Timeliness

VBA has limited information on whether contractors who conduct disability medical exams are meeting the agency's quality and timeliness targets. For example, as of late-June 2018, VBA was behind in completing quality reviews for exams that were completed in the second half of 2017. For those reviews that VBA did complete, the agency reported that almost all contractors missed VBA's quality target of 92 percent in the first half of calendar year 2017, with scores ranging from 62-92 percent.<sup>3</sup> VBA officials said the primary reason for the delays in completing quality reviews and related quarterly performance reports was

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<sup>2</sup>GAO, *VA DISABILITY EXAMS: Improved Performance Analysis and Training Oversight Needed for Contracted Exams*, [GAO-19-13](#) (Washington D.C., Oct. 12, 2018).

<sup>3</sup>According to VBA documents, for each quality score, VBA estimated the percentage of exam reports with no errors with a margin of error of up to 5 percentage points at the 95 percent confidence level.

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a lack of quality review staff; however, VBA recently hired more staff to address these delays.

VBA officials also acknowledged that they did not have accurate information on whether contractors were completing veterans' exams in a timely manner as outlined in the contracts. VBA measures timeliness as the number of days between the date the contractor accepts an exam request and the date the contractor initially sends the completed exam report to VBA.<sup>4</sup> The exam management system VBA used until spring 2018 did not always retain the initial exam completion date, specifically when VBA sent an initial exam report back to a contractor for clarification or correction. In such cases, VBA's system maintained only the most recent date an exam report was sent back to VBA. In such a situation, according to agency officials, VBA would not always be able to accurately assess a contractor's timeliness as outlined in the contracts. Further, if VBA were to use the data to assess timeliness against the contracts' targets, it could lead to a contractor's timeliness score being inaccurately calculated—appearing to take longer for initial exam completion. In spring 2018, VBA implemented a new system designed to capture all of this information, but officials stated that the agency was still working to resolve unexpected technical issues with the new system.

While VBA's data does not allow it to reliably assess contractor performance against the timeliness targets in the contracts, the data can be used in other ways. For example, we analyzed data for exams completed between February 2017 and January 2018 to get a general sense of how long it took contractors to complete exams (across all contractors rather than for individual contractors)—including any time to correct or clarify exam reports.<sup>5</sup> To put our analysis into context, we calculated the percentage of exams that were completed within VBA's timeliness targets of 20 days for most exams completed in the United States and 30 days for overseas exams or exams requested through

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<sup>4</sup>The contracts signed in 2016 included differing information regarding the start date of the timeliness measure. One provision of those contracts referred to the start date as the date VBA submits the exam request to the contractor. VBA later clarified that it uses the date the contractor accepts the exam request as the start date and that it revised its timeliness measure accordingly in contract modifications signed in December 2017 and January 2018.

<sup>5</sup>According to the contracts, contractors are not expected to complete all exams within the timeliness target, but rather they should meet the timeliness target on average in a given quarter. As such, the results of our analysis should not be interpreted as reflecting contractor compliance with timeliness targets under the contracts.

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special programs.<sup>6</sup> Our analysis showed that just over half of the exams completed were done within these general targets; however, some exams took twice as long to complete.<sup>7</sup>

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## VBA Identified Some Contractor Issues, but Lacked Adequate Oversight of Contractors' Performance

VBA identified some contractor performance problems, such as contractor delays in completing specific exams, challenges meeting the demand for exams, and providing timely exam reports. Nonetheless, the incomplete quality and timeliness information that I already mentioned highlight VBA's inability to adequately oversee contracted examiners and also contribute to other challenges managing the contracts. For example, we reported that, according to VBA officials, VBA had not completed all quarterly performance reports, which are key components to effectively assessing contractor performance against VBA quality and timeliness targets outlined in the contracts. These delays also affected VBA's ability to allocate exam requests across contractors and administer potential financial incentives across contractors. More specifically, the contracts state that VBA can use performance data to help determine how to allocate exams within specified areas in the United States that have two contractors. However, VBA could not do this because complete performance data were unavailable. Rather, VBA officials told us that they allocated exams based on contractor workload.<sup>8</sup> Further, the contracts outline how VBA can use performance data to administer financial incentives linked to performance targets. However, because of its delays in completing quality reviews and the lack of reliable data on contractor timeliness, VA had not yet administered these incentives at the time of our review.

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<sup>6</sup>Special programs include programs for servicemembers, such as Benefits Delivery at Discharge and Integrated Disability Evaluation System. VBA officials stated that exams for special programs may take longer because veterans who are transitioning from military service may not be readily available for exams. Similarly, they said it may take longer to schedule exams with veterans living overseas.

<sup>7</sup>For disability medical exams conducted in the United States, 306,479 out of 575,739 exams were completed within 20 days while 12 percent took more than 40 days to complete. For disability medical exams conducted overseas or for special programs, 39,132 out of 70,266 exams were completed within 30 days.

<sup>8</sup>For exams performed in the United States, two contractors share the workload within specific VBA geographic areas. As stated in the contracts, VBA can determine how to allocate some exams between the two contractors based on each contractor's performance, and its capacity to conduct exams.

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VBA officials also acknowledged that they were unable to track exams that needed corrections or clarifications, which is needed to determine if VBA should reduce payment to a contractor. The current version of the contracts require that contractors correct these exams within a certain number of days and bill VBA for these exams at half price. However, we found that VBA did not know if contractors met either of these requirements due to the lack of complete and reliable information on these exams.

VBA's new exam management system, implemented in spring 2018, was designed to capture information that allows VBA to track whether contractors are properly discounting their invoices for corrected or clarified exams, and should also provide accurate data on exam timeliness. However, because not all contractors had complete functionality with the new system, VBA officials said the agency still did not have complete data. While officials said they are addressing these issues, VBA has not documented how it will ensure the data in the new system are accurate or how it will use the data to track the timeliness and billing of corrected or clarified exam reports. VBA's lack of accurate information is inconsistent with standards for internal control for the federal government regarding the use of quality information to achieve key objectives.<sup>9</sup> Creating plans to verify that exam data are accurate can help VBA ensure it pays contractors the correct amount for corrected or clarified exams, and accurately measures contractor timeliness.

VBA has also not conducted comprehensive analyses of performance data that would allow it to identify and address higher-level trends and program-wide challenges across contractors, geographic regions, exam types, or other relevant factors. Agency officials told us they had no plans to conduct such analyses. Federal internal control standards state that management should establish and operate monitoring activities and evaluate the results of those activities.<sup>10</sup> Without plans to conduct comprehensive performance analyses, VBA is limited in its ability to determine if the contract exam program is achieving its quality and timeliness goals in a cost effective manner.

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<sup>9</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014), principle 13.

<sup>10</sup>[GAO-14-704G](#), principle 16.

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To address these issues, we recommended that VBA develop and implement a plan for using data from the new exam management system to oversee contractors. We also recommended that VBA regularly monitor and assess aggregate performance data and trends over time to identify higher-level trends and program-wide challenges. VA agreed with these recommendations.

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## VBA Uses An Auditor to Verify Contracted Examiner Licenses, but Does Not Verify Training Completion or Collect Information on Effectiveness

VBA uses a third-party auditor to verify that all active contracted examiners have a current, valid, and unrestricted medical license in the state where they examined a veteran. However, VBA relies on contractors to verify that their examiners complete required VA training, and agency and contractor officials told us that VBA does not review contractors' self-reported training reports for accuracy or request supporting documentation, such as training certificates, from contractors. The contractors, rather than VBA, access the contractor training systems to verify that examiners have completed the required training before they are approved to conduct exams. VBA officials said that they plan to enhance monitoring of examiner training by spot checking training records and by developing a new system that will allow the agency to certify that examiners have completed required training. However, at the time of our review, VBA had not provided details or documentation on these planned checks or this system. Without plans to verify that training has been completed, VBA risks using contracted examiners who are unaware of the agency's process for conducting exams and reporting the results, which could lead to poor-quality exams that need to be redone and delays for veterans.

VBA also does not collect information from contractors or examiners to help determine if required training effectively prepares examiners to conduct high quality exams and complete exam reports. Given that VBA plans to award new contracts soon, the number of contracted examiners who are new to VA processes may increase. Thus, collecting and assessing regular feedback on training from contractors and examiners could help VBA determine if training effectively prepares examiners or if additional training courses are needed across contractors or for specific exam types.

To help ensure that examiners are completing training and that the training is effective, we recommended that VBA document and implement a plan and processes to verify that contracted examiners have completed required training, as well as collect information from contractors or

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examiners on training and use this information to assess training and make improvements as needed. VA agreed with our recommendations.

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Chairman Bost, Ranking Member Esty, and Members of the Subcommittee, this concludes my prepared statement. I would be happy to answer any questions you or other members of the subcommittee may have at this time.

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## GAO Contact and Staff Acknowledgments

For questions about this statement, please contact Elizabeth Curda, Director, Education Workforce, and Income Security at (202) 512-7215 or [curdae@gao.gov](mailto:curdae@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. In addition to the contact above, Nyree Ryder Tee (Assistant Director); Teresa Heger (Analyst-in-Charge); Sherwin Chapman; Alex Galuten; Justin Gordinas; and Greg Whitney made key contributions to this testimony. Other staff who made key contributions to the report cited in the testimony are identified in the source product.

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