

**VA CLAIMS PROCESS: REVIEW OF VA'S
TRANSFORMATION EFFORTS**

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BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
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VA CLAIMS PROCESS: REVIEW OF VA'S TRANSFORMATION EFFORTS

WEDNESDAY, MARCH 13, 2013

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:02 a.m., in room 418, Russell Senate Office Building, Hon. Bernard Sanders, Chairman of the Committee, presiding.

Present: Senators Sanders, Tester, Begich, Burr, Isakson, Johanns, Moran, and Heller.

OPENING STATEMENT OF HON. BERNARD SANDERS, CHAIRMAN, U.S. SENATOR FROM VERMONT

Chairman SANDERS. The Senate Committee on Veterans' Affairs hearing is going to begin.

We are glad to see Senator Isakson with us. As I understand it, Senator Burr will be here later. OK. We have the Senator from Montana here as well, Jon Tester. I think we will see Senators coming in and out. This is a busy time in the Senate.

We want to thank our panelists for being with us for this important hearing.

Let me begin by saying that during the last several weeks, the Veterans' Committees in the House and the Senate have held four hearings including virtually all of the veterans' organizations.

During their testimonies, the organizations raised a number of issues, but I think it is fair to say that the number 1 issue they raised, the number 1 concern that they have and a concern that many of us on this Committee share is that the most pressing problem within the VA now is the very significant backlog that we have in processing claims for our veterans.

That is the number 1 issue I believe that the service organizations believe is out there. It is my concern as well, being the number 1 issue facing the VA, which is why the very first hearing that we are having since I have become chair of this Committee will address this issue.

My understanding is that as of March 2, 2013, 70 percent of the compensation and pension inventory of 895,000 claims have been pending for over 125 days. Further, the accuracy rate of 86 percent at the end of fiscal year 2012 is significantly lower than what must be accomplished.

In addition, such agencies as the GAO and the VA's own Inspector General have raised some very, very serious concerns about the

work and efforts that the VA is undertaking in addressing the claims processing crisis.

It is my view, and I believe that I speak for every Member of this Committee, that when men and women put their lives on the line to defend this country, they must be treated with dignity and respect when they return; not with red tape, not with bureaucracy, not with, in some cases, years of delay before they get the benefits to which they are entitled.

Without being overly dramatic here, we all know that one of the tragedies facing the veterans' community right now is that 22 veterans every single day are committing suicide, and I know that no one in the VA and no one in the Congress wants to add to that problem, wants to add to the frustration and the problems that veterans have by delaying the benefits to which they are entitled.

That is the bad news; and those are some very, very serious problems that we are going to be discussing today. We look forward to the testimony of our panelists.

Here is some better news—it is important to put this issue in a broader context. Despite, I believe, a popular misconception, as I understand it, the VA today is processing far more claims than they have ever processed before.

So, this is not a case of the VA system falling apart and being unable to process claims. In fact, they are processing more claims today, significantly more than they have ever processed before.

As I understand it, in 2001, the VA completed some 480,000 claims. In 2002, about 796,000 claims. In 2003, 827,000 claims. During the last 3 years, the VA has processed over one million claims in each of those years.

Further, it is generally believed that the VA did exactly the right thing—and I want to thank General Shinseki and the VA for doing this—making certain that Vietnam veterans who were exposed to Agent Orange and became ill as a result of that exposure, finally after years and years of delay, get the benefits that they were entitled to.

In the last several years, the VA has processed some 278,000 new claims for Agent Orange. It is generally believed that they had done a pretty good job in processing those claims and doing it in a timely manner.

My last point. General Shinseki has set a very, very ambitious goal in terms of eliminating the backlog by 2015 and of having the VA process compensation claims so that no veteran or eligible spouse or child has to wait more than 125 days for a quality decision, meaning a 98-percent accuracy rate on claims.

I think we can all agree that that is a very, very ambitious goal. Obviously, the subject of today's hearing is whether or not we are going to achieve that goal.

Let me conclude. Later on today we are going to hear testimony from Joe Violante who is with the Disabled American Veterans. The DAV, as I understand it, probably helps more veterans process claims than any other organization in the country.

What Mr. Violante is going to tell us is that the DAV believes that the VBA, with the work that the VA is now doing, is on the right path, that they have set the right goals, and that they have

leadership committed to transforming and institutionalizing a new claims processing system to better serve veterans.

That is more or less the testimony that we heard from the veterans' service organizations during the House/Senate legislative presentation hearings. The understanding that it is absolutely imperative that we move away from the paper system and into the 21st century where we have a paperless system; and there is the belief, I think, from the veterans' community that we are moving in the right direction, but that many, many problems remain which must be addressed.

So, that is kind of where we are right now. I look forward to hearing the testimony.

Now, let me give the mic over to Senator Isakson, who will be acting as Ranking Member until Senator Burr comes.

Senator Isakson.

**STATEMENT OF HON. JOHNNY ISAKSON,
U.S. SENATOR FROM GEORGIA**

Senator ISAKSON. Well, thank you, Chairman Sanders, and thank you for your vigilant effort on what is the number 1 challenge facing the VA and the number-one frustration facing every American veteran returning home.

I want to thank our witnesses for coming to testify today and welcome all in the audience for this hearing.

As you know, the VA claims process has been plagued by errors, delays, and backlogs for many years. The latest examples to fix this system are: VA has hired thousands of claims processing staff; spent millions of dollars developing new IT solutions; and rolled out dozens of other initiatives.

But, as the charts to your left indicate, this is yet to translate into better service for veterans, families, and their survivors.

On chart one, over 4 years the number of claims waiting for a decision grew from less than 400,000 to nearly 850,000. Today it is even higher. The number of claims considered part of the backlog more than tripled.

On chart two, you will notice the accuracy rate of VA decisions remained in the mid-80s, as Chairman Sanders referred to. The time it takes to process a claim has increased by 83 days, which is continuing to trend upward.

As chart three shows, if someone disagrees with VA's initial decision, it takes an average of 866 days for VA to decide the appeal, 7 months longer than in 2008.

Despite these trends, VA leaders say they are on track to eliminate the entire backlog and raise quality to 98 percent by 2015. In fact, the VA recently released a backlog reduction plan which reflects that VA aims to increase productivity by about 80 percent over the next 2 years.

Perhaps more challenging, VA would need to significantly reduce its error rates while deciding hundreds of thousands of cases of additional claims each year. To gauge how realistic this may be, we should look at how well the VA has predicted its performance in recent years.

For example, in 2011 and 2012, VA completed about 412,000 fewer claims than had been projected. Last year VA estimated that

during the current fiscal year, no more than 40 percent of claims would be backlogged and claims would be decided with 90 percent accuracy in about 200 days. But today it takes 280 days for an initial decision. VA makes errors in 14 percent of the cases and 70 percent of claims are backlogged.

If you look at chart four, in addition, there has been a shift in VA projections about when we should see results from initiatives to improve claims' processing.

Back in 2010, we were told that those efforts would begin to yield results in 2011. As the chart shows, VA then projected that it would begin to reduce the backlog in 2012. Now, the VA expects the backlog to continue to grow until 2014.

Also, in estimating the work that VA would need to do to eliminate the backlog, it appears VA did not take some factors into account, such as resisting laws that continue to increase the number of claims coming in. This was referred to by Chairman Sanders in his remarks.

On top of that, both the Inspector General and the Government Accountability Office have raised concerns about VA's ability to improve accuracy and timeliness, highlighting that the new IT system only partially functioned and that there were weaknesses in VA's planning documentation. We have heard some veterans' organizations expressed doubt about VA and whether it will reach its goal by 2015.

Given all of this, we cannot simply wait until 2015 to see if the VA initiatives worked. We need to make sure the VA has a realistic plan to begin improving timely, accurate decisions to anyone who is seeking veterans' benefits.

If VA is not on track to do that, we must look at what can be done to make sure that there are not 2 years of discussion or, even worse, not 2 years more of discussion and continued delay in claims.

To that end, VA must be completely transparent about what is working, what is not, and where changes are needed to bring about lasting improvement.

I want to make a personal comment here after reading Senator Burr's speech because he is a little late and I am happy to do so.

I have run a company, Chairman Sanders, for 22 years, during that period of time where most businesses in America converted from a paper and pencil operation to high-tech Internet technology.

It is hard to do. I screwed up more times than I succeeded. But once I learned how hard that was going to be to do, I planned for those problems and tried to manage the system transition so that it had the least affect on my employees and my salespeople and their performance.

I hope the VA will be honest in evaluating what its new IT system will and will not do, planning for the problems that always come about and making sure that the number 1 goal is to see to it the least affected persons are the veterans of the United States military.

Mr. Chairman, thank you for calling the hearing. I look forward to working with you and the Veterans Administration on improving the backlog.

In Georgia, I will tell you claims is the number 1 challenge for my office, and I will continue to stay on this until it is done.
 Chairman SANDERS. Thank you for much, Senator Isakson.
 Senator Tester.

**STATEMENT OF HON. JON TESTER,
 U.S. SENATOR FROM MONTANA**

Senator TESTER. Thank you, Mr. Chairman. I want to say, first of all, thanks for having this hearing. Second, congratulations on the new position. I look forward to working with you and hopefully I will continue to call you Chairman Sanders for a long time and not Bernie. OK.

I also want to welcome the new Members, Senators Heller, Hirono, and Blumenthal. I look forward to their contributions to this Committee. It seems like every time I go to a Committee meeting and look across the way to Senator Heller sitting there. We have very similar Committee assignments.

I also want to thank the witnesses. I want to thank you for the work that you have done and I want to thank you for the work you are going to do. It is not an easy issue.

I think the first hearing we had in 2007, if not the first one, one shortly thereafter, dealt with the backlog issue. It has been going on much, much too long.

You do not have an easy job. I think to get folks into the system and to do it accurately—making sure the folks who are trying to game the system do not take money away from the people who need it—is difficult but it needs to be done, and it needs to be done in a better, more timely manner than we have done so far.

You know, the average Vietnam veteran had three to five injuries when filing for their VA claim. Now, I think it is closer to more than a dozen when new claims are being filed.

We need to move forward in a better way. We need to have an open conversation on how to get that done, and we need to know if we are on the right path.

As these wars wind down, that will be good thing as far as the pressure on you. Right now, though, we are just treading water. If we are doing a little better than that, you will have to tell me. It does not appear so, and we need to know what is working and have an honest discussion on that.

With that, I just say thank you folks for your work once again. I look forward to your testimony.

Chairman SANDERS. Senator Tester, thank you very much.
 Senator Heller.

**STATEMENT OF HON. DEAN HELLER,
 U.S. SENATOR FROM NEVADA**

Senator HELLER. Thank you, Mr. Chairman. Thank you for giving us the opportunity to discuss this issue.

I agree with Senator Isakson that this is an issue that I hear a lot about. Even as recent as last night, I got a phone call from a woman in Reno who's husband has an Agent Orange issue and has been delayed for over a year and one-half. With the backlog of claims, they have concerns.

I will be really brief here, Mr. Chairman. But I understand how difficult this is; I really do understand how difficult it is. When I was Secretary of the State of Nevada, when I first walked into the office, I walked into a vault that had all the records of every company ever established in the State of Nevada all the way back to 1864, and it was all on microfiche. We are talking hundreds of thousands of records, companies, so on and so forth, and there was only one person who knew how to find the record that we needed that day.

It was a very, very difficult process. It was key in that office to take that fiche and move it to disk. Once we got it on a disk, we got it Internet based, and we made that transition over 3 or 4 years which was not easy. Believe me, I understand how difficult this process can be, but you plan and you plan.

I am concerned, as everybody else here on this Committee is, the fact that we have 10,000 claims backlogged right now in Nevada.

And the concern from every organization that has come before this Committee is that we are not going to meet that 2015 deadline or the goal from the Secretary in order to eliminate this backlog.

So anyway, I want to hear answers. I have some questions. I look forward to the questions but I, first of all, want to thank you for being here and for taking your time.

Mr. Chairman, thank you for the opportunity.

Chairman SANDERS. Thank you, Senator Heller.

Senator Burr.

**STATEMENT OF HON. RICHARD BURR, RANKING MEMBER,
U.S. SENATOR FROM NORTH CAROLINA**

Senator BURR. Mr. Chairman, thank you. I thank you. Welcome, Ms. Hickey.

Since Senator Isakson has already given my opening remarks, I will yield the floor to the chair.

Chairman SANDERS. Thank you very much.

OK. We are ready to hear from our panelists. We are going to begin with General Allison Hickey, who is the Under Secretary for Benefits at the Department of Veterans Affairs.

General Hickey is accompanied by Stephen Warren, the Acting Assistant Secretary for the Office of Information and Technology, and Alan Bozeman, the Director of the Veterans Benefits Management System Program Office.

General Hickey, welcome and please begin.

**STATEMENT OF ALLISON A. HICKEY, UNDER SECRETARY FOR
BENEFITS, VETERANS BENEFITS ADMINISTRATION, U.S. DE-
PARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY STE-
PHEN WARREN, ACTING ASSISTANT SECRETARY, OFFICE OF
INFORMATION AND TECHNOLOGY; AND ALAN BOZEMAN, DI-
RECTOR, VETERANS BENEFITS MANAGEMENT SYSTEM PRO-
GRAM OFFICE**

Ms. HICKEY. Thank you. Good morning, Chairman Sanders, Ranking Member Burr, and Members of the Committee.

Thank you for the opportunity to discuss VBA's transformation efforts. I am accompanied today, as you have already said, by Mr. Stephen Warren, Acting Assistant Secretary for Information and

Technology, and Mr. Alan Bozeman, to my right, the Director of the Veterans Benefits Management System Program Office.

As a direct result of the support this Committee has provided, VBA is completing more compensation claims than ever before in VA history, over 3 million in the past three fiscal years and three times the amount since 2001 when this latest conflict began.

Yet, despite these efforts, too many veterans still have to wait too long to get the compensation benefits they have earned, and that is unacceptable to us.

My testimony today will focus on how execution of our transformation plan will allow VBA to eliminate the backlog in 2015. I would first like to discuss the inventory of claims and the factors impacting our timeliness.

The current inventory represents claims from veterans of all eras. The largest percentage of claims comes from our Vietnam-era veterans who make up 37 percent of our inventory and backlog. 1990s Gulf War-era veterans make up 23 percent, while veterans of the Iraq and Afghanistan conflicts today make up only 20 percent of that inventory and backlog. Our World War II- and Korea-era veterans make up less than 10 percent.

The inventory contains original claims, those submitted by veterans who are claiming disability compensation from VA for the very first time, and supplemental claims from veterans who have previously filed and are seeking additional benefit.

As of January, 61 percent of the inventory are supplemental claims or second filers; 39 percent are original first-time filers.

These percentages hold true for the backlog as well. Of those veterans filing supplemental claims, 78 percent are currently receiving a monetary benefit from VA; 40 percent of veterans filing supplemental claims have a disability rating between 50 and 100 percent, receiving payments from \$1,000-\$2,800 monthly.

In all, about half of the veterans in the total inventory are already receiving some level of compensation from VA. What is clear is the demand for this benefit is at an all-time high.

We have added more than 940,000 veterans, almost 1 million veterans to the VA compensation rolls by completing their claim over the past 4 years which is more than today's active-duty Army and Navy combined.

Coupled with this increase are the impacts of claims associated with Agent Orange exposure and the dramatic increase in the number of individual medical issues included inside each claim. The bottom line, these claims are substantially more complex by more than 180 percent yet we still have done 27 percent more of these claims today than in 2009.

In 2009, Secretary Shinseki made the decision to add three presumptive conditions for Vietnam veterans who were exposed to the herbicide Agent Orange. Over the next two and half years, VBA dedicated over 2300 of our most experienced claims staff, about 37 percent of our workforce, to re-adjudicate these claims for these conditions that were previously denied.

By October 2012, we had completed all 260,000 Agent Orange claims and paid over \$4.5 billion in retroactive benefits to over 164,000 Vietnam veterans and their survivors.

While the decision was absolutely the right thing to do, it did have an impact on our ability to keep up with new claims coming in and on aging claims already in the system.

Another key factor is the increase in complexity of the claims themselves. There has been a 200 percent increase over the last 10 years in original claims containing eight or more medical issues.

From 2009 to 2012, the number of medical issues inside the claims increased from 2.7 million to over 4 million, a 50 percent growth in medical issues which is a truer measure of the time it takes to complete a claim.

It is having a significant impact on our production, the growth in our inventory, and the timeliness of claims processing. Given a growing demand and complexity of our claims, it is clear to us that continuing a legacy approach in paper will not meet the needs of our veterans.

I am happy to report that we have achieved momentum with our transformation plan that will improve how veterans' benefits are delivered for generations to come, and 2013 is the year of full deployment and change for us.

Our transformation with its people, process, and technology initiative represents the single, largest reinvention of VBA in all of its history. Our focus is on managing that change while sustaining production and improving quality.

VBA's employees are key to transformation success. Over 52 percent of them are veterans themselves, and we have a work force that we have reorganized into new cross-functional teams, new segmented claims—express, special ops and cores—and after 60 days in this new organizational model, overall productivity per claims rater has increased by 17 percent.

The productivity of the work force and the accuracy of our decisions are being increased through new national training programs and standards. There are 2150 new employees who have received our new challenge training that now decide 150 percent more claims in their first 6 months on the job with a 30 percent increase in their quality.

Through process improvement teams, we have conducted rapid development, testing and launch of process initiatives like simplified notification letters, disability benefit questionnaires, acceptable clinical evidence, fully-developed claims and automated processing tools which are showing positive results with increased implementation.

The Veteran Benefit Management System, or VBMS, is a web-based electronic claims processing solution that serves as our technology platform for quicker, more accurate processing. National deployment of the first generation of VBMS to our regional offices began in late 2012 and is now in full swing with the 28 January 2013 release.

We also now have end-to-end digital filing capability from portal to decision. With integration of the online portal eBenefits system with VBMS, veterans can now file a claim online using a "TurboTax"-like system to upload their own evidence to support their claim.

Chairman SANDERS. General Hickey, summarize please.

Ms. HICKEY. I will absolutely.

We will continue to pursue our plan and our initiatives of the direct and absolute imperative to improve delivery of benefits to our veterans, their families, and survivors. They deserve that from us. We are committed to make that happen, Mr. Chairman.

[The prepared statement of Ms. Hickey follows:]

PREPARED STATEMENT OF ALLISON A. HICKEY, UNDER SECRETARY FOR BENEFITS,
VETERANS BENEFITS ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS

Good morning, Chairman Sanders, Ranking Member Burr, and Members of the Committee. Thank you for the opportunity to discuss VA's benefits claims transformation efforts. I am accompanied today by Mr. Stephen Warren, Principal Deputy Assistant Secretary for Information and Technology, and Mr. Alan Bozeman, Director of the Veterans Benefits Management System (VBMS) Program Office.

As a direct result of the budget support provided by the Committee, VBA has completed more than one million disability compensation claims the last three years in a row—the highest numbers ever in the history of VA. Despite this stride, too many Veterans wait too long to get the benefits they have earned and deserve. My testimony today will focus on how execution of our Transformation Plan will allow VBA to meet the Secretary's goal of claims completed in 125 days at a 98 percent accuracy level in pursuit of eliminating the claims backlog in 2015.

MEETING THE NEEDS OF VETERANS

Veterans, their family members, and Survivors deserve our very best performance and the ability to deliver an array of benefits and services that Veterans have earned—faster, more accurately, and with greater efficiency and effectiveness. It is the growing inventory of disability claims, and our need to quickly process those claims, that is driving the urgency with which we are advancing our Transformation.

VBA completed over one million claims per year in fiscal years 2010, 2011, and 2012. Yet the increased productivity in claims processing was not enough to keep pace with the number of claims received in several of those years. In 2010, VBA received 1.2 million claims. In 2011, VBA received another 1.3 million claims, including claims from Veterans made eligible for benefits as a result of the Secretary's decision to add three new presumptive conditions for Veterans exposed to Agent Orange. In 2012, VBA received 1.08 million claims. Over the last three years, the claims backlog has grown from 180 thousand to 600 thousand claims at the beginning of this month.

For decades, the VBA system has carried an inventory of pending claims, and a backlog that was undefined and therefore confused with inventory. In 2010, the Secretary of Veterans Affairs defined the backlog as any disability claim pending over 125 days and increased transparency by making our performance against our established goals available on the internet. The backlog grows when the capacity does not match demand.

In 2009, based on the Institute of Medicine's *Veterans and Agent Orange: Update 2008*, and considering all available scientific evidence, the Secretary made the decision to add three presumptive conditions (Parkinson's disease, ischemic heart disease, and B-cell leukemias) for Veterans who served in the Republic of Vietnam or were otherwise exposed to the herbicide Agent Orange. Beginning in 2010, VBA identified claims for these three conditions for special handling to ensure compliance with the provisions in the *Nehmer* court decision that requires VA to re-adjudicate claims for these conditions that were previously denied. *Nehmer* claims for all living Veterans were completed as of April 2012. VA identified the next of kin for the last remaining *Nehmer* survivor claim and awarded benefits in October 2012. To date, VA has received more than 278 thousand claims and awarded over \$4.4 B in retroactive benefits for the three new Agent Orange presumptive conditions to more than 164 thousand Veterans and survivors.

Other factors that have resulted in the submission of more disability claims, and hence contributed to the backlog, include VA initiatives to increase access, and other conditions that increased demand for VA to address unmet disability compensation needs:

Increased Access

1. Increased use of technology and social media by Veterans, families, and survivors to self-inform about available benefits and resources.
2. Improved access to benefits through the joint VA and DOD Pre-Discharge programs.

3. Creation of additional presumptions of service connection resulting in more claims for exposure-related disabilities.

4. Extensive and successful use of VA outreach programs to inform more Veterans of their earned benefits, which can include compensation claims.

Increased Demand

1. Ten years of war with increased survival rates for our wounded

2. Aging population of previous era Veterans such as Vietnam and Korea, whose conditions are worsening

3. Impact of a difficult economy

4. Growth in the complexity of claims decisions as of result of the increase in the average number of medical conditions for which each claimant files.

The current composition of the inventory and backlog are claims from Veterans of all eras—from Veterans of the current conflicts to World War II Veterans who are just now filing a claim for the first time. As of January 31, 2013, the largest cohorts of claims come from our Vietnam-era Veterans who filed 448 thousand claims in FY 2012, and currently make up 37 percent of the inventory and 38 percent of the backlog. Veterans of Iraq and Afghanistan conflicts make up 20 percent of the total inventory and 22 percent of the backlog. Gulf War Era Veterans make up 23 percent of the total inventory and 22 percent of the backlog. Veterans of the Korean War and World War II and all others make up less than 10 percent of both total inventory and backlog. The remainder of the inventory and backlog is from Peacetime Veterans only.

TRANSFORMATION

To meet the Secretary's goal of eliminating the backlog by 2015, we have set out to transform VBA into a 21st century organization. VBA's transformation is demanded by a new era, emerging technologies, and the latest demographic realities. In the face of increasing complexity and 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 accuracy in 2015. VBA is retraining, reorganizing, streamlining business processes, and building and implementing technology solutions based on the newly redesigned processes in order to improve benefits delivery.

People

VBA's employees are the key to Transformation success, and over 52 percent of them are Veterans themselves. In order to have the best-trained, most efficient and highly skilled workforce, VBA is changing how its workforce is organized and trained to decide disability compensation claims. Sixty-three percent of VBA's workforce has a bachelors' degree or higher. Average length of service is 11 years, and average age is 44. Fourteen percent are retirement eligible, and our turnover rate is only seven percent annually.

Transformation Organizational Model

VBA's new standardized organizational model incorporates a case-management approach to claims processing. VBA is reorganizing its workforce into cross-functional teams that enable employee visibility of the entire processing cycle of a Veteran's claim. These cross-functional teams work together on one of three segmented lanes: express, special operations, or core. Distinct processing lanes are based on the complexity and priority of the claims and employees are assigned to the lanes based on their experience and skill levels. Claims that predictably can take less time flow through an express lane (30 percent); those taking more time or requiring special handling will flow through a special operations lane (10 percent); and the rest of the claims flow through the core lane (60 percent). Lanes were established based on the complexity and priority of the claims and employees are assigned to the lanes based on their experience and skill levels.

The Express Lane was developed to identify those claims with a limited number of medical conditions (1–2 issues) and subject matter which could be developed and rated more quickly, including fully developed claims. The Special Operations Lane applies intense focus and case management on specific categories of claims that require special processing or training (e.g., homeless, terminally ill, military sexual trauma, former prisoners of war, seriously injured, etc.). The Core Lane includes claims with three more medical issues that do not involve special populations of Veterans. Less complex claims move quickly through the system in the 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.

Initially planned for deployment throughout FY 2013, VBA accelerated the implementation of the new organizational model by nine months due to early indications of its positive impact on performance. Given the magnitude of this change, each office transitions to the new organizational model individually. Significant support and training from VBA Headquarters have been critical in this stage. As of the end of 2012, the new organizational model was fully operational at 51 regional offices, and three more have since implemented the new model. The remaining two regional offices will implement the model by the end of this month.

Challenge Training and Quality Review Teams (QRTs)

The productivity of the workforce and the accuracy of decisions are being increased through new national training programs and standards. VBA instituted Challenge training in 2011 and Quality Review Teams (QRTs) in 2012 to improve employee training and accuracy while decreasing rework time. Challenge training is focused on overall skills and readiness of the workforce, and QRTs focus on improving performance on the most common sources of error in the claims processing cycle; data on VBA's largest sources of error are captured and analyzed by its National Accuracy Team. Today, for example, QRTs are focused on the process by which proper physical examinations are ordered; incorrect or insufficient exams previously accounted for 30 percent of VBA's error rate. As a result of this focus, VBA has seen a 23 percent improvement in this area.

The 1,900 new employees who have received Challenge training decide 150 percent more claims per day than predecessor cohorts, with a 30 percent increase in accuracy, (i.e. these new employees decide 150 percent more claims per day than previous groups of employees at a similar stage in their development). This is a marked improvement in performance, and is being scaled across the entire enterprise as new employees are hired. Five Challenge training sessions are planned for FY 2013. As of March 1, 2012, VBA initiated a new Challenge course focused on improving the low performing regional offices. At the first office quality increased by eight percentage points in three months and the number of claims processed per month increased by more than 27 percent. Similar results are being seen by the second RO that completed SET in January 2013.

VBA tracks the impact of these initiatives on accuracy through a three-month rolling average accuracy metric that is reported in ASPIRE and can be seen online by anyone inside or outside VA. FY 2012 data demonstrated a three percent increase in national accuracy standards—from 83 percent to 86 percent. The accuracy outcome objectives for the next three years are: 90 percent in FY 2013, 93 percent in FY 2014, and 98 percent in FY 2015.

The current 12-month measure of the accuracy of our disability rating decisions increased to over 86 percent—and further improved to over 87 percent when looking at just the last three months. It is important to recognize that under the existing quality review system, any one error on the claim, no matter how many medical conditions must be developed and evaluated, makes the entire claim in error—the claim is therefore counted as either 100 percent accurate or 100 percent in error, with no credit for anything in between. Issues are defined as individually evaluated medical conditions. A claim can, and often does, consist of many issues. Each issue represents a series of completed tasks, such as development, research, adjudication, and decision, that could result in a benefit adjustment for a Veteran, family member, or survivor. Given that the average number of claimed issues for our recently separated Servicemembers is now in the 12 to 16 range, we do not believe the current all-or-nothing measure reflects the actual level of decision accuracy achieved. When we measure the same claims based on assessments of the individual medical conditions rated (“issue-based accuracy”), the accuracy of our decisions is over 95 percent. This issue-based accuracy approach also affords VBA the opportunity to target with precision those medical issues where we make the most errors—and includes employee level medical issue accuracy.

Process Initiatives

Through process-improvement initiatives, VBA is rapidly developing and testing streamlined business processes, focusing on eliminating repetition and rework. VBA established a “Design Team” concept to support business-process transformation. Using design teams, VBA conducts rapid development and testing of process changes and automated processing tools in the workplace. This design team process demonstrates through pilot initiatives that changes are actionable and effective before they are implemented nationwide.

Since 2009, VBA has actively solicited innovative ideas for process improvement from Veterans, employees, and industry stakeholders through a variety of structured mechanisms. Literally thousands of ideas were received and culled down to those with the largest potential to attack the backlog. For example, automated Disability Benefits Questionnaires (DBQs) (discussed below)—arguably one of the most highly leveraged changes—came from one of the VBA employee idea competitions. Additionally, VBA has also conducted Lean Six Sigma and Kaizen events on these selected targets of opportunity, all focused on five major areas of focus: wait time, rework, productivity, digital intake, and variance.

Simplified Notification Letters

The Simplified Notification Letter initiative has reduced keystrokes and automated production language in preparation of the Veteran’s decision letter, thus improving rating decision productivity and accuracy. VBA implemented this initiative nationally on March 1, 2012, and it decreased the number of claims “waiting” for a rating decision by 55 percent. This translated into over 10,000 more rating decisions in the month of December (94,292) than in the month of March (84,115). The SNL process does not change the way we consider and decide claims, but rather changes the primary focus of what appears in the final decision document. We do this in part through the use of an internal coding system designed to streamline processing and communicate standardized reasons and bases from the decision-makers to the award processors (who generate the final notice letters, authorize the monetary awards, and perform other ministerial functions). SNL increased the number of auto-text selections available for raters to use to explain decisions, thereby improving decision accuracy and productivity.

Calculators and Evaluation Builder

VBA is building new decision-support tools to make our employees more efficient and their decisions more consistent and accurate. We already have developed rules-based calculators for disability claims decisionmakers to provide suggested evaluations. For example, the hearing loss calculator automates decisions using objective audiology data and rules-based functionality to provide the decisionmaker with a suggested decision.

The Evaluation Builder is essentially an interactive disability rating schedule. The VBA decisionmaker uses a series of check boxes that are associated with the Veteran’s symptoms. The Evaluation Builder determines the proper diagnostic code out of over 800 codes as well as the level of compensation based on the Veteran’s symptoms. The Veteran receives an accurate rating decision every time the Evaluation Builder is used. This saves employees time that would have been spent looking up the rating schedule in a paper format. To date, five of the 15 body systems in the VA Schedule of Rating Disabilities have been embedded into VBMS, and the Evaluation Builder will have complete functionality (all body systems) in VBMS by November of this year.

Disability Benefits Questionnaires (DBQs)

DBQs replace traditional VA examination reports and are designed to capture all the needed medical information relevant to a specific condition at once and up front so that claims can be developed and processed in a more timely and accurate manner, with the end result being faster service for Veterans. DBQs change the way medical evidence is collected, giving Veterans the option of having their private physician complete a DBQ that provides the medical information needed to rate their claims—minimizing the need for a VA exam which adds additional time to the claim development process. Information in the DBQs maps to the VA Schedule for Rating Disabilities, and provides all of the necessary information to decide a disability claim. Fully and properly completed DBQs, whether from private providers or within the internal VA examination processes, have the potential to reduce rework, the largest category being exams with insufficient information.

In FY 2013 to date, nearly 600,000 DBQs have been completed by VHA examiners. Since their introduction, VBA has received over 12,000 DBQs outside of the traditional examination process. Using DBQs, VA examination and examination-request accuracy improved to 92 percent nationwide, compared to the legacy quality program, which showed accuracy of 84 percent when last conducted in 2009. Seventy-one of eighty-one individual DBQs, unique forms designed to document specific health conditions are available to private physicians. VBA is reaching out to stakeholders, particularly Veterans Service Organizations (VSOs), State and County partners, and private medical doctors to request their support in encouraging Veterans to use DBQs for more timely and accurate rating decisions. VA recently secured DOD concurrence to pilot the use of DBQs within the Integrated Disability Evaluation System (IDES) process. VBA’s future goal is to turn DBQ objective responses

into data to drive a calculator-based business-rules engine in VBMS to achieve automated decision support to improve consistency and accuracy of decisions and reduce processing time per case.

Acceptable Clinical Evidence (ACE)

ACE is a new approach that was implemented in October 2012. This process allows clinicians to review existing medical evidence and determine whether that evidence can be used to complete a DBQ without requiring the Veteran to report for an in-person examination. For many Veterans, this means they no longer need to travel and take time off for an examination, which can be a significant burden requiring them to leave work and interfering with their family life. Clinicians also have the option to supplement medical evidence with telephone interviews with the Veteran, or to conduct an in-person examination if determined necessary. To date, VA has processed 1,931 claims using the ACE initiative.

Compensation and Pension Records Interchange (CAPRI)

CAPRI software provides VBA employees with a standardized, user-friendly method to access Veterans' medical records throughout the VA healthcare system. In November 2011, VBA stopped printing Veterans Health Administration (VHA) treatment records, saving the effort and dollars associated with printing, filing, and storing these records. Under a partnership with VHA, the CAPRI program has recently been enhanced to send records electronically to VBA's paperless repository with just a few mouse clicks, further simplifying the process and reducing the task time. As of March 1, 2013, 45 sites within VBA have received this upgrade, with deployment for remaining sites scheduled to begin on March 31, 2013. To date, VBA has avoided printing more than 90 million pages of digital medical records (currently averaging six million/month) and spending over 422,000 man hours printing and filing—saving time and resources that are redirected toward backlog elimination. Because of these CAPRI enhancements, VBA estimates a \$2.5 million cost avoidance annually on paper and toner that is also being used to support staffing resources to help eliminate the backlog.

Fully Developed Claims (FDCs)

FDCs are critical to achieving VBA's goals. A fully developed claim is one that includes all DOD service medical and personnel records, including entrance and exit exams, applicable DBQs, any private medical records, and a fully completed claim form. An FDC is critical to reducing "wait time" and "rework." Today, VBA receives only 4.8 percent of claims in fully developed form, which equates to 5,600 claims this fiscal year through February. When a qualified FDC is received, VBA is able to discharge its evidence-gathering responsibilities under the Veterans Claims Assistance Act much more efficiently than in traditional claims. This evidence-gathering period is a major portion of the current 262-day process. Today, VBA completes these FDCs in 117 days. VBA's target for FY 2013 is to increase these FDCs to 20 percent—meaning VBA will have the ability, if this goal is reached, to decide 153,000 additional claims in 117 days.

Internal Revenue Service and Social Security Administration Data Sharing

VA developed an expanded data-sharing initiative with the Internal Revenue Service (IRS) and Social Security Administration (SSA) for up-front verification of income for pension applicants and to streamline income verification matches. This initiative enabled VBA to eliminate an annual reporting surge of 150,000 work items and redirect significant FTE to address the backlog of Dependency and Indemnity Compensation (DIC) claims from Survivors.

Technology

Key to VBA's transformation is ending the reliance on the outmoded paper-intensive processes. VBA is deploying technology solutions that improve access, drive automation, reduce variance, and enable faster and more efficient operations. VBA's digital, paperless environment also enables greater exchange of information and increased transparency to Veterans, the workforce, and stakeholders. Our technology initiatives are designed to transform claims processing from the time the Servicemember first enrolls in the joint VA and DOD eBenefits system and submits an online application to the issuance of the claims decision and receipt of compensation payments.

Veterans Benefits Management System (VBMS)

VBMS is a web-based, electronic claims processing solution complemented by improved business processes. It will assist in eliminating the existing claims backlog and serve as the technology platform for quicker, more accurate claims processing.

National deployment of VBMS began in 2012, with 18 regional offices operational as of the end of the calendar year. Deployment to the 38 remaining stations is ongoing. We estimate that once VBMS is fully developed in 2015, integrated, and implemented, it will help improve VBA's production by at least 20 percent (in each of fiscal years 2014 and 2015) and accuracy by at least eight percent.

The evolution of VBMS is occurring across four distinct phases, or generations of development. Generation One of VBMS began in 2010 with the conceptualization, piloting, development, and deployment of baseline system functionality with improved quality (required actions and automation) and efficiency (no paper). Generation One of VBMS concluded with the successful implementation of Release 4.1 in January 2013. This generation culminated in a foundational web-based, electronic claims processing solution featuring:

- Integrated claims establishment, development, and rating capabilities;
- Basic baseline automation via features such as automated letter generation and data population; and
- Basic workflow and workload management capabilities.

With the deployment of the latest system release, integration with VONAPP Direct Connect (VDC) and the Stakeholder Enterprise Portal (SEP) further enhanced the system's capabilities by improving data exchange and status transparency with applicants, VSO partners, State and County Veterans agencies, and other stakeholders.

At the end of February, 2013, 1,084 paper-based and electronic claims have been rated using VBMS and 77,393 electronic folders (eFolders) have been created in VBMS. Claims are being completed in VBMS in an average of 92.4 days. There are over 12,000 users of VBMS to include VHA and VSOs. VBMS has also successfully received over 2.5 million documents and over 32.2 million images.

As we move into Generation Two of VBMS, the focus is on building additional system capabilities while leveraging simple automation features and deploying the system to all remaining sites. Upcoming system releases include planned improvements to correspondence and work queue tools, additional rating calculator functionality, and more extensive data exchange and system integration capabilities.

National deployment of VBMS to all 56 regional offices is on track for completion in 2013. Each VBMS site deployment is supported by organizational change management practices (including training) to ensure business lines are able to adapt to and adopt the new technologies and solutions.

Generation Three of VBMS in 2014 will focus on continuing to improve electronic claims processing by providing increased system functionality and more complex automation capabilities for all VBMS end-users. VBMS enhancements will reduce dependency on legacy systems for claims establishment, development, and rating. VBMS will have the capability to accept electronic Veterans' Service Treatment Records (STRs) and Personnel Records from DOD in support of the VOW to Hire Heroes legislation. Additionally, VBMS end-users (to include VA Medical Center personnel and VSOs) will be able to leverage enhanced system functionality to perform their work more efficiently and accurately. Development of functionality will provide end-users with the ability to process claims electronically from receipt to payment. The addition of functionality throughout 2014 and stabilization of system capabilities, in conjunction with business process improvements, will increase production and quality of claim decisions. This period of stability will also allow VA an additional opportunity to assess and validate the effectiveness of the model as a whole and implement improvements as needed.

Generation Four of VBMS in 2015 will capitalize on efficiencies and quality improvements gained during the year of stabilization. These enhancements will allow end-users to focus on more difficult claims by reducing the time required to process less complex claims. This period will also allow VA to identify additional automation and process improvement opportunities, enabling VA to meet the Secretary's goal of processing all claims within 125 days at 98 percent accuracy.

When a claim is granted in VBMS, a payment is processed, and notification is sent to the Veteran through eBenefits and stakeholders through Stakeholder Enterprise Portal (SEP). This notification completes the full lifecycle of paperless claims processing, from portal to payment.

Veterans Relationship Management (VRM)

VRM engages, empowers, and serves Veterans and other claimants with seamless, secure, and on-demand access to benefits and service information. Veterans now have access to benefits information from multiple channels—on the phone, on line, or through our shared DOD/VA portal called eBenefits. VRM provides multiple self-service options for Veterans and other stakeholders.

eBenefits

eBenefits—a joint VA/DOD client-services portal for life-long engagement with Servicemembers, Veterans, and their families—is a key component of VRM. eBenefits currently provides users with over 45 self-service options and greater access to benefits and health information at the time and method of their choosing. Through the eBenefits portal, users can now check the status of claims or appeals, review VA payment history, obtain military documents, and perform numerous other benefit actions. Veterans can also view their scheduled VA medical appointments, file benefits claims online in a Turbo Claim-like approach, and upload supporting claims information that feeds our paperless claims process.

There are currently over 2.5 million eBenefits users. Through self-service, eBenefits users have generated over 228,000 requests for official military personnel documents, 198,000 requests for VA Guaranteed home loan certificates of eligibility, 16.5 million claim status requests, and over 1.7 million self-service letters. Additional functionality and features will continue to be added to the site in the future, and VA will use milestones and life events to proactively notify Veterans about benefits they may be eligible to receive.

VDC (Veterans Online Application, Direct Connect)

VDC incorporates a complete redesign of the legacy VONAPP application system, leveraging the eBenefits portal. Claims filed through eBenefits use VDC to load information and data directly into the new VBMS application for paperless processing. Veterans can now file both original and supplemental compensation claims through VDC. Since the expanded version of VDC deployed in October 2012, over 1,500 claims have been received.

Stakeholder Enterprise Portal (SEP)

SEP is a secure web-based access point for VA's business partners. This portal provides the ability for VSOs and other external VA business partners to represent Veterans quickly, efficiently, and electronically. Because SEP is a new release, specific results are not yet available.

VCIP

VBA recently established the Veterans Claims Intake Program (VCIP). This program is tasked with streamlining processes for receiving records and data into VBMS and other VBA systems. Scanning operations and the transfer of Veteran data into VBMS are primary intake capabilities that are managed by VCIP. As VBMS is deployed to additional regional offices, document scanning becomes increasingly important as the main mechanism for transitioning from paper-based claim folders to the new electronic environment. The VCIP contractors began scanning on September 10, 2012. The ramp-up volume mirrored the VBMS deployment plan for the 18 regional offices on VBMS as of the end of CY 2012. By the end of December 2012, the VBA contractors were providing five million images per month. By the end of CY 2013, the contractors will be providing up to 70 million images per month as they convert paper records to electronic format.

Strategic Planning and Governance

VBA's Office of Strategic Planning (OSP) coordinates VBA's strategic planning and the governance process for developing new transformation initiatives. The focus of this office is on creating a culture centered on advocacy for Veterans, re-engineering business processes, integrating new technologies, and redesigning our organization and infrastructure. New ideas are approved through a governance process that includes senior VBA leadership who serve on the VBA Transformation Governance Board responsible for evaluating and making recommendations for my approval. This ensures VBA's focus is on implementing initiatives that will achieve the greatest gains, without degrading current performance.

The VBA Implementation Center/Operations Center (VBA-IC/OC) is a division of the Office of Field Operations. The VBA-IC/OC prepares, executes and assesses the implementation of transformation initiatives, managing the project lifecycle through a comprehensive Work Breakdown Structure (WBS) and Critical Path methodology. The VBA-IC/OC also serves as the liaison between the field and Headquarters throughout the implementation process, providing channels of communication that are essential to successful implementation. The VBA-IC/OC monitors and supports regional offices through an end-user hotline, which is open during normal business hours. In addition, I hold weekly three-hour "pulse-check" calls with the employees of all regional offices adopting new initiatives to ensure all issues are raised and properly assessed. The VBA-IC/OC gathers and reports implementation performance metrics to provide support for VA leadership decisionmaking.

STAT REVIEWS

VBA's Stat Reviews are a performance technique and tool using statistical data (Stat) and visual displays of that data to monitor progress and improve performance. This process involves in-depth performance metric reviews with VBA's Office of Field Operations and other members of VBA leadership to analyze and manage performance more effectively.

VBA's Stat Reviews are based on highly successful performance management programs conducted governmentwide. I sit at the table with regional office directors in the day-long meeting to discuss challenges and successes, using performance measures for accountability. This allows VBA leadership to more easily identify what improvements are needed to produce desired performance results. Stat Reviews also help VBA leadership understand what is or is not working, while motivating regional office managers and employees to focus their energy and creativity on achieving specific results.

The Stat Review process encourages:

1. Focus on accountability to achieve workload performance metrics.
2. Information-sharing of best practices across VBA regional offices and VBA leadership.

As a monthly event, the Stat Reviews identify patterns occurring at various regional offices, and every regional office participates either in person or by teleconference. These reviews help to ensure we have alignment across ROs on Transformation and that best practices and lessons learned are shared quickly across leadership teams.

PARTNERSHIPS

Support from our partners and stakeholders is critical to better serving our Veterans, Servicemembers, and their families. Our transformation changes our interactions with employees, other Federal agencies, VSOs, and State and County service officers. VBA has worked to create partnerships through pilot projects with these organizations to improve benefits delivery. I continue to meet monthly with the Executive Directors of six national VSOs and have established quarterly stakeholder meetings with a larger group of VSOs directly affected by new processes and initiatives. VBA engages these organizations for their feedback and input at the beginning stages of the various initiatives.

While stakeholder engagement is important to nearly all of VBA's transformation initiatives, support from VSOs and State and County service officers will be especially critical to the success of four initiatives: eBenefits, SEP, FDC, and DBQs. VBA has involved stakeholders in development, user-access testing, and training for these initiatives, and we are now partnering to increase Veterans' awareness and utilization in order to expedite the claims process.

VBA is exploring incentives for its VSO and State and County partners to increase FDC submission because of the game-changing impact this can have on claims-decision timeliness and eliminating the disability claims backlog. A 20-percent FDC submission level is estimated to increase annual production by 70,000 claims and reduce overall average days to complete by 18 days.

VBA has an agreement with DOD to provide 100-percent-complete service treatment and personnel records in an electronic, searchable format for the 300,000 annually departing Active Duty, National Guard and Reserve Servicemembers. This will further increase the number of FDCs. When implemented, this action has potential to cut as much as 60–90 days from the "awaiting evidence" portion of claims processing, and reduce the time needed to make a claim "ready for decision" from 133 days currently to 73 days for departing Servicemembers.

VBA will continue to pursue various partnerships with Federal agencies, VSOs, as well as profit and non-profit organizations to expand and enhance our transformation initiatives.

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 Committee may have.

RESPONSE TO POSTHEARING QUESTIONS SUBMITTED BY HON. BERNARD SANDERS
TO U.S. DEPARTMENT OF VETERANS AFFAIRS

Question 1. General Hickey's written testimony stated:

"It is important to recognize that under the existing quality review system, any one error on the claim, no matter how many medical conditions must be developed and evaluated, makes the entire claim in error—the claim is therefore counted as either 100 percent accurate or 100 percent in error, with no credit for anything in between. Issues are defined as individually evaluated medical conditions. A claim can, and often does, consist of many issues. Each issue represents a series of completed tasks, such as development, research, adjudication, and decision, that could result in a benefit adjustment for a Veteran, family member, or survivor. Given that the average number of claimed issues for our recently separated Servicemembers is now in the 12 to 16 range, we do not believe the current all-or-nothing measure reflects the actual level of decision accuracy achieved. When we measure the same claims based on assessments of the individual medical conditions rated ("issue-based accuracy"), the accuracy of our decisions is over 95 percent. This issue-based accuracy approach also affords VBA the opportunity to target with precision those medical issues where we make the most errors—and includes employee level medical issue accuracy."

This is a significant departure from the current method by which VA measures accuracy. Will VA also continue to measure accuracy by claim in order to allow stakeholders to evaluate quality in multiple ways including using comparable historical accuracy measurements?

Response. VBA is currently tracking these measures in parallel. We continue to track the accuracy of each claim being reviewed under our existing quality review system as well as under the issued-based accuracy review approach.

Question 2. During the hearing VA testified that VBA now receives information on a weekly basis from the Social Security Administration and the Internal Revenue Service. Are all regional offices currently receiving Social Security medical evidence on a weekly basis? Is this evidence being received in an electronic format which can be incorporated into VBMS? How many files have been received from the Social Security Administration at each regional office under this procedure?

Response. Under the authority provided by 26 U.S.C. § 6103(1)(7) and 38 U.S.C. § 5317, VA obtains from the Social Security Administration (SSA) and the Internal Revenue Service (IRS) income information for certain VA beneficiaries. VA uses this information in its Income Verification Match (IVM) program to verify entitlement to, among other things, VA's needs-based pension benefits. As discussed in the hearing, VA is working with IRS and SSA to expand the IVM program and develop a process in which VA exchanges records on a weekly basis with IRS and SSA to determine eligibility for pension before VA makes payments.

In addition, VBA and SSA officials meet weekly to develop strategies for more quickly obtaining SSA medical records needed for VBA claims. As a result, SSA is now directly uploading electronic medical records into VA's systems at four regional offices. Working collaboratively, SSA and VA have standardized the file size and format and also implemented procedures to exclude VA medical records from the SSA records sent. These improvements have reduced duplication and streamlined the transmittal and review process. Early results, based on two months of testing at these four stations, reflect that VA is receiving SSA records in an average of nine days, which is an improvement compared to the average of fifteen days using the current manual process (obtaining the information on a CD) and sixty days using the old paper process. VA plans to begin a phased deployment, starting with a regional office that is using VBMS, to finalize procedures before implementing nationwide.

Question 3. Please explain how external users of VBMS, including VSOs and contractors who conduct disability exams, connect to and utilize VBMS. Have external users reported issues of network latency or reliability of connection for external VBMS users? If there have been reported issues, describe actions taken to address these issues and whether the issues have been resolved?

Response. All VBMS users access the application through the VA network to ensure security of Veterans claim information and data. If users are located at a VA facility, VBMS is accessed through the local VA network. If users are not located at a VA facility, they must first access the VA network using approved VA software to create a Virtual Private Network connection.

VBA continues to address and resolve all reported instances of latency and issues with access. For example, in response to VSOs reporting an issue with the total

number of claims loaded into the VSO work queue, VBA upgraded VBMS to increase the number of claims visible by VSOs to 1,000 in February 2013. In addition, contract examiners using a central location to access VBMS and distribute claims information to contract examiners throughout the country, reported an issue with viewing large files. Collaboration with the central location identified the need to issue government furnished equipment to ensure access and visibility at the central location. In addition, users not located at VA facilities may experience slow response times (latency) due to speed of the user's connection as well as other internet-related performance and connectivity issues outside the control of VA. VBA is committed to ensuring all users requiring access to VBMS have the necessary access and continuing collaboration with our partners.

Question 4. Testimony indicated VBA's target for FY 2013 is to increase use of fully developed claims to 20 percent. Based upon Fast Letter 12-25, many claims are excluded from consideration as fully developed claims. For example, if a veteran has another claim pending or has an appeal pending and the claims folder is not located at the home RO, VA will not accept a fully developed claim on another issue.

a. Please provide information concerning the number of claims filed as fully developed claims which are rejected because another claim is pending or on appeal?

Response. Fiscal year to date, 17 percent of claims filed as fully developed have been excluded for various reasons.

b. What is VA's rationale for refusing to process fully developed claims in these circumstances?

Response. VA designed the Fully Developed Claims (FDC) program to provide claimants the fastest possible decision on their claims. When a subsequent claim is received, VA must complete new development actions often required by the subsequent claim, which may impact the rating decision and delay completion of these claims. At the request of stakeholders, VA made an exception to this rule if the pending claim is an appeal, and the claim folder is located at the regional office of jurisdiction rather than at the Board of Veterans' Appeals (BVA). This specific exception maintains the integrity of the FDC program and its promise of expeditious processing as it does not impact the timely completion of the FDCs.

RESPONSE TO POSTHEARING QUESTIONS SUBMITTED BY HON. RICHARD BURR TO
U.S. DEPARTMENT OF VETERANS AFFAIRS

Question 1. At the hearing, General Hickey provided this testimony:

"There are two major things that we need in order to decide those claims that are in inventory and in backlog. Three out of five times that we have an old claim it's because of this issue. We need data from [the Department of Defense] in terms of the complete medical history of that member when they leave service in order for us to decide a claim. We also need their complete personnel records in order to know what their character of service is. Without those, we must ask. When we ask, we have in legislation today a 60-day wait period before we may ask again. So there is built into our process part of that problem."

A. Please identify the specific legislative provision that is referenced above and explain why VA interprets it as requiring a 60-day wait period.

Response. General Hickey was referring to VA's duty under the Veterans Claims Assistance Act, 38 U.S.C. 5103A(b)(3), requiring that VA continue efforts to obtain Federal records "unless it is reasonably certain that such records do not exist or that further efforts to obtain those records would be futile." VBA has implemented this statutory requirement by providing guidance in its procedures manual, directing that VA claims processors are to make an initial request for Federal records, wait for 60 days for a response, to be followed by another request for the records, with a subsequent follow-up waiting period of 30 days. This "futility standard" for obtaining Federal records often adds considerable time to the claims process. The corresponding duty for non-Federal records requests only requires "reasonable efforts" to obtain them rather than "exhaustive efforts."

Neither statute nor regulation specifies a required wait time for response from a Federal agency. VA has discretion to determine what efforts and time limits are necessary to meet the statutory requirements for seeking records of another agency. However, the statute requires VA to continue to seek Federal records until it is reasonably certain that such records do not exist or that further efforts to obtain them would be futile. Such legislation was enacted to better define the standards for VA

requests for private (but not Federal) records in August 2012, as section 505 of Public Law 112–154.

B. For the record, please provide a copy of any relevant VA policies (including regulations, Manual provisions, Fast Letters, Training Letters, or other internal VA guidance) regarding the procedures to be followed in obtaining evidence from the Department of Defense or Social Security Administration.

Response. Please see the attached documents, which explain the policies and procedures surrounding VBA interaction with the Department of Defense and Social Security Administration in obtaining evidence required to process Veterans' claims. Attachments include:

- User guides for
 - the Defense Personnel Image Retrieval System (DPRIS), and
 - the Personnel Information Exchange System (PIES)
- A PowerPoint slide show that introduces DPRIS and its functionality
- Compensation Service Fast Letter (FL) 11–01, *MILPAY Application for VA Re-adjudication of Nehmer Claims*
- Compensation Service Training Letter (TL) 09–02, *Uploading DPRIS-Imaged DD Forms 214 and 215 into Virtual VA*
- Two documents containing text from 38 Code of Federal Regulations (CFR)
 - 3.159, *Department of Veterans Affairs Assistance in Developing Claims*, and
 - 3.201, *Exchange of Evidence; Social Security and Department of Veterans Affairs*
- Documents containing text from M21–1MR
 - Part III, Subpart iii, Chapter 2, *Developing for Service Records*
 - Part III, Subpart iii, Chapter 3, *Information Requests to and From the Social Security Administration (SSA)*, and
 - Part IV, Subpart ii, Chapter 1, *Development*.

C. Please provide any relevant statistics on the number of claims that are considered backlogged solely because VA has not received relevant evidence from the Department of Defense or Social Security Administration.

Response. This response requires programming for a data pull and will be provided at a later date.

RESPONSE TO POSTHEARING QUESTIONS SUBMITTED BY HON. MARK BEGICH TO
U.S. DEPARTMENT OF VETERANS AFFAIRS

Question 1. What type of time motion study is being conducted to study VBMS' efficiencies/inefficiencies? Will this study be used to develop performance standards for employees? Is the study group soliciting the input of the employees doing the work on the front lines? (Senator, a few years ago IBM did a study of this at the direction of the Committee and determined that an evidence based time motion study was a good idea!)

Response. VBA is currently conducting a time motion study to enhance its capacity management and estimating capabilities. VBA is observing employees at six regional offices and recording the time required to execute key claims processing activities. VBA is also conducting analysis to determine the frequency with which these activities are executed to fully adjudicate disability compensation and pension claims. Together, these analyses provide a basis for determining the manpower required to complete specific claims. Although the study is focused on the claims process in its entirety, observers will be noting when activities are implemented using VBMS, providing a basis for assessing how the system is impacting process efficiency. The data derived from this study will contribute to an evaluation of the entire claims process and assist in determining what improvement can be made in accomplishing the elements leading to claims completion. The results of the study will not be used to develop new performance standards.

Question 2. Are you aware that in certain facilities, 49% of employees are not able to achieve the new performance standards?

Response. Performance standards are used to make a basic determination that an employee is meeting his or her job requirements. Employees receive on-going feedback on the elements included in their performance standards. We recognize the importance of assessing the impact of our transformational initiatives on employees' job requirements and appropriately adjusting performance standards.

We recently revised our performance standards to account for segmented lanes. On December 1, 2012, the regional offices implemented new performance standards. We are still within a 90-day period allowed for Veterans Service Representatives (VSRs) and Rating VSRs (RVSRs) to become comfortable with the new standards.

VBA established a new team to work in conjunction with our labor union partner, the American Federation of Government Employees (AFGE) to continue to develop standards that will better serve Veterans and our employees as we move into an electronic environment.

Question 3. What type of training will VA be introducing to update employees on VBMS?

Response. VBMS is using a combination of web-based training (WBT) and “train-the-trainer” concepts to ensure all VBMS users receive system training and are prepared to use VBMS.

Robust WBT focuses on application training in which users learn how to operate the new system and utilize the latest functionality. This system training includes curricula tailored to job functions and support resources to serve as quick reference guides.

The “train-the-trainer” component focuses on ensuring resources are available to support users at regional offices. These local points of contact, called Superusers, provide local training and prepare users to successfully adopt VBMS. Superusers receive distance learning training in addition to WBT and ongoing support sessions. Superusers deliver information from their training to employees at their respective regional offices. For example, prior to the release of new system functionality, VBMS Superusers receive Delta training, which is conducted virtually using Live-Meeting, on new functionality related to major system releases. After attending Delta training, Superusers facilitate Delta training to users at their Regional Office. Delta training materials and instructions are made readily available to the Superusers.

Question 4. Is VA soliciting input from employees on VBMS? What is the mechanism for employees to discuss problems with the new system with management?

Response. VA is utilizing a user-in-the-middle approach to solicit system requirements for the development and enhancement of VBMS. Field subject matter experts (SMEs) from across the country participate in requirements gathering sessions with system developers every three weeks in Charleston, South Carolina and in the Washington, DC metropolitan area. SMEs provide input and are able to see their input during pre-implementation review sessions.

Regional offices where VBMS is fully implemented participate in a biweekly end-user experience conference call with the VBA Operations Center to discuss issues and provide feedback on VBMS. Regional offices may also exercise two additional options to provide feedback: the VBMS Issue Tracker and a dedicated telephone hotline.

- The VBMS Issue Tracker is for non-sensitive and/or non-urgent issues requiring guidance and/or clarification.
- The telephone hotline is for sensitive and/or urgent issues where production is impacted. Stations may call into the hotline and at that point, support is provided from a number of resources until the issue is resolved.

Additionally, end-users at regional offices where VBMS is fully-implemented participate in a weekly call with the Under Secretary for Benefits to discuss both positive impact of the system as well as issues of concern. Issues that end-users express as critical or necessary to perform their job are addressed on the call and when possible, new requirements and/or fixes are worked into a software patch or future release. VBMS streamlined the release methodology by implementing a Continuous Release process. This process leverages agile methodologies to implement system updates via a continuous and steady product release schedule. Each software release includes new functionality and prioritized defect fixes. For example, the latest VBMS Release 4.2 resolved more than 300 defects in addition to adding new correspondence, rating, and evidence management functionality. The incremental delivery approach allows the software development team to continuously and quickly respond to user needs and feedback as the software product is built. As the system evolves, new functionality will be delivered to the field and build upon the foundational architecture available in the latest system release.

Question 5. Are the scanning contractors paid by the page? What types of quality review is VBA conducting to assess the quality of the contractor’s work?

Response. Scanning contractors are paid by the image, which is defined as one side of one paper page. For quality review, VBA contracted for independent verification and validation with a service-disabled, Veteran-owned small business to evaluate the scanning contractors’ digital images. Metrics include image quality (99 percent) indexing accuracy (99 percent) and data extraction from completed VA forms (95 percent).

Question 6. Are there any plans to hire service-connected disabled veterans to work directly for VBA to carry out scanning functions? Have you assessed the quality and security risks involved in using outside contractors?

Response. VA's focus is claims processing. The business case analysis supports a centralized scanning model, with image volumes that necessitate contractor support. VA incorporated a preference for Veteran-owned small businesses as an evaluation factor. One of the two VBMS scanning contracts was awarded to a service-disabled, Veteran-owned small business. VA requires both scanning contractors to incorporate Veterans hiring into their staffing plans. Also, VA facilitates direct communications between Vocational Rehabilitation and Employment Service, Vet Center Veteran candidates, and scanning contractors.

VA assessed the security and quality risks associated with outside contractors for this work. Outside vendors must comply with all VA security regulations and have site security better than or equal to VA regional offices. VA is not currently staffed, equipped, or trained to do large-scale imaging and image quality review. Outside vendors contribute their organizational expertise in document conversion and industry best practices in image quality reviews.

Question 7. Have you put in place any plans for VBA claims processors who are unable to read low quality scans (with bent or upside pages?)

Response. Yes, VBA has done the following to help claims processors view scanned images:

- During the second quarter of FY 2013, scanning contractors implemented software that auto-rotates an image.
- VBA implemented procedures for claims processors to resolve incorrectly oriented VBMS images.
- VBMS rotation-functionality enables claims processors to orient an inverted page when this occasionally occurs.
- For systemic incorrectly-oriented images, claims processors notify the VBMS help desk or designated VBA staff to request re-scanned or re-oriented images.

Some records, by virtue of their original condition, are in such poor condition that a legible copy is unattainable. VBA provided the scanning vendors with specific guidelines to identify these types of documents. Specifically, if images within a document do not scan clearly or are otherwise unclear, the scanning vendors are instructed to label those items as the "best copy" available. This process identifies documents that are creased, frayed, deteriorated, torn, faded, stained, or otherwise damaged. For documents that are bent or creased, the vendor utilizes specific document preparation techniques to straighten the document for scanning.

Question 8. The next questions are about the VBMS system. There are significant bottlenecks in the implementation of this cost saving program.

a. Has the VA assigned a senior management team to investigate these bottlenecks?

Response. Yes, the Under Secretary for Benefits (USB) tasked the Principal Deputy USB to examine the bottlenecks, and in conjunction with the Assistant Deputy Chief Information Officer for Program Management, they worked to resolve these issues. With resolution of these issues achieved, VBA has developed and is implementing a plan to ensure nationwide VBMS deployment by the end of 2013.

b. What action plan has the VA developed to stem the bottlenecks and significantly increase the document flow to the imaging facility?

Response. VA closely analyzes shipping rates and makes necessary adjustments to meet contractual minimums at the imaging facilities. The current configuration of the scanning contract identifies a 20 million minimum monthly image volume for each vendor, or a 40 million monthly cumulative image volume. Once the national deployment VBMS is completed and a review of contractor performance for the initial term is conducted, there is the capability and capacity to exceed these minimums based on organizational needs and through coordination with the scanning vendors. Normal shipping procedures are accomplished within four days. Once materials are received, the vendors process and upload the corresponding images within a five-day timeframe.

To ensure there is no disruption to claims processing, VBA has implemented a phased deployment schedule to regional offices. A critical component of this schedule requires offices to send claims to the scanning vendors shortly in advance of the VBMS deployment date. This ensures that claims are not pending in VBMS and are ready to work as soon as the deployment activities are complete for the regional office.

As VBMS is deployed to all stations, additional claims become eligible for VBMS processing. This increases the pool of claims that are eligible for imaging.

c. What is the timetable for achieving the maximum ship or transfer rate of files to the scanning facility to achieve the desired results?

Response. The primary goal of the scanning contract is meeting the digital image demand to support VBMS deployment schedule and claims processing. The current scanning focus is on new or reopened VBMS claims. Volumes shipped to the scanning contractors will satisfy guaranteed minimum images, but will not achieve maximum ship rates. Alternative plans to increase volume include special projects to back-scan inactive claims.

RESPONSE TO POSTHEARING QUESTIONS SUBMITTED BY HON. MAZIE HIRONO TO
U.S. DEPARTMENT OF VETERANS AFFAIRS

Question 1. What specific legislation could Congress propose to improve the VA's claims process, electronic transformation efforts and goals for a seamless transition for servicemembers from DOD to VA?

Response. VA is in the process of submitting several legislative proposals to enhance and modernize the disability claims process with its fiscal year (FY) 2014 budget. In addition, VA is working diligently to implement the Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012, Public Law 112-154, which contains provisions that will improve the claims and appeals processes.

Question 2. 2015 is Secretary Shinseki's stated target year for eliminating the VA's backlog of compensation claims along with a maximum waiting period 125 days for a decision. Based on this month's claims processing performance rate, is VA on track to meet this goal?

Response. VBA's Transformation Plan is designed to eliminate the claims backlog and achieve our goal of processing all claims within 125 days with 98 percent accuracy in 2015. Initially planned for deployment throughout FY 2013, VBA accelerated the implementation of the new organizational model by nine months due to early indications of its positive impact on performance. National deployment of Generation One of VBMS (our baseline system) began in 2012, with 18 regional offices operational as of the end of the calendar year. Deployment to the remaining stations is scheduled to be completed by the end of calendar year 2013.

Generation One of VBMS, our foundational web-based electronic claims processing system, is now in use at 25 regional offices and the Appeals Management Center. We will complete the deployment of VBMS to all regional offices by December 2013. We will also continue to enhance the automated functionalities and build additional system capabilities in three future generations of VBMS to be deployed over the next two years. As we move into future generations of VBMS, our focus is on leveraging more complex automation features and more extensive data exchange and system integration capabilities so that our employees will be able to process claims electronically from receipt to payment.

Question 3. As you noted in your testimony, you gave the profile of the average Veteran Benefits Administration (VBA) employee and you stated that they are key to its transformation success into a 21st century organization. As their work specifically impacts veterans and their families, what percentage of VBA employees are veterans themselves?

Response. As of February 28, 2013, 52 percent of VBA employees are Veterans.

Question 4. In its December 2012 report, GAO recommended that VBA "seek improvements for partnering with relevant Federal and state military officials to reduce the time it takes to gather military service records from National Guard and Reserve sources." What has the VA done to date in this regard?

Response. Since the GAO report, VBA has accomplished the following:

- The Chief, National Guard Bureau (NGB) recently hosted the Under Secretary for Benefits as a pivotal speaker during the National Guard Senior Leadership Conference held on February 27, 2013. Significant messages specifically addressed National Guard and Reserve benefits and resources, elements of today's operating environment, and collaborating in 2013 and beyond.

- The Chief, NGB and the Under Secretary for Benefits agreed to charter an NGB/VBA Collaboration Team to immediately leverage efforts between both staffs to identify and prioritize key cooperative actions. The Collaboration Team will examine ways to refine the process of records retrieval and identify procedures to improve the claims process.

- VA is including separating full-time National Guard and Reserve members (Titles 10 and 32) in its implementation of the VOW to Hire Heroes Act of 2011.

- The Under Secretary for Benefits instructed all VBA regional office directors to contact their respective state Adjutant Generals to further engage in their critical

relationships and identify and overcome any barriers to obtaining Servicemembers' personnel and medical records.

- VBA created a comprehensive web site specifically aimed at informing National Guard and Reserve members on how to take advantage of their VA benefits (<http://www.benefits.va.gov/guardreserve/>).

- The VBA and DOD Disability Claims Reduction Task Force was formed to help VBA partner with Federal and state officials to reduce the time it takes to gather military service records from DOD, including National Guard and Reserve records.

Question 5. My understanding is that VBMS, the electronic Veterans Benefits Management System has already been deployed to at least 18 VBA regional offices and will be fielded to all 56 regional offices by the end of this year. Secretary Shinseki has stated that "the faster we field VBMS, the more time we will have to eliminate the backlog." What is the status of its implementation at the Honolulu Regional Office and by how much do you estimate it will improve the processing rate at that office?

Response. Deployment of VBMS to the Honolulu Regional Office is scheduled for May 24, 2013. We anticipate that VBMS will provide a 15–20 percent increase in station production in each of fiscal years 2014 and 2015 as we continue to add enhanced functionalities and automated tools to VBMS.

Question 6. As you noted in your testimony you mention that the VBA has taken suggestions from veterans and veterans organization on how to improve the system? Aside from those the VA has already implemented, what other proposals are being considered?

Response. Employees, Veterans, Veterans Service Organizations, and other stakeholders are encouraged to provide transformation ideas to VBA's Office of Strategic Planning for consideration and evaluation in accordance with our governance review process. This process includes a determination as to whether the idea has merit, should be considered for a pilot, warrants a design team evaluation, and satisfies cost benefit considerations. Additional input is received from Veterans Service Organizations during the development and testing of initiatives. Numerous ideas are in different phases of this evaluation process, including, but not limited to, the following:

- *Appeals Design Team:* Identifying recommendations to improve the timeliness, consistency, and accuracy of the appeal process.

- *Private Medical Records:* Expediting claims development by utilizing a contractor to aggressively pursue private medical records. The goal is to support our duty to assist Veterans by obtaining and electronically incorporating records into the Veterans claims for more timely adjudication.

- *Click 2 Benefits:* Establishing kiosks in VA medical facilities that are geographically separated from VA regional offices. These kiosks would support Veterans speaking with a VSR, who could be hundreds of miles away. It facilitates better communication when a Veteran needs assistance and cannot physically go to a regional office.

- *Issue-Based Quality Review:* Evaluating rating quality based on each individual medical issue addressed within the rating decision. This approach more accurately reflects the actual quality of rating decisions. It also provides a greater level of specificity about errors being made that can be corrected by incorporating the lessons learned into National Challenge Training.

- *Rules-Based Processing:* Automatically processing incoming dependency change requests utilizing a rules-based processing system. Successfully developing automated rules-based processing will relieve a significant portion of the workforce from handling these requests and allow them to work on more disability claims.

- *Telework:* Developing and implementing a telework pilot program to meet agency telework requirements, while improving employee productivity and allowing office space to be more effectively shared and utilized.

Question 7. Has the VA looked into hiring temporary claims processors, preferably veterans, similar to how the State Department has done with limited non-career appointments for visa processing? Does VA currently have the authority to do this?

Response. Because of the extensive training required to process disability claims, VA prefers to use the funds made available by Congress to hire and train permanent employees.

Question 8. You mentioned in your testimony that VA has partnered with the IRS and the Social Security Administration to share data for up-front verification of income for pension applicants and other claims. Are there other relevant Federal agencies that VA could partner with to streamline other claims processing?

Response. VA partners with numerous Federal agencies to streamline claims processing. In addition to the IRS and SSA, VA also partners with the Department of

Justice, the Department of Defense, the Bureau of Prisons, Health and Human Services, Department of Education, the Small Business Administration, and the Office of Personnel Management.

VA is currently working with the Centers for Medicare and Medicaid Services (CMS) to establish a new Computer Matching Agreement (CMA). The purpose of this CMA is to enable VA to identify pension beneficiaries who are receiving Medicaid-covered nursing home care in order to timely adjust their pension payments to the \$90 monthly rate limit as prescribed by Section 5503(d)(2) of title 38, United States Code.

Question 9. What outstanding requirements does VA need to meet in order to complete integration with DOD by 2015?

Response. The Department of Veterans Affairs (VA) and the Department of Defense (DOD) are making significant progress with respect to sharing the information required to provide our Servicemembers and Veterans the benefits they have earned by virtue of their military service:

- Personnel and Separation Data
 - VA and DOD currently share personnel and beneficiary information via the VA and DOD Information Repository (VADIR)
 - VA needs, and DOD is working to share, the entire personnel record by the end of CY 2013
- Integrated Disability Evaluation System (IDES) Case Files
 - VA and the Military Services have begun to share Integrated Disability Evaluation System (IDES) case files electronically at several pilot locations across the country. Approximately 3,100 cases have been successfully transferred electronically as of December 14, 2012
 - VA needs, and the DOD is working aggressively to complete, the automation of the actual transfer of the IDES Case File from DOD to VA without human intervention. This automation will eliminate the manpower associated with the current manual process, thereby freeing up valuable resources to be reallocated to other IDES-related tasks
- Service Treatment Records (STR)
 - VA personnel have the ability to view Servicemember medical records today
 - Additionally, as noted above, the DOD has started to provide the STR electronically to the VA for Servicemembers enrolled in the IDES program
 - VA needs, and DOD is aggressively working to provide, the STR electronically at time of discharge for all Servicemembers by the end of CY 2013
 - VA needs, and DOD is aggressively working to ensure, that all relevant medical information, including relevant information related to purchased care, is included in the STR provided to VA by DOD
- Interagency Case Management and Care Coordination Information
 - VA and the Army currently share Care Coordinator information
 - VA and DOD both need, and are aggressively working to fully implement, the Interagency Comprehensive Plan (ICP) which will expand the existing sharing mechanism to share a single comprehensive care coordination plan amongst all DOD and VA case management and care coordination programs.

Question 10. Assuming all outstanding VA claims are approved, what would be the cost to provide the benefits and services claimed?

Response. As of March 14, 2013, 862,929 claims were pending for an average of 280 days. If VBA granted all claims without regard for eligibility, under payments, and overpayments, and started payments on April 1, 2013, total obligations are estimated to be an additional \$8.8 billion in 2013.

Of the pending claims, we assume 39 percent are claims for service-connection, and the remaining 61 percent are claims for an increased disability rating. VA assumes that claims for service connection would receive a payment at the 40 percent rate as this is the average disability rating for Veterans currently in receipt of compensation. Based on historical information, on average, Veterans who reopen their claims and are granted an increased rating change from a 40 to 60 percent combined disability rating. Obligations for these Veterans were calculated by applying the difference in degree of disability average payment for six months. All retroactive payments were based on 280 days pending and have been factored into this estimate.

Chairman SANDERS. Thank you very much, General.

Mr. Warren.

Mr. WARREN. I have no statement, Mr. Chairman.

Chairman SANDERS. OK. Let me begin by raising the issue that Senator Isakson raised a few moments ago. In my view, the goal of the VA—the very significant step forward in terms of accuracy and processing claims in a rapid way by 2015—is a very, very ambitious goal.

I think what you have heard this morning from people around this table, from Senator Isakson and others, is, in some ways we have heard this before.

The goal is a strong goal and I support that ambitious timeline. The question I am asking you, General Hickey, is what reason do we have to believe, what evidence are you going to give us to suggest that you, in fact, are going to achieve that very ambitious goal.

Ms. HICKEY. Thank you, Chairman Sanders, for the question. I will tell you that everything in this plan has been tried in a real live environment in different regional offices across the country. We are not just leveraging the pilots that we have done for those initiatives; we are actually leveraging some of the experience we have had from previous efforts to improve our performance.

I will give you an example. While not a compensation claim, one of the other major business lines that we have is education claims. We started from a dead start in paper. We did not do so red hot. It took us 49 days to do a claim for a student in school.

In 2009, we brought on a first version of our long-term solution, our paperless IT system for education claims, and cut the time to do a claim in half and increased our quality.

Chairman SANDERS. Are you suggesting that the technological breakthrough you made in terms of processing student claims is an indication of what you can do in terms of veterans claims?

Ms. HICKEY. I am, Chairman Sanders, and I have a much stronger word than hope. I now have a reality point to lay before you all. Since 24 September 2012, we added a new capability into the long-term solution that lets us take 50 percent of our claims, automate those claims where they come in, and not a single person touches them. They fly through the system and they are completed in a day.

Chairman SANDERS. This is the student process?

Ms. HICKEY. Absolutely, Mr. Chairman, this is the student process.

Chairman SANDERS. OK.

Ms. HICKEY. Let me tell you what the results of that is now that we have that new automated capability in the system.

At this time last year if I had been sitting before you as I might have been on an occasion talking about education claims backlog, I would have told you I had 200,000 claims in inventory. Today I have 50,000 claims in inventory, because of the speed of the automation, which helps us cross-check against the rules, know that that student is where they need to be, and getting the pay they need to get. The use of this automation has really significantly improved the way we are doing education claims this semester.

Chairman SANDERS. OK. Let me ask you this. There has been consternation on this Committee and I think within the service organizations about the decision made by the DOD, I think it was the DOD, not to go forward in terms of collaboration with the VA in terms of the one system, one computer system for both agencies.

What impact is that decision going to have in your efforts to expedite claims?

Ms. HICKEY. Chairman Sanders, I am going to first address at a very high level what we require from DOD and then I am going to ask my colleague, Mr. Warren, to address specifically iEHR.

There are two major things that we need in order to decide those claims that are in inventory and in backlog. Three out of five times that we have an old claim it is because of this issue.

We need data from DOD in terms of the complete medical history of that member when they leave service in order for us to decide a claim. We also need their complete personnel records in order to know what their character of service is. Without those, we must ask. When we ask, we have in legislation today a 60-day wait period before we may ask again.

So, there is built into our process part of that problem. As of January, I have an agreement with DOD, under the great leadership of Mr. Fred Vollrath, now in OSD, where DOD now has a new cell in every single service where they will gather all records including TRICARE and contract medical records. They will pull it all together. They will validate for me that it is full and complete as of that time. They will put their signature on top of that document and give it to me. That is a game changer for us.

Chairman SANDERS. So, is it fair to say that we are not going to make the kind of progress we want unless there is better cooperation between the DOD and the VA?

Ms. HICKEY. DOD and VA cooperation is critical, absolutely critical to our eliminating this backlog and to our doing claims well. But specifically iEHR, I would like to defer to Mr. Warren, who is more actively engaged in that process.

Chairman SANDERS. Mr. Warren.

Mr. WARREN. Mr. Chairman, to your question about a change in direction, I think you would be surprised to hear that everything we hear in the press is not necessarily correct.

Chairman SANDERS. We are shocked by that, those of us on the Hill.

[Laughter.]

Mr. WARREN. And appalled. Sir, I would like to share with you that we remain committed to that single, joint, common, integrated electronic health record. We stay on that path. We are on that path.

Chairman SANDERS. Does the DOD remain committed?

Mr. WARREN. The DOD has stated that they are committed to the goal of reaching IOC, or initial operating capability, at the two sites by 2014 and full operational capability by 2017.

The announcement that I think was misconstrued was that because some progress had not been happening at the pace that it needed to, we threw some accelerators in there. We said, let us show we can do this. Let us show that we can deliver. If you will, the PMAS (Program Management Accountability System) to the iEHR approach. So the drive and the commitment was, now, let us take Janus—the interface that we use to access both systems—and accelerate it to seven more sites, and that is supposed to be completed by July 31. The Interagency Program Office (IPO) is committed to that.

Chairman SANDERS. My time has expired.

Mr. WARREN. Yes, sir.

Chairman SANDERS. Senator Burr.

Senator BURR. Thank you, Mr. Chairman.

Mr. Warren, I read a release that was put out jointly. Your interpretation is not what I read. DOD is headed for a totally separate system. There is no assurance that it is going to be integrated in a way that will talk to VA. As a matter of fact, there is every reason to believe that if you talk to the DOD folks, there are no plans to have a seamless, single system.

So, I will question that right from the start and I am sure when the Secretary is here for the budget hearing, this will be the subject of conversation.

Ms. Hickey, wonderful testimony. It almost makes me embarrassed to ask questions that deal with facts, because I am looking at a trend line as it relates to backlogs of disability claims that, quite frankly, are just inconsistent.

You talk about the increase over the last 10 years. I can look back just at last year to projections from the VA as to progress we were going to make on disability claims. Certainly, it took into account all the changes that you have seen for the last 10 years. It took into account the Secretary's decisions to extend additional benefits to Agent Orange victims. If it did not, then we have a major problem within the VA on how we plan.

But let me ask you. I think it is important for VA to be completely transparent about the efforts to reduce the backlog. In that regard, the backlog reduction plan VA submitted to Congress notes, "VBA is tracking execution of its transformation plan against its key measures of performance that are tracked daily, weekly, and monthly."

To start with, I would like to ask you to provide the Committee on a regular basis with those performance metrics, particularly in the data that is not included in the Monday morning workload reports and the ASPIRE Dashboard.

Do I have your commitment to do that on a monthly basis?

Ms. HICKEY. Senator Burr, you are right in saying that things have changed for us. Our demand has increased. That was part of the reason for my focus on explaining what was in the inventory for you. We have been now 10 years at war where our men and women are 10 times more likely to survive than their previous cohorts.

Senator BURR. I appreciate that. Do I have your commitment to provide this Committee with those performance metrics on a monthly basis?

Ms. HICKEY. Senator Burr, I provide to this Committee on a daily basis everything we do. As of last year, we are actually transparent to a fault. Not just to this Committee, we have—

Senator BURR. General Hickey, this is a very specific question. It is not broadly asked and I really do need a yes or no answer. You state in your submission to Congress that VBA is tracking execution of its transformation plan against its key measurements of performance that are tracked daily, weekly, monthly.

Can you provide us those on a monthly basis that are not included in the Monday morning workload reports and the ASPIRE Dashboard?

Ms. HICKEY. Senator Burr, we will continue to provide you and your staff the information we have provided and we will continue to make it transparent to the world as we do today in our ASPIRE Dashboard, in our annual reports, in our quarterly reports, in the request that you asked for.

Senator BURR. I will take that as a no then.

Ms. HICKEY. Thank you, Senator.

Senator BURR. Mr. Bozeman, as you know, when staff from the Committee went to VA last week for a demonstration of the VBA management system, it did not work. I do not think we need to get into exactly what happened, but I would like to know how often users in the field have IT problems that interfere with their ability to process claims in VBMS?

Mr. BOZEMAN. Thank you, Ranking Member Burr, for your question. You are correct. The demonstration to the staff was conducted in what we consider a lower item level of buyer. It is not the production environment of VBMS. So, we did encounter some difficulties due to some changes we were making in the software at the time.

So, I apologize to the Committee for that demonstration. However, field users in production VBMS have sustained very little outage time in VBMS over the course of, since generation one software was available.

There would be isolated pockets which affect certain users with certain roles from time to time. Those are reported on our help desk. We isolate those issues, and resolve them as expeditiously as possible, sir.

Senator BURR. Can you provide for the Committee the percentage of time that that system is unavailable to those in the field that are working on it?

Mr. BOZEMAN. I do not have that at my disposal. I will take it for the record.

Senator BURR. Is that something we track?

Mr. BOZEMAN. Yes, we do track that, sir. Assistant Secretary Warren may be able to provide further insight on system outages.

RESPONSE TO REQUEST ARISING DURING THE HEARING BY HON. RICHARD BURR FROM MATTHEW SANTOS, CONGRESSIONAL RELATIONS OFFICER, U.S. DEPARTMENT OF VETERANS AFFAIRS, OCLA

Provide details on the time lost due to problems with VBMS/VBMS-R?

Response. The VBMS application itself has experienced little down time prohibiting users to process claims. Between December 6, 2012, and February 20, 2013, the VBMS application experienced a total of 2 hours and 43 minutes of unplanned downtime over the course of two production outages:

- On December 6, 2012, users were being redirected to the VBMS login screen when they attempted to change tabs while in the rating application. The issue lasted for two hours and 13 minutes. It was determined that a security certificate on a VBMS server was not properly renewed during an anticipated service interruption which occurred the previous night. The certificate was redeployed to the affected application server and it was returned to service.

- On February 20, 2013, users were unable to access the rating application for 30 minutes due to a stuck thread. The server was restarted and access was restored.

A VBA system wide outage occurred on January 28, 2013. The VBA corporate database became unavailable for 1.5 hours when a system board housing the cor-

porate database at the Austin Information Technology Center (AITC) failed. During this unavailability, users were unable to access VBA applications including: VBMS, VETSNET, and Virtual VA.

Senator BURR. I hope that would be provided to the Committee.

General Hickey, according to your plan for reducing the backlog, VA's goal is to have 20 percent of the claims fully developed at submittal during fiscal year 2013.

At the time VA released that plan, only 3 percent of the claims were fully developed; and according to your testimony, it is now 4.8. Tell me, if you will, how are we going to get to 20 percent?

Ms. HICKEY. Thank you, Senator Burr, for the question. I am going to say that the way we are doing that is with the absolute dedicated commitment of our partners in our veterans' service organizations. Specifically, a new effort led by the American Legion, DAV, VFW, and others; they are working hard to help us with that.

Senator BURR. How did you come up with 20 percent? Why was it not 40?

Ms. HICKEY. Today, 60 percent of the time our veterans are represented by one of these VSOs in our system of both inventory and backlog.

So, we took the opportunity to say let us start, let us ramp up, let us grow in our capability for our VSOs to help us do that part of our claims development effort that takes the biggest amount of time.

Senator BURR. So, if we do not hit 20 percent, what effect does that have then on the backlog problem that we have?

Ms. HICKEY. So, the 20 percent is a relatively new target that we have and we have asked our VSOs to help us with. They are eager, they are involved, they are engaged, they are training right and left on how to do that with their representatives who are in the field working every single day with the veteran.

Just for example, very quickly, those VSOs have more face-to-face contact when that veteran is working with them, and they have the opportunity to say, OK, you are claiming this condition, do you have a copy of your medical records or your private medical records that will help us make that decision for that rating condition. Our VSOs are critical partners in our effort to do this.

Senator BURR. Thank you, Mr. Chairman.

Chairman SANDERS. Senator Tester.

Senator TESTER. Thank you, Mr. Chairman.

I am going to go back to a point that the Chairman and the Ranking Member talked about, and that is, that I think partnerships are critically important. You talked about VSO partnerships. I think there is another partnership out there that is very important and it is with the DOD.

The Ranking Member noted that the DOD is on a totally different plane and that a single seamless is not on the so-called DOD radar screen.

I do not know if that is true or not. If it is, it is very disturbing. That is not your problem. That is our problem, to make sure that the DOD steps up to the plate and does what they need to do so you can be successful in what you have to do.

Could you give me any kind of analysis without throwing DOD under the bus, but please do if it is warranted, on what they are doing as far as helping you out making sure that there is a seamless transition for veterans?

Ms. HICKEY. Thank you, Senator Tester, for your question. There are many things that have been happening over the last year in agreement with DOD.

First of which I already described. They have now made an agreement with me as of January to give us 100 percent certified full and complete medical records. We have never had that in our history before. We have had to go look for those records. They are now going to give them to us.

Senator TESTER. Is that effective immediately?

Ms. HICKEY. It is effective immediately. They are doing it right now. Every single service has stood up a team across the services. Every separating servicemember and every retiring servicemember's records now go through this process with any service and then they will come to me with that designation. DOD is taking responsibility to ensure that the records are all up to speed so I do not have to keep looking.

The second major effort that they are doing, and I think this is important, is that they have a team of people now sitting over with me to work on those really old claims that we have not been able to find records to justify the decision we want to make for a veteran. Their team is helping us to dig through all of their archives to find those records right now.

So, those are two big areas where they are working with us very closely.

Senator TESTER. What can they do better?

Ms. HICKEY. They are working on it with us more effectively, but we still need to work on getting those papers that they will give me over the next year converted into images sooner and turned into a system that they will now have in 2013 called HAIMS, the Health Artifacts and Information Management System, which will bring the records in electronically to me so I can get those images across without having to deal with more paper coming in the door.

Senator TESTER. All right. How about your partnership with groups like Social Security and the IRS?

Ms. HICKEY. I have a really good new story to tell you about that. I have had strong new relationships with both SSA and IRS. They have critical information on earned and unearned income for us to be able to make decisions very quickly, especially for our folks who are the most destitute in our environment.

Social Security and IRS have now made a decision to give us access to current data every week rather than once a year. The good news for our veterans is I have been able to take 100 people that used to have to spend 4 months doing nothing but matching and looking for earned income and validating earned income out of a year old's worth of database, and I now have them pointing at doing DIC claims which are our most vulnerable widowed and orphaned individuals, getting them the resources they need faster.

Senator TESTER. OK. A different area. From your perspective, what role does insufficient staffing play in the backlog?

Ms. HICKEY. Good question. I want to thank this Committee for the staffing we do have. I want to thank this Committee for the growth in budget that this organization has never enjoyed before this Administration and so thank you very much.

I am reluctant to say let us throw more people at a problem where I have the capability to potentially make the work go faster by the nature of the change in the process we are doing and the changes in the technology.

By example, when we went into a paperless environment for our loan guaranty efforts, we reduced the amount of work that had to be done by people because the system assisted or because the process assisted.

I know we are all in a difficult economic environment. I would prefer to not make your life harder generating more people when I think that I might have oxygen in the system associated with what we are doing in the people aspect, the way we are organized and trained to do the work.

You want me to be the most efficient, right? You want me to be the most effective, right? I want to get the efficiency and effectiveness out of a 1950s industrial age process, and bring us into the 21st century. If I get through that and I still need more people, I will come to you.

Senator TESTER. I certainly appreciate that perspective and appreciate the lean and mean and efficiency perspective, and I know that you are committed to making sure that this problem gets solved.

I am out of time, though I would love to talk to you about the Ruth Moore Act, which I think I will put in questions for the record for you to answer.

One other thing, if I might have the liberty, you talked a little bit about a 60-day window where you could ask veterans for information and you had to wait another 60 days.

Ms. HICKEY. We do, Senator Tester. By the current rules, when we asked for records, we must wait a 60-day waiting period for a response.

Senator TESTER. Is that an internal rule or is that a rule that we have set up?

Ms. HICKEY. I believe that that is in legislation.

Senator TESTER. OK. We may want to visit about that.

Chairman SANDERS. Thank you, Senator Tester.

Senator ISAKSON.

Senator ISAKSON. Thank you, Mr. Chairman.

Mr. Warren, the VA Inspector General reported that the partial VBMS capability that has been deployed to date has experienced, "system performance issues." What are those system performance issues?

Mr. WARREN. Thank you, Senator, for that question. I would like to point out two items, if I could. The first is that report was issued in September, last September. So, it was dealing with the pilot prototype system. Two, the Department did not agree with the conclusions that the Inspector General reached in their report.

Senator ISAKSON. So, you have had no system performance issues?

Mr. WARREN. We had performance issues with a pilot system that was deployed whose intent was to find the issues we needed to solve before we reached full deployment of a first generation system. So, the report basically stated what we were trying to do which was to put it out there, put it out there fast, find out what works, find out what does not work. Make the improvements, and then deploy it against the enterprise.

Senator ISAKSON. And that process has worked?

Mr. WARREN. That process continues to work. We are using an agile methodology. So, one of the things that you will see different we applied it to Chapter 33 as a rolling change, add functionality, add capability as we get systems out there. We get capability out there quicker. We are not waiting 5 years to design a system that fails. We are making changes. We are deploying them every 3 months.

On some systems like eBenefits, we make deployments every month. The goal is to get capability in the hands of the user so we can evolve it, we can improve it, and bring that benefit to the veterans along the way.

Senator ISAKSON. In Secretary Hickey's testimony—I think I wrote this down right—she said the redeployment of VBMS was in full swing from portal to decision. Is that an accurate statement?

Mr. WARREN. That is an accurate statement.

Senator ISAKSON. Then let me follow-up because I was not questioning it but I wanted to make sure it was accurate because, as I understand, and I could be wrong; this could be a problem. But I understand that is accurate with regard to pretty simple decisions that are made in terms of rating claims, but complex cases which, as the Secretary has mentioned that they have grown, is VBMS capable of making rating decisions on complex cases?

Ms. HICKEY. Senator Isakson, if I can answer that question, yes. That is the short answer. In a very old version, the pilot version of this last summer, there was some restriction to limit it to claims with less medical issues. Not anymore.

We now rate everything. In fact, if you are one of the 20 stations that are now live on VBMS, every new claim you have, whether it is an original one or a supplemental one, as it is coming in the door now immediately gets turned into the electronic environment. It is scanned, it is uploaded, it is ingested electronically; and we are not bringing the paper through the system from this point forward.

Senator ISAKSON. What software does VBMS run on?

Ms. HICKEY. I will defer that to my IT colleague.

Mr. WARREN. Sir, we could probably spend a couple of hours walking through all of the different pieces.

Senator ISAKSON. Let us not do that.

[Laughter.]

Mr. WARREN. So, I do not think you would like to.

So, when we talk about VBMS, we use Internet Explorer which is the browser. We use Windows 7 which is the desktop. We use an Internet Explorer server. So, there are a multitude of tools that we use. We use Oracle at the back-end. This is not a pitch for any of those companies. But again, we are using the tools that are used in industry today for these types of systems.

Senator ISAKSON. Do you use SAP?

Mr. WARREN. No, we do not use SAP.

Senator ISAKSON. That is good. OK.

My last question. On the transfer of medical records from DOD to the Veterans Administration, that is done electronically now?

Ms. HICKEY. Today's medical records we received in paper.

Senator ISAKSON. When you have fully installed VBMS, will DOD be able to transfer information electronically?

Ms. HICKEY. So, Senator Isakson, that is a great question, and that is exactly what we are planning for with the new HAIMS system that the DOD is building, which will be delivered December of this year. The intention is for them to upload those claims into an electronic system that feeds directly into VBMS.

Senator ISAKSON. Thank you very much.

Thank you, Mr. Chairman.

Chairman SANDERS. Thank you, Senator Isakson.

Senator Begich.

**STATEMENT OF HON. MARK BEGICH,
U.S. SENATOR FROM ALASKA**

Senator BEGICH. Thank you, Mr. Chairman.

Let me follow up on that last question. I thought I read something that DOD had some issues with their electronic transfer of the records.

Ms. HICKEY. Senator Begich, the part that I am talking about is a different agreement that I have with DOD where they are consolidating and pulling together all their paper medical records in order to give it to me to make a decision, full and complete records with their TRICARE and their contract medical records.

I think the issue that you are talking about is iEHR and I will defer that question to my colleague, Mr. Stephen Warren.

Mr. WARREN. So, if I could do just a quick sidebar in terms of the different terms that are used out in the popular press.

Interoperability is the movement of information back and forth. There is the movement of medical information, clinician to clinician today from DOD to VA. There is a translation that takes place. It is not all the data. It is a limited amount of data.

Senator BEGICH. Electronically?

Mr. WARREN. Electronically. So, there is a limited flow. It is not the full treatment record.

Senator BEGICH. Correct.

Mr. WARREN. So, as a servicemember comes in to a VA facility—either Guard, Reserve—and now they are a veteran when they come over, we see some large percentage of data, not all of it. So, that is interoperability.

The announcement that came out recently dealt with the goal to get to that single, joint, common, integrated electronic health record.

Senator BEGICH. Right.

Mr. WARREN. One system so you do not have to worry about translation.

Senator BEGICH. Right.

Mr. WARREN. It supports that goal of the virtual lifetime electronic record.

Senator BEGICH. Right.

Mr. WARREN. So, when that citizen raises their hand like I did coming into the service, the data gathered from there forward is part of the benefits determination for compensation.

Senator BEGICH. Right.

Mr. WARREN. The larger issue.

The VA is committed to that single integrated electronic health electronic health record.

Senator BEGICH. I get that the VA is. It is the DOD, and I guess—Mr. Chairman, one thing that would be unusual but maybe we should have is DOD sitting here because I was on the Armed Services Committee 4 years and they still cannot get an audit of DOD. It is one Federal agency that cannot get their act together when it comes to figuring out how to audit what they do over there.

So, I understand that you have an agreement. But I have been here now four years and claims—and I saw a scathing report which, of course, Alaska was highlighted in there for delays in disability claims.

The number 1 issue I get in my office is the lack or inability to get these records and determine disability claims. On top of that, it is this ability to get the records from DOD over to VA.

You are putting a lot of faith in DOD who still cannot even do an audit of their own functions—the only agency in the Federal Government.

So, can you actually say right here—and you said it a couple of times. I want to hear you say again that at the end of 2013—because that is what I heard you say—we will be moving electronically the full records from DOD over to the VA so that I do not have to spend time with my staff on a regular basis calling up DOD saying, “What the hell, where is the information,” and then, “VA why do you not have it yet?”

Ms. HICKEY. So, Senator Begich, what I will tell you—

Senator BEGICH. That is a very simple question. Yes or no.

Ms. HICKEY. And the very simple answer is I will have images from the record. He will not have data yet.

Senator BEGICH. How are you going to get to that point, I mean, getting the images? First off, I was somewhat surprised and I thought the answer that DOD now is just kind of shipping over boxes of material. I am simplifying it but it is paper material, right?

Ms. HICKEY. It is largely.

Senator BEGICH. So now, you have a contractor that is scanning all this stuff which I have questions on its ability: how fast it is moving; efficiency; your own ability to audit that.

But then you just get a pile of images. You know, I can scan stuff all the time and get a pile of images. How you interpret them to determine the outcome for that individual who is trying to get a claim?

Ms. HICKEY. Senator Begich, that's a great question. I will tell you how we did it. We used to take a stack of paper this big with peoples little rubber finger tips on their fingers and their eyeballs while trying to remember their rules in their head and that is what we asked our hard-working employees, 52 percent of which are veterans themselves.

Today in VBMS, they do not deal with the paper. Their rubber fingertips are gone. They do not have to remember all the rules. They are built into the system. The images come through. They can Google® search throughout these document to find that information. That is what VBMS does for us.

Senator BEGICH. Right. On new claims?

Ms. HICKEY. On all claims coming in the door today whether they are a Vietnam veteran, a World War II veteran, or today's veterans.

Senator BEGICH. Do you have data that shows the difference between the process time, the results, and efficiency between the ones that are now coming in versus the almost millions sitting in the backlog?

Ms. HICKEY. Senator Begich, I will have it. I have just put 20—

Senator BEGICH. When will you have it?

Ms. HICKEY [continued].—ROs on it on 28 January, on what I consider, for the first time, the portal to decision processing.

Senator BEGICH. Right. When will you have that?

Ms. HICKEY. I am measuring it all the time. So, as soon as I have a valid enough sample to give you, I will give it to you.

Senator BEGICH. I want to go back to Senator Burr's question. It seemed like such a simple one. You obviously do a monthly matrix of some sort. It sounds like even weekly with now some of the data given on earned income.

But can you just answer that question very simply? That you will provide—I heard your answer. It was kind of a stock answer that data that we request we will provide.

The matrix that you have—because I know, as a former mayor, every agency in my department that I operated and managed had dashboards that gave data and weekly, daily, and monthly on the accessibility.

I echo what Senator Burr asked and that is, will you provide that data on a monthly basis so we understand the success or failure; because, honestly, when I look at the numbers, 4 years later from my time here it is not getting better.

I can tell you the increase in calls that I get in my office are not going down. So, answer yes to Mr. Burr's question or no. I do not want the stock answer that I know you all get because OMB does sanitation to all your commentary.

I just want to know the real simple answer. Yes or no.

Ms. HICKEY. Senator Begich, I will provide information to you.

Senator BEGICH. Yes.

Ms. HICKEY. I will provide information to you, yes.

Senator BEGICH. There we go.

OK, Mr. Burr, we maybe got halfway there; three quarters of the way.

This will be the last comment, Mr. Chairman, thank you.

The VSOs do so much good work. It almost seems like they do all this work and then VA duplicates the work and it seems like we should figure out some partnership where VSOs can help us move some of these claims because they do a lot of work on that front. They have about an 80 percent hit rate. That is not a bad success rate based on the history here.

I will leave it at that and maybe ask for the record, Mr. Chairman, if that is OK.

Ms. HICKEY. Chairman, may I answer that question?

Chairman SANDERS. Briefly.

Ms. HICKEY. Senator Begich, we have a very deep relationship with our VSOs which is getting stronger every day. They are on VBMS with us. They are inside the fence line now more than they have ever been before. I am working very closely with them and am very thrilled with their willingness to do fully-developed claims which, in fact, will help exactly the issue that you are discussing.

Chairman SANDERS. Senator Heller.

Senator HELLER. Thanks for holding this hearing. This is good. This is really what we need across this country and in Nevada obviously I get the same phone calls that the other Senators are getting.

I certainly do appreciate Senator Tester's remarks. I am glad he is across the way. We have a tendency of marching, looking down the same road here. He made a comment that I want you to clarify that perhaps I do not understand, and that is in your testimony you stated that by law the VA must wait 60 days, by law.

Ms. HICKEY. Yes, Senator.

Senator HELLER. It is not part of your manual. It is by law.

Ms. HICKEY. Yes, Senator, and then if I ask 60 days later and I do not get it, I must wait another 30 days.

Senator HELLER. By law?

Ms. HICKEY. By law.

Senator HELLER. OK. So, you have a claim and you called the VA's office or you fax them or whatever it may be. You set that in a file for 60 days. You do not do anything with it. You just wait for 60 days; and if you do not get a response, then you respond after 60 days; and then you must wait another 30 days.

Ms. HICKEY. So, Senator, it is not that I do not do anything with it. We do many things with the claim besides that. We will continue to gather other evidence. We bring in private medical evidence from our veterans. We will get that. We will get our medical records; if the veteran is already seeing a VHA doctor, we will pull that in. We will continue to try to do everything we can to get that claim further down the process. But then we will, on occasion, more than one occasion, hit a brick wall.

Senator HELLER. Let me move in a different direction with a similar question, and that has to do with the GAO report. Tell me if this is accurate.

When obtaining Social Security Administration records, VBA's policy manual instructs claims staff to fax a request for medical information and wait 60 working days to follow up if SSA does not reply. Then, staff faxes a follow-up request and then waits another 30 days.

Is that part of your manual or is that also by law?

Ms. HICKEY. It is also by law, but it is no longer an issue because now Social Security and IRS are giving us weekly data. We have made agreements and are actually already seeing the flow of that information. I am very appreciative to our Social Security and our IRS partners in that effort.

Senator HELLER. OK. So that is solved.

Ms. HICKEY. It is solved.

Senator HELLER. I was going to say because that would make it about 25 percent more efficient, 25 to 35 percent more efficient if we could take those filings and at least make a phone call.

My staff, you know, we get a number of cases and we get 2500 cases a year; and we work with the same agencies you work with; and if we do not get an answer within 5 days, we pick up the phone and say, hey, where is our answer? We do not wait 60 days, we do not wait 30 days. But, of course, by law we are not limited to those delays.

Let me ask you another question, and I certainly do appreciate the good hard work of the VA. My father is a veteran. He turns 80 this year. He has received some really good service from the VA, the hospital in Reno; and I certainly have nothing but praise, nothing but praise for these hard-working individuals.

I have been to, though, the VA claims office in Reno; and, as I mentioned earlier in my comments, we are some 10,000 claims behind.

Over the last 5 years, I have consistently asked them, what do you need? What do you need? Do you need more individuals? Do you need more resources, bodies? What is it going to take to fix this backlog? And they have consistently told me we are going to solve this without additional resources or without new bodies.

I had it here a second ago; but according to the GAO report, it said according the VBA officials, staff shortages represents a primary reason for backlog.

So, I guess I'll just ask the question again—and I think you have touched on this but maybe you can reiterate—what is the issue? Do you need more individuals, personnel, in order to fix this backlog?

Ms. HICKEY. Senator, thank you for your question. I have been to the Reno office as well and it is a terrific group of people out there working on behalf of Nevada veterans.

Senator HELLER. Yes, it is.

Ms. HICKEY. What I will say is the demand has risen, and I will go back to saying we have done a million claims the year. These hard-working folks out there want to do what is right for veterans, want to do what is right for the family members.

Senator HELLER. I agree.

Ms. HICKEY. They are not only doing a million rating claims, they are doing a million non-rating claims. They are not only doing that, they are doing half a million pension claims in the same year. They are doing 4.7 million medical issues a year. They are producing at record, record levels on behalf of our veterans. But the demand is coming in at record, record levels.

The only way to go after this is to fundamentally reinvent ourselves, which is what we are doing in this transformation effort. You get to that many transactions in a year, you have got to have the benefit of some automation, some rules-based capability, all of which we have built now. We are continuing to add functionality every 8 to 10 weeks to get some additional rules and automation built into the system, to take some of the load off a person manually doing this much paper out of the system, to create that oxygen in the system so that the men and women—the 20,000 employees I have across the Nation who get up every single morning dedi-

cated and committed to this mission—have an opportunity to really meet the needs of our veterans, their family members, and survivors as they truly wish to do.

Senator HELLER. Thank you, General.

Thank you, Mr. Chairman.

Chairman SANDERS. Thank you, Senator Heller.

Senator Moran.

**STATEMENT OF HON. JERRY MORAN,
U.S. SENATOR FROM KANSAS**

Senator MORAN. Mr. Chairman, thank you.

Madam Secretary, thank you for being here. You can sense the frustration that many of us have on this topic and part of it is that we have heard the potential for success so many times without seeing the results that we want to see.

I heard this last week when Disabled American Veterans from Kansas, The American Legion, VFW, all came in the office. This now is their number 1 priority and the most significant complaint that I continue to receive from Kansas veterans and their families.

When I came to Congress, now sometime ago—I had served on the Veterans' Committee my entire time in the House and now in the Senate—it was always health care that was the hot topic. Now it seems to me that the health care side of VA has done things that apparently the benefits side has not because the number of complaints about the quality and access to health care has diminished significantly and the number of complaints about benefits has increased dramatically.

So, I do not know whether there is a role model within the VA; and while the health care side is not perfect, the progress and improvements seem to be evident, so you may have a role model within your own Department for guidelines.

In addition to that, I assume that you have consulted with the private sector in trying to find out how they deal with this magnitude of claims and I assume—these are questions, you can tell me that my assumptions are wrong—that you have had genuine and real conversations with the employees that you describe as so loyal and so dedicated.

I often think that Federal agencies, and employers in general, never take advantage or rarely take advantage of the knowledge of their own employees who may have the best solutions because they are the ones who deal with the issues every day.

In regard to employees, is there a reward or benefit that accrues for employees who provide timeliness and accuracy in the benefit process?

And finally, what is the process that you have in place to help the veteran who is in a dire circumstance?

Often the calls, the concerns, the conversations that I have as a Member of Congress—and I would guess my colleagues as well—are from somebody who is about to lose their home to foreclosure or who say my dad is homeless and we have been waiting on an answers from the VA on benefits that very well may enable him or her to make their mortgage payment or get off the street.

What process is in place that allows you to prioritize those claims in which, if you fail to provide the benefits, the veteran suffers dramatically?

Ms. HICKEY. Let me start, Senator Moran, with the last thing you mentioned which is how do we help our veterans who are in the most dire circumstances.

We actually prioritize them. When we hear words like terminally ill, we hear words like on the verge of homelessness, we hear words like former prisoner of war, we hear words like Medal of Honor recipient, we prioritize those above all other claims.

We routinely pull those out of the process and we raise those up and we do those quickly. So, I will start there by answering that question very clearly.

Second, I will tell you that everything in this plan did not originate at 1800 G Street over in VA. In fact, every one of the initiatives that are in this plan were pulled together by including the thoughts of our employees. Many of the initiatives are employee-generated initiatives. We could not do it without them.

We have industry partners who are part of the process of helping us think this through. We have had conversations with Federal agencies that have gone through this before. I was at the IRS yesterday—we have meetings with them frequently—talking about how they went paperless, what were the issues that they saw, how can we prevent those issues as we go paperless. It's the same with Social Security.

We have definitely partnered with our VHA partners in doing this; and I would just say, VHA enjoyed the benefit of resources that VBA did not until 3 or 4 years ago. We were not so high on the priority budget list. We have been now and—I am so appreciative of that over the last 4 years, but we were not prior to this. Certainly not on the IT priority list. We are now. That is a very positive thing.

But the last thing I really want to tell you is I leave today from this hearing and I go do what I have been doing for the last 4 months. I get on a call with staff in all of our regional offices who are in VBMS today, all the way down to bargaining unit employees, and I ask them to tell me the good, the bad, and the ugly.

We do it every week. I make every one of the program officers in there, all the IT people listening and these folks tell us like it is. When they do so, I take it, I task it, we get it fixed, and we get it done so that it gets better every single time.

The people who are making VBMS today better are not our IT friends. It is our subject matter experts in the field who are getting on the system going bang, bang, bang on the keys, saying if you did that thing for me I could go much faster.

They are doing that today by the bucket loads. I am so appreciative of getting that bargaining unit level employee's input into our process and make sure that I get it every single week. I do not miss that phone call.

Senator MORAN. Thank you, ma'am.

Chairman SANDERS. I thank you. You have stimulated interest, and there is a desire to ask you some more questions. So, we will go a second round.

Let me start that off by asking you something that I probably should have asked you at the very beginning. You know, we have talked about the 60-day requirement. We have talked about perhaps impediments in law.

The goal of everybody up here is to see the claims process move as rapidly and as accurately as possible—no difference of opinion.

If you were sitting here as a lawmaker, what changes would you make to help expedite the process, and say a few words. I know there are differences of opinion about the 60-day requirement and some of the VSOs have concerns about due process and so forth. Say a word about that but tell us what you would do up here in terms of law as to what we could do to expedite the process.

Ms. HICKEY. Thank you, Chairman Sanders.

First of all, I will tell you our appeals process today—I could take 100 days and shave it off tomorrow if I had a standard notice of disagreement form. I do not. Our veterans do not have a standard form to appeal to us with, one that has all the information we need in order to identify that appeal. Frankly, we do not even know it is an appeal and we lose 100 days in the process.

So, we have asked for a standard notice of disagreement appeal form. That is one way to cut the appeals process down. We have a new 526EZ form, which, by the way, is online to facilitate our online transmission like you do your taxes today. What the 526EZ form does is it takes the requirements for what has become a bit of a timeliness factor of back-and-forth mail, puts it right up front on the form and tells that veteran what we need from them in order to decide that claim.

This fulfills part of our due process, part of our VCAA requirement, and when we do it electronically, I am not sending letters back and forth and the veteran is not sending letters back and forth. It has the ability to cut out time.

If that were a mandatory form, that would be better for both the veteran and timeliness factors and it would be better for us to continue moving that claim.

The other thing I will tell you is we are looking at this issue—which today I know a lot about—our pension recipients. I know they are in some of the most dire circumstances because there is a means-tested environment.

I know when that pension veteran dies, today I am required by law to make that pension widow send me a claim and go back to the process to validate that pension. These are, for the most part, poverty-level widows that I ought to just be able to continue that pension, pay those pension widows at a very difficult time in their lives and then go back and audit them just to make sure that we are OK. I ought to have a period of time where I can do that. We are looking at that issue. I would need legislation to amend that issue.

Those are the kind of things we are thinking about. I have 78 percent of our veterans who are taking the GI Bill who tell me today, quit sending me the letter, just post it on eBenefits. I still have a requirement to send them a letter. That is cost. That is FTE. That is mail. That is ink. That is all the rest of those things.

Chairman SANDERS. I appreciate your comments and I suspect there is more that you are thinking about. I think this is an issue that we should explore together.

Let me just ask you another question. As I understand it, VBMS is today operational in 18 regional offices.

Ms. HICKEY. Twenty today.

Chairman SANDERS. Twenty regional offices, right. And your testimony indicates that it will be deployed to the remaining 38 offices this year.

Ms. HICKEY. We will have all 56 regional offices, yes, Chairman, on it by December of this year.

Chairman SANDERS. Given the problems that keep popping up, are you confident that you can make that expansion work well?

Ms. HICKEY. I am as of 28 January 2013. I believe I have a solid, not perfect, but a solid, dependable portal-to-decision system in place to be able to get more and more people on it, to be able to check it.

Now, with that system in place, if I run into a problem, I am going to slow down. I am going to be methodical, deliberate, and I have demonstrated I will. I did it last fall.

We were going to accelerate and put on those first ROs by a certain date. It had four major problems with it. I said, no, I will not deploy this until we get those four major problems fixed.

They did. They fixed them. They are gone out of the system; and as a result, we went ahead and moved forward and now I have 20 stations on. There will be another five next week. That is a solid system. Is it perfect? No. But our people will make it perfect.

Chairman SANDERS. All right. My time is expiring here but what I would appreciate receiving from you as soon as possible is a memo telling me the very specific ideas that you have as to how Congress can move forward in helping the VA expedite the process and improve accuracy. Is that something you can get me?

Ms. HICKEY. I can, Chairman.

Chairman SANDERS. OK. Thank you.

Ms. HICKEY. Thank you, Chairman.

Chairman SANDERS. Senator Burr.

Senator BURR. General Hickey, I sense a level of frustration with some of the questions we have asked, and I feel compelled to state to you that most of the questions deal with prior testimony, prior goals established by you or within the VA.

And I hope you do not take offense. I sense an obligation on the part of the Oversight Committee to track whether, in fact, you hit your goals and to fully explore if you do not what the reason was, to look at goals for next year, and to ask simple questions like what went into choosing that as a goal.

One of the goals that you have out there right now is that the backlog is going to disappear in 2015. What is the plan if it does not?

Ms. HICKEY. So, first, Senator Burr, I will apologize for my Irish heritage. Please do not interpret my hand-waving, pilot-talking excitement and energy around what we are doing right now as frustration; and I totally, totally understand and believe that you have oversight over what I do and hope to be very responsible to you in that regard.

So, my apologies for maybe perhaps projecting frustration. Not there. Not there at all with you. I will deliver for you as you need. But I have confidence that we will, in executing this plan, be better positioned for anything that happens. We have to do this. We cannot rely on the way we did things in the past.

Senator BURR. We have wished a lot of years in disability claims as we have seen the trend to go up, we have seen the productivity of FTEs go down as we have added FTEs. You have seen the charts. You know the numbers.

If the numbers are not right, again, I open up to you. Prove to me where I am wrong. I look at them. But if it does not work, what is the back-up plan?

What do we do in 2015 if, in fact, we still see a trend going up of disability claims backlog? What do we do then?

Ms. HICKEY. Senator Burr, you know one of my many jobs I had in my past life as an Air Force veteran was to help deploy quality management principles and practices and the idea that you never stop thinking you have got a perfect plan. You continue to look for ways in which to improve on what you have done.

We will continue. From this point forward, we are doing it today. We are not even resting on what is in the plan. We are looking and delving into ways we can add even greater and greater functionality to the system. We are looking for ways in which we can shave off issues relative to accuracy.

By the way, I would just like to tell you, we have actually this last year reversed a 4-year downward trend in our accuracy. We have increased our accuracy nationwide by almost 4 percentage points and we continue to do that by an investment that frankly is made in this plan, which is our new challenge training, which has resulted in people doing claims faster at a much higher quality level, as found by our quality review team people we have in the system.

Senator BURR. Let me stop you if I can and I commend the Chairman for asking for your suggestions in writing. I would remind you, we have asked every year for the legislative changes that need to be made to facilitate a faster, more accurate system and, to the best of my knowledge, this is the first time we have heard suggestions.

Hopefully, those are things that you are going to work out with the VSOs because, as the Chairman said, VSOs have a little problem with the 60-day wait for the due process. But we are willing to entertain legislative changes where there is consensus and where there is a belief that we can improve accuracy and timeliness.

Is there currently a hiring freeze on claims processors nationally?

Ms. HICKEY. Senator Burr, there is not a hiring freeze on claims processors, but I will tell you I am maxed out right now for my end stream. I have everybody in a seat.

Senator BURR. But there is not a directive at headquarters that there is a hiring freeze?

Ms. HICKEY. No.

Senator BURR. OK.

Mr. Chairman, I am going to end questions there, but I do want to loop back to something and it is something that Senator Begich stopped on.

I am not going to ask the question again. I am just going to state fact. I think that this Committee needs the performance metrics that you do not find on the dashboard and you do not get in the monthly report for us to do our oversight correctly. I can only speak for myself.

If we do not receive that, I will do everything I can to fence off headquarters money until the VA provides the Committee with that metrics performance. So, hopefully, take that back if, in fact, within the administration at VA that is a bit of information they do not want to share with us, then I will exercise the right of the Oversight Committee and the Authorizing Committee and I will work with appropriators to try to fence that off until we get it.

Thank you.

Chairman SANDERS. Senator Tester.

Senator TESTER. Thank you, Mr. Chairman.

I would just say I think we have got to be very specific on what we are asking for if we are going to ask them to take time to do it. That is all.

I think we need the information that we need to make our decisions and hold them accountable but it has got to be pretty specific what we are asking for and I do not mean to disagree in the least.

Senator BURR. I will assure my good friend from Montana that I will put it in writing. It will be very specific, and it was specific.

Senator TESTER. Metrics other than the dashboard; I think we need to be more specific than that.

Senator BURR. I think General Hickey knows exactly what I am asking for.

Senator TESTER. OK. That is good because I do not.

Ms. HICKEY. Senator Burr, I look forward to receiving your request with the ones that you are looking for.

Senator TESTER. OK. First of all, I appreciate your passion and I think the Ranking Member is correct. We have asked and I very much appreciate you stepping up to the plate and giving us some good, solid, and I think pretty sound suggestions on how we can eliminate some of the red tape, so I want to thank you for that.

I want to clarify a little bit on the Guard and Reserve medical records. Are they part of the guaranteed delivery from DOD to VA?

Ms. HICKEY. They are, but there are complications, Senator Tester, with that. I will tell you that I have recently met with all the adjutants general from all the States, including yours, as well as the National Guard Bureau leadership here just in the last couple of weeks to ask for their help in getting a hold of National Guard records in particular, and I hope to be meeting with the Reserve leadership soon to do the same.

The complication with National Guard records are that they have gone and served with units that are not in their States over the last decade of conflict in Iraq and Afghanistan.

So, finding those records in other units in other States, in other places becomes a very, very difficult task. What I will tell you is the request I made of the adjutants general—and I have already had five come forward and say you bet you I will do it—is for them

to stand up people who stayed active duty, if nothing else, and help us go dig and find records on claims that we have that are in the National Guard. I am very appreciative of the National Guard adjutants general standing up to that task.

Senator TESTER. Well, I think it is very, very important to get access to those records ASAP. These folks are being used as active military at this point in time.

Ms. HICKEY. I agree with you.

Senator TESTER. OK. You are familiar with Quick Start and VBMS discharge I would assume.

Ms. HICKEY. Yes, I am.

Senator TESTER. They have been described to me as pretty ineffective. In fact, if they do not use them, they tend to get their benefits quicker just going to the VA. Give me your assessment and if you have heard similar concerns.

Ms. HICKEY. Very frankly, Senator Tester, when we were doing the Agent Orange work and when we were taking 37 percent of our workforce out of the system, that was every bit of our search capability across the country including all of the day-one brokering centers. Those are our 13 resource centers out there that handle national level work.

All 13 of those were pointed at doing the Agent Orange *Nehmer* work. Therefore, what suffered in some respects, along with every other cohort of veterans, was our BDD and Quick Start work.

The better news: as of March last year, we redirected our day-one brokering centers as soon as they finished the veterans' Agent Orange claims, we redirected half of them toward BDD/Quick Start work. We have cut the inventory in half since doing that.

And then, when we finished the survivor claims in October, we redirected more capability to work on the BDD/Quick Start claims.

Senator TESTER. So, I got that. What you are saying is that the problem—because I am just trying to figure this out—the problem was not with the DOD, it was with the VA. And it was there because we gave you another job with the Agent Orange.

Ms. HICKEY. Probably complicated by both. We still had to get medical records. We still had to get TRICARE and contract medical records but was less complicated by DOD in that process than it was with us and the fact that we are doing Agent Orange work. It took 37 percent of our workforce.

Senator TESTER. OK. I got you.

We have heard conflicting feedback from the VA advocates and employees regarding the role out of VBMS. Given the dramatic implications on not only the veterans but their families and the VA as a whole, there has been feedback that says there should be an independent panel to take a peek at what is going on. That has been the recommendation of the DAV, in fact.

Do you think that would be appropriate, do you think that would be necessary, do you think it would be beneficial?

Ms. HICKEY. I actually use a lot of independent feedback right now for doing this and have a lot of independent folks that like to come look at us. In fact, I am going through another OIG look and another GAO look right now since their previous reports.

I also would say DAV and others have actually been very instrumental in helping us build the VBMS. We brought them in at the

requirements development portion of building the new paperless IT system. I depend heavily on all of our VSOs. I meet with them monthly and more frequently, if necessary. Frankly, I just took them down to Atlanta a month ago, and showed them the whole process end to end.

Senator TESTER. So, what you are saying is outside of the DAV you are already using independent IT experts to review VBMS and its plans and its progress and that kind of stuff.

Ms. HICKEY. I consider GAO and IG people fairly independent from VBA people and so I would say, yes. I have a fairly strong group of people keeping an eye on us and I think that one more set is not necessary at this time.

Senator TESTER. Do they have the expertise in IT?

Ms. HICKEY. I will defer to my colleague, Mr. Warren, on that issue.

Senator TESTER. Go ahead.

Mr. WARREN. I think to your question, does it make sense, is there value in inviting folks who know how to do the agile development methodology come in and look at what we are doing to make sure we are on the right path, makes sense.

We tried going down this path and we kept running into Federal Advisory Committee Act (FACA) in terms of how do you put advisory groups together. We have MITRE right now looking at the architecture, pulling in externals but finding a group, in the pure IT realm, because several times we have run into the oversight folks from the GAO and the IG not having the depth and knowledge necessary to truly understand what is agile, what is iterative.

So, there is an interest. We have been trying to pursue it. We've run into some roadblocks.

Senator TESTER. Thank you. And once again I want to thank you guys for your service. I appreciate the job you do.

Chairman SANDERS. Thank you, Senator Tester.

Senator Johanns.

**STATEMENT OF HON. MIKE JOHANNS,
U.S. SENATOR FROM NEBRASKA**

Senator JOHANNNS. Mr. Chairman, thank you for being here today. Let me, if I might, follow-up on Senator Tester's question about the oversight group because I, having sat in a position similar to yours, you know; there was always a willingness to put together an oversight group.

And as much as I value that, typically one of the things that I do not want to have happen is that, of course, with a new group everybody has to come up to speed. The group has to come up to speed, and we might be inadvertently actually slowing things down.

Do you have any thoughts on that?

Ms. HICKEY. Senator Johanns, thank you very much for that question.

It does suck up energy when we have to work with another group for them to come in and look at it. We do not mind doing that. That is part of the rule of oversight. We will do that.

But the very same people that are producing the data for how we are doing are the very same people that have to pull off that

task and now go and start working at gathering data and pulling data for new requirements that others need.

So, it is a burden. It is a necessary burden in life to ensure that you are doing a good job. So, we will continue to do that for OIG and GAO and our partners that you asked to do, but it is a burden.

Senator JOHANNNS. Yes. Let me ask you about the issue of the medical records with National Guard and, I guess, Reserve too, right? I note they are a part of the agreement. That would seem to be pretty straightforward. You provide medical records.

But having said that, it is obviously not very straightforward. I do not want to pull rank on anybody, but it seems to me if you really need help with freeing up medical records, let us know and we can also make that request. Now again, I am sure that makes you a little uncomfortable, that you are end running people that you are trying to work with. But with the challenges you are dead stalled, right, until you get medical records?

Ms. HICKEY. For the final decision, yes, Senator.

Senator JOHANNNS. Yes. Until that happens you cannot get to a final decision I would not think.

Ms. HICKEY. I can move the claim forward with the other kinds of evidence that I can gather, but I cannot make a decision on that claim; a rater cannot rate that claim until we have those medical records.

Senator JOHANNNS. Now, I am sure that is not the explanation to everything, obviously, but how many cases would be out there where you just simply need some medical records to move forward?

Ms. HICKEY. I will give you an example by looking at the claims that we are really focused on right now, which are our very oldest claims, our 2-year and older claims; and I will tell you for every five of them, three of them are waiting medical records.

Senator JOHANNNS. That gives us a pretty good insight into at least a piece of the problem and if we could somehow jar that loose and you could deal with those claims in an expeditious way, it seems to me we take a pretty sizable step forward in dealing with these issues.

Ms. HICKEY. It is a game changer, Senator.

Senator JOHANNNS. It would really be a game changer. The Chair asked you about a legislative approach. Again, I am guessing you are feeling uncomfortable, my goodness, I am trying to work with these people while somebody is pressing me about there being another strategy.

I am interested in knowing and I think the Committee would be interested to know, is there another strategy to try to break the logjam here, get you medical records, get these claims decided, and get these people the benefits they deserve?

Ms. HICKEY. So, to give credit to my DOD friends who are stepping forward with us through our joint governance bodies that have been working this issue, we recently made the decision between DOD and VA to do mandatory separation health exams.

What that gets us is huge. That gives us a comparison between when you came into service and when you separate. At the time that you joined the military, you went through what we call a MEPS station, and we went extremely deep on your medical status at that time.

We do the same thing with a really good, strong, in-depth separation health exam at the end of your service. We now know everything that is service-connected between the two.

DOD and VA have been working on that idea and we have the agreement now. We are digging in. The devil is in the details and we are working that issue inside of our governance structure process.

Senator JOHANNNS. Can you give us any kind of a sense of a timeline as to when you think you are going to work that intergovernmental process to a result?

Ms. HICKEY. Left to me, you know, the energy that you see that can sometimes be seen as frustration is also the energy you see on "get 'er done." So, we are pushing hard to "get 'er done."

Senator JOHANNNS. I would sure feel a lot more comfortable if there were some way you could look out there and say "get 'er done" means 12 months or 18 months or something else, because I think this is sizable. I think if there were a breakthrough, you would be back here a year from now saying I have got a great story to tell you.

Ms. HICKEY. Senator, we have one of these meetings coming up shortly. I will push to see if we cannot get some milestones in place.

Senator JOHANNNS. And we would love to hear about it.

Thank you, Mr. Chairman.

Chairman SANDERS. Thank you, Senator Johannns.

Senator Begich.

Senator BEGICH. Thank you very much, Mr. Chairman.

Let me follow up on that very good question by Senator Johannns. In one of your comments you said, "left to your own devices." Is there something we can do to help with other agencies or groups that you are working with?

Ms. HICKEY. Senator, there are two groups I would say will help us make this transformation. One is our private medical physicians who can now give us medical evidence for 71 of our 81 major body systems that they fill out on a form called a Disability Benefits Questionnaire. We shorten it to DBQ.

When they fill that out, those boxes are made to give us explicitly the data that we need to make a decision. Today our VHA doctors are giving us those forms, and have been since the inception, and we have received 1.5 million of them. That helps us to make that decision right the first time if it is filled out completely.

We have about 15,000 since we have initiated this with private medical physicians. Reaching out to the Nation's private doctors and asking them to help us take care of these veterans by doing DBQ's is another way to bring in the body of the Nation's help for these veterans.

The second thing I will tell you is actually in the veterans themselves. They can help us by bringing us the medical records they do have, by giving us copies of their DD-214, by filing online from this point forward, and then coming online and using our VSOs.

I actually think we will have better, higher quality claims if our veterans go to a VSO across the board for assistance in bringing us in a fully developed claim, bringing us in all of the evidence we need to make a decision on that claim.

Our VSOs are trained very well on how to do that. I rely on them across-the-board, not only our VSOs in national organizations, but our State and county service officers are involved and engaged in that as well.

Senator BEGICH. Very good. Let me ask you. Do you keep or can you develop—now that we are ending the second war that we have been engaged in the last 10 years, are you able to say over the next period of time, assuming certain growth rates in the Army and the Air Force and other services, what the VA numbers that you have to manage will be? Do you have such a document you could share with the Committee? Do you see?

Ms. HICKEY. Yes, I do.

Senator BEGICH. Can you project out and say, OK, by such-and-such a day we are going to be—

Ms. HICKEY. I do, Senator. I will tell you that I have rudimentary capability. I will not tell you I have a model akin to what the VHA has, but I am building it right now.

That is something we needed to do in VBA and we are doing it now. I will tell you what will drive VBA's workload that is different than the way VHA looks at it. VHA looks at it from a veteran who is utilizing medical care. I have to look at it from how many medical issues inside a claim will drive workload. And that is a shift.

Senator BEGICH. A given variable.

Ms. HICKEY. It is a different variable. Our World War II veterans filed maybe 20 percent of the time with one or two medical issues. Our Vietnam veterans filed three to four medical issues maybe 25–28 percent of the time.

Today's veteran is filing at a much higher rate and with many more medical conditions inside of their claim. Why? One, we have done outreach, phenomenal outreach over the last 4 years. In fact, the year before last we touched 269,000 veterans. This last year we touched 609,000 veterans to teach them about their benefits.

Senator BEGICH. Got you. Last question. When you mentioned the National Guard, you mentioned there are five States that have actually added personnel or done something internally to help amend your work. Is that what I heard?

Ms. HICKEY. This is a brand-new thing, less than a month old. They have agreed to try to help us by standing up that capability.

I will tell you one of the adjutants general that I believe does the best of this across the Nation—he is certainly held up by my personnel—is the Indiana TAG who has been helping us remarkably well already. I believe he sort of sets the bar.

Senator BEGICH. A good model.

Ms. HICKEY. A good model. He has people on the call, on the phone, ready to go look for that veteran's medical information, that veteran's personnel records to help us close on that claim.

Senator BEGICH. Is Alaska one of those five yet?

Ms. HICKEY. They are actually doing well in Alaska. I know we have a new regional office director over there for the last year and one-half. I am hearing very positive things about him from your State director.

Senator BEGICH. Very good.

Ms. HICKEY. I actually believe you will see Alaska's numbers looking very good this year compared to where they have been in the past.

Senator BEGICH. Very good. Let me end, Mr. Chairman, to say, you know, we love our veterans in Alaska. We have 77,000 veterans, one of the highest per capita in the Nation, and the VA does exceptional work. We have these challenges. You recognize that we have to continue to work through them.

I just want to thank you and your team and the many people who work on the front lines every day trying to deal with the huge demands that are increasing literally daily on your organization and other veterans' organizations.

So, thank you for your testimony. Thanks for suffering through some of our questions.

Ms. HICKEY. Thank you, Senator.

Chairman SANDERS. Senator Blumenthal.

**STATEMENT OF HON. RICHARD BLUMENTHAL,
U.S. SENATOR FROM CONNECTICUT**

Senator BLUMENTHAL. Thank you, Senator Sanders, and thank you for holding this hearing and thank you to our witnesses for your service to our Nation.

General Hickey, I have been following some of your testimony and I apologize if my questions may repeat some of what you have already said. But I would like to take a moment to focus on the "people" piece of the VBA's transformation efforts.

I have heard from some of the employees in Connecticut as to how they are evaluated in terms of claim processing, and many have said that they believe that the system actually values quantity over quality and accuracy. Accuracy obviously is an extraordinarily important part of what they do.

Their view about quantity over quality and accuracy seems to be inconsistent or contradictory to what you have shared so far with this panel today. So, I wonder if you could please expand on how the VBA evaluates its employees and incentivizes high performance.

Ms. HICKEY. Thank you, Senator Blumenthal. I will be happy to do that.

First and foremost, I would like to say, the 20,000 employees that work in VBA every day are absolutely committed to this mission in a way that is not driven by a job or a paycheck.

It is driven by the fact that 52 percent of them are veterans themselves; and when I go to ROs and I have been to 36 or 37 of them now—I've lost count—I talk to those employees and ask how many of them have a direct family member who is a veteran. Ninety-eight percent of the hands go up in the room.

That is why they do this job every day, and they come to work every day working hard to try to make a difference for our veterans and family members and survivors.

Here is what I will tell you. I have heard some of the same things that you have heard. I am trying to change it. It is a culture change. The way I am trying to change it is to have made bigger emphasis over the last year and a half on quality.

My message to everyone is, it is not an either/or decision. It is not production over quality but you also cannot spend forever doing one claim and not get it done fast enough.

So, that is why I made a serious investment in challenge training. We have totally redone the way in which we train our personnel and there are great results as a consequence of doing that challenge training.

In the past, basically you got taught somewhere between 1 and 6 months how to do it. You largely got a little curriculum and your buddy next door that taught you how they did their claims. That is how you got taught to do your claim.

Today we do not do that. We have a national curriculum built by award-winning people who know how to develop curriculum, that are trained to do that. There are pre-tests and post-tests. There is actual live claims development in the course. We check you at the 3-, 6-, 9-, and 12-month process to see how you are doing and how you are sustaining.

The results of many of those classes now are the following: if you are a new person who has gone through the challenge training, in the first 6 months you are capable of doing 150 percent more claims than your predecessors who did not go through challenge training at a 30 percent increase in accuracy, and I have data to support that.

The second thing I have done is I took 583 people who were doing claims off the line and I invested them into checking and improving the quality of those claims. They have been doing that under the name QRT, Quality Review Team, for the last year. They are inside the ROs. They are trained to the standards of our national quality team and they are managed and monitored at that level.

I believe we had too much of a "got you" in this area so what I asked those Quality Reviews Teams to do is take claims that are in process out of the place where we nationally have problems. You pull those claims. You find them. Where you see an error, you go to that person, that employee and they fix it now; it does not count against their performance.

It is a Mulligan, it is a do over. Fix it now. The benefit we get out of that is, one, it is not a "got you." So, employees do not feel this overwhelming pressure.

Two, it is a training moment. They are now learning how to do that right before they have gone three or four more months of doing it wrong. So, we have data that shows we have caught several areas and reversed those as a result of that.

The other thing that I will tell you that I have just done, and we have just finished all the work to make it so, is look at quality by individual medical issue. A veteran comes in to us in the way you all see, I think many people see us in the world as processing one claim. We do not do one claim. We do all the individual medical issues that are each treated as an individual claim.

Our people who are doing the claims, though, are not rated on how well they did all of those individual medical issues, which is where the real work is and where the real decisions happen. Instead, they are rated on the overall claim. It is a 100 percent up or down vote.

So, if you have, as we are receiving today, 16-medical issue claims and you do 15 of those 16 perfectly, and you miss it on the 16th, you are not given a 90 percent. You are given a zero.

But today I have changed the system. I am changing the rules to say, your quality as an employee will be rated on how you do individual medical issues, and then we will be able to have a better conversation. We will be able to look at your quality better according to where the real work happens at the medical issue level.

I will tell you the results. I know already since October I have 11 stations right now today that are at 98 percent quality when I look at it as a medical issue level quality.

I have half my stations at 95 percent quality when I look at them from the medical issue level. All of my stations but two are above 90 percent quality when I look at them from the medical issue level.

When I give you credit for the things you do right, but I get you to re-do the ones you do not, I grade you on the ones you do not.

That is what we are doing. That is what I am trying to do to really help our employees understand it is an "and" equation. It is production and quality, and we are building rules into the VBMS that help them with that. We are building calculators that help them with that, all to drive their quality higher.

Senator BLUMENTHAL. I appreciate that answer, which was excellent. It actually answered some of my follow-up questions. But I want to, if I may, Mr. Chairman, ask one more quick question. Or, maybe I will submit it for the record. It concerns the transition from two separate electronic medical systems to a single one. I know there have been questions about it before, and maybe I can follow up, Mr. Chairman, with questions submitted in writing.

Chairman SANDERS. Absolutely.

Senator BLUMENTHAL. Thank you.

Ms. HICKEY. Thank you, Senator.

Chairman SANDERS. Well, this brings our testimony to a close. General Hickey and your staff there, this issue I think you have heard from everybody up here is the major issue concerning the veterans' organizations and veterans throughout this country and this Committee.

So, we are going to monitor what you do very, very closely. But we are not going to do only that. We need your ideas, as I indicated earlier, and your advice as to how legislatively and in other ways we can be effective in expediting the process and improving accuracy. It is an effort that we are going to have to work together on. I look forward to doing that.

Last, my wife is Irish. Your emotionalism does not make me nervous. You have not thrown anything at me yet. So, thank you very much for the hard work and the focus you are giving to the issue. Thank you very much.

Ms. HICKEY. Thank you.

Chairman SANDERS. We will now hear from our next panel. Let me thank our panelists for being here. I want to welcome Daniel Bertoni, who is the Director of Education, Workforce, and Income Security for the Government Accountability Office, the GAO.

Following Mr. Bertoni is Joseph Thompson. Mr. Thompson formally served as the Under Secretary for Benefits at the Depart-

ment of Veterans Affairs and currently serves as Project Director with the National Academy of Public Administration.

Following Mr. Thompson we have Bart Stichman—I hope I am pronouncing that correctly—who is the Joint Executive Director of the National Veterans Legal Services Program.

And certainly last but not least, we have Joe Violante, who does a great job as the National Legislative Director for the DAV, the Disabled American Veterans.

Thank you all very much for being with us. Mr. Bertoni if you could begin.

STATEMENT OF DANIEL BERTONI, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. BERTONI. Mr. Chairman, Ranking Member Burr, Members of the Committee, good morning.

I am pleased to discuss the Department of Veterans Affairs disability compensation claims process which paid over \$39 billion in benefits to over 3 million veterans last year.

For years, VA's disability process has been the subject of concern to many due to long waits for decisions and large numbers of pending claims. Moreover, since 2009, VA's backlogs of claims has more than tripled to nearly 600,000.

My statement today is based on our December 2012 report and discusses factors contributing to the lengthy claims and appeals processing and the status of VA's efforts to improve service delivery.

In summary, we found that rising workloads along with program rules and inefficient processes have contributed to lengthy processing times. As the population of new veterans has swelled in recent years, the number of claims received by VBA increased 29 percent over 2009 levels.

These claims generally have a high number of disabling conditions and often involving impairments which make their assessment more complex.

Moreover, due to new regulations establishing benefit eligibility for new diseases associated with Agent Orange exposure, VBA diverted substantial staff resources from 2010 to 2012 to adjudicate 260,000 additional claims, further exasperating workloads and challenging its ability to make timely decisions for all claims.

Issues with design and implementation of the program have also contributed to timeliness challenges. For example, the law requires VA to assist veterans in obtaining all relevant records from both public and private sources. However, delays in obtaining military records, especially for Guard and Reserve, and Social Security Administration medical records have impacted the timeliness of decisions.

Program rules require steps to consider all evidence submitted even if it is provided very late in the process, possibly delaying a decision for several months.

Further, VBA's paper-based claims processing system involves multiple handoffs which can lead to misplaced and lost documents and cause unnecessary delays. As a result, the evidence gathering

phase alone of VBA's claims process took an average 157 days last year.

VBA has a number of initiatives under way to improve the timeliness of claims and appeals processing, although prospects for improvement are uncertain. This includes using contractors to assist with evidence gathering for nearly 300,000 claims and shifting workloads from regional offices with large backlogs to 13 specialized processing centers.

VBA is also modifying certain procedures to speed decision-making. For example, veterans can now receive expedited processing for submitting claims that are certified as having all required evidence. However, to-date very few veterans have elected this option.

To decrease the time it takes to gather medical evidence, VBA is also using contractors to obtain medical records from private physicians and encouraging the use of standardized forms for submitting information. However, results to date have been mixed.

The agency has also redesigned its claims process model whereby specialized teams triage and process claims based on complexity. As of December 2012, VBA had implemented this initiative at 51 regional offices.

Finally, the agency is developing a paperless claims processing system which will ultimately allow staff electronic access to claims and supporting evidence.

However, at the time of our review, the system was not ready for national deployment due to a number of software and performance issues. Despite these challenges VBA still intends to fully implement the system by the end of calendar year 2013.

In conclusion, we have noted that VA's efforts to improve the disability claims process should be driven by a comprehensive plan. However, when we reviewed the documents, we found that they fell short of established criteria.

Specifically VBA could not provide us with a robust plan that tied together its many varied initiatives, their interrelationships, and the subsequent impact on claims and appeals processing.

We also noted that absent such a plan to manage and evaluate the effectiveness of its efforts, the agency risks spending limited resources on initiatives that may not sufficiently expedite disability claims process.

Subsequent to our report and recommendations, the agency published an ambitious plan to eliminate the compensation claims backlog in 2015. While this plan includes additional performance metrics and a discussion of implementation of risks, it still falls short in the areas of performance measurement, risk mitigation, and some key assumptions.

Mr. Chairman, this concludes my statement. I am happy to answer any questions that you or other Members of the Committee may have.

Thank you.

[The prepared statement of Mr. Bertoni follows:]

PREPARED STATEMENT OF STATEMENT OF DANIEL BERTONI, DIRECTOR EDUCATION,
WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GOVERNMENT ACCOUNTABILITY
OFFICE

United States Government Accountability Office

GAO

Testimony Before the Committee on
Veterans' Affairs, U.S. Senate

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VETERANS' DISABILITY BENEFITS

Challenges to Timely Processing Persist

Statement of Daniel Bertoni, Director
Education, Workforce, and Income Security Issues





United States Government Accountability Office
Washington, DC 20548

Chairman Sanders, Ranking Member Burr, and Members of the Committee:

I am pleased to discuss the Department of Veterans Affairs' (VA) disability benefits program, which provides monetary support to veterans with disabling conditions that were incurred or aggravated during military service. In fiscal year 2013, VA estimates it will provide \$59.6 billion in compensation benefits to 3.98 million veterans and their families.¹ For years, the disability claims process has been the subject of concern and attention by VA, Congress, and Veterans Service Organizations (VSO), due in part to long waits for decisions and the large number of pending claims. For example, the average length of time to complete a claim increased from 161 days in fiscal year 2009 to 260 days in fiscal year 2012.² Moreover, VA's backlog of claims—defined as claims awaiting a decision for over 125 days—has more than tripled since September 2009. In August 2012, approximately two-thirds of the 568,043 compensation rating claims—which include pension and disability rating claims—were backlogged.³ In addition, timeliness of appeals processing at VA regional offices has also slowed by 56 percent over the last several years.

My remarks are based on a GAO report released on December 21, 2012, titled *Veterans' Disability Benefits: Timely Processing Remains a Daunting Challenge*, and, also include information updated to reflect the status of improvement efforts. My testimony focuses on (1) factors that contribute to lengthy disability claims and appeals processing times at VA regional offices and (2) status of the Veterans Benefits Administration's (VBA) recent improvement efforts. To conduct this work, we reviewed relevant federal laws and regulations, court decisions, VBA policy manuals, and training materials. We also reviewed past GAO and VA Office of Inspector General (OIG) reports and VBA studies, evaluations relevant to claims and appeals processing at VBA regional offices, and interviewed VBA central office officials and VSO representatives who assist veterans with their claims and appeals. We also met with staff from

¹Compensation benefits include disability benefits as well as other benefits, such as clothing allowance, and special allowance for dependents.

²From the beginning of fiscal year 2012 through August 2012, the average number of days it took VA to complete a claim was 260 days.

³VBA does not report out on disability rating compensation claims separately.

five VA regional offices—Atlanta, Georgia; Houston, Texas; Los Angeles, California; New York, New York; and Philadelphia, Pennsylvania. We selected offices based on size of metropolitan area, claims workload, and timeliness of claims and appeals processing. Our work was performed in accordance with generally accepted government auditing standards.

In summary, we found a number of factors—both external and internal to VBA—have contributed to the increase in processing times and subsequent growth in the backlog of veterans' disability compensation claims. For example, the number of claims received by VBA has increased as the population of new veterans has swelled in recent years. Moreover, due to new regulations that established eligibility for benefits for new diseases associated with Agent Orange exposure, VBA adjudicated 260,000 previously denied and new claims for related impairments. Beyond these external factors, issues with the design and implementation of the program have also contributed to timeliness challenges. For example, the law requires VA to assist veterans in obtaining records that support their claim. However, VBA officials said that delays in obtaining military records—particularly for members of the National Guard and Reserve—and Social Security Administration (SSA) medical records impact VA's duty to assist, possibly delaying a decision on a veteran's disability claim. Further, VBA's paper-based claims processing system involves multiple hand-offs, which can lead to misplaced and lost documents and cause unnecessary delays. Concerning timeliness of appeals, VBA regional offices have in recent years shifted resources away from appeals and towards claims, which has led to lengthy appeals timeframes.

VBA has a number of initiatives underway to improve the timeliness of claims and appeals processing. Such efforts include leveraging VBA staff and contractors to manage workload, modifying and streamlining procedures, improving records acquisition, and redesigning the claims and appeals processes. According to VBA officials, these efforts will help VA process all veterans' claims within VA's stated target goal of 125 days by 2015. However, the extent to which VA is positioned to meet its ambitious processing timeliness goal remains uncertain. VBA provided us with several planning documents, but, at the time of our review, could not provide us with a plan that met established criteria for sound planning, such as articulating performance measures for each initiative, including their intended impact on the claims backlog. We have recommended that VBA (1) partner with military officials to reduce timeframes to gather records from National Guard and Reserve sources, (2) work with SSA to reduce timeframes to gather SSA medical records, and (3) develop a

robust plan for its improvement initiatives that identifies performance goals that include the impact of individual initiatives on processing timeliness. VA generally agreed with our conclusions and concurred with our recommendations, and identified efforts that it has planned or underway to address them.

Background

VA's disability compensation claims process starts when a veteran submits a claim to VA (see fig. 1). A claim folder is created at 1 of VA's 57 regional offices, and a Veterans Service Representative (VSR) then reviews the claim and helps the veteran gather the relevant evidence needed to evaluate the claim. Such evidence includes the veteran's military service records, medical examinations, and treatment records from Veterans Health Administration (VHA) medical facilities and private medical service providers. Also, if necessary to provide support to substantiate the claim, VA will provide a medical examination for the veteran. Once VBA has gathered the supporting evidence, a Rating Veterans Service Representative (RVSR)—who typically has more experience at VBA than a VSR—evaluates the claim and determines whether the veteran is eligible for benefits. If so, the RVSR assigns a percentage rating.⁴ A veteran may subsequently reopen a claim to request an increase in disability compensation from VA if, for example, a service-connected disability worsens or a new disability arises.

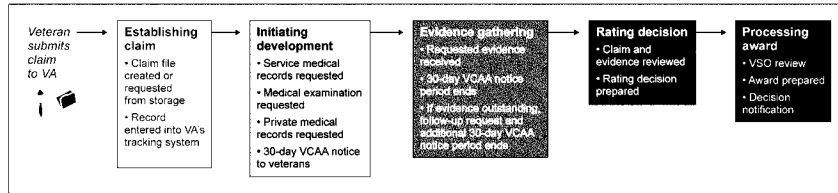
If the veteran disagrees with VA's decision regarding a claim, he or she can submit a written Notice of Disagreement to the regional office handling the claim.⁵ In response to such a notice, VBA reviews the case and provides the veteran with a written explanation of the decision—known as a Statement of the Case—if VBA does not grant all appealed

⁴VA's ratings are awarded in 10 percent increments, from 0 to 100 percent. 38 U.S.C. § 1155. Generally, VA does not pay disability compensation for disabilities rated at 0 percent. As of December 2012, basic monthly payments ranged from \$129 for a veteran with 10 percent disability and no dependents to \$3,340 for a veteran with 100 percent disability and a spouse, two parents, and a child.

⁵38 U.S.C. § 7105. A Notice of Disagreement is a written communication that a claimant uses to express disagreement with a decision.

issues.⁶ If the veteran further disagrees with the decision, he or she may appeal to the Board of Veterans' Appeals (the Board) which conducts a hearing at the veteran's request, then grants benefits, denies the appeal, or returns the case to VBA to obtain additional evidence necessary to decide the claim. If the veteran is dissatisfied with the Board's decision, he or she may appeal, in succession, to the U.S. Court of Appeals for Veterans Claims, to the Court of Appeals for the Federal Circuit, and finally to the Supreme Court of the United States.⁷

Figure 1: Overview of VA's Disability Claims Process



Source: GAO analysis of VBA procedures

Note: The Veterans Claims Assistance Act of 2000 (VCAA) requires VA to notify veterans of the information necessary to evaluate a claim. If the veteran does not respond to this notice within 30 days, VA may make a decision on the claim based on the information and evidence in the file at that time.

In recent years, VA compensation claims processing timeframes have increased. Specifically, the average days pending increased from 116 days in fiscal year 2009 to 254 days in fiscal year 2012.⁸ During the same

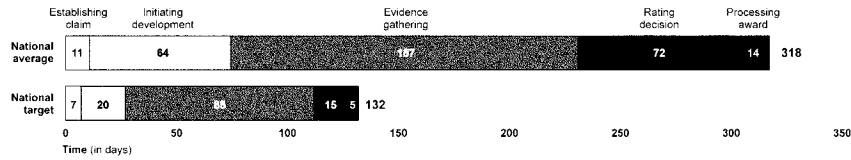
⁶If VBA grants some, but not all, of the issues in an appeal or if the grant is less than the maximum allowable benefit for the issues under appeal, VBA must send a written explanation of the reasons for the decision. VBA is also obligated to send a letter explaining the decision in cases where the veteran's appeal includes a request to be rated at a specific percentage, but VBA has decided to grant the appeal at less than that requested percentage.

⁷38 U.S.C. §§ 7252 and 7292.

⁸VA's average days pending metric is calculated fiscal year-to-date; therefore, it took 254 days on average to complete a claim once received through the first 11 months of fiscal year 2012—October 2011 through August 2012. VBA calculates the average days pending for a fiscal year on the last day of the year and for the month on the last day of every month.

time period, the average days to complete increased from 161 to 260 days.⁹ VBA also collects data on the timeliness of the different phases of the claims process, which is used to identify trends and bottlenecks throughout the process. In fiscal year 2011, each phase took longer on average than its stated agency timeliness target (see fig. 2). In fiscal year 2011, the national averages for the initiating development, gathering evidence, and rating decision phases were 64, 72, and 57 days, respectively, over their timeliness targets.

Figure 2: Timeliness of Phases in VA's Claims Process for Fiscal Year 2011



Source: GAO analysis of VBA data.

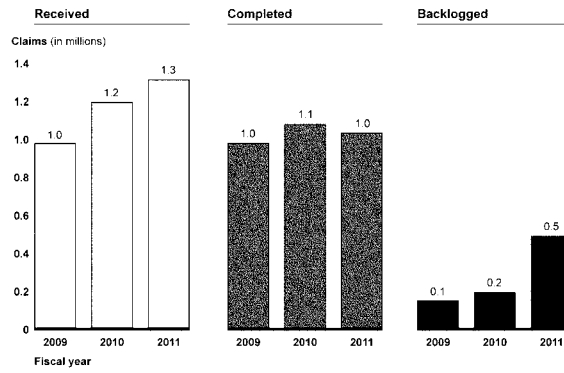
Note: While VBA's stated goals are to process all claims within 125 days by fiscal year 2015, VBA established targets for each phase in the claims process for fiscal year 2011 that collectively add up to 132 days.

Rising Workloads, along with Program Rules, Record Gathering, and Inefficient Processes, Contribute to Lengthy Processing Time Frames

In recent years, VA's claims processing production has not kept pace with the substantial increase in incoming claims. In fiscal year 2011, VA completed over 1 million compensation rating claims, a 6 percent increase from fiscal year 2009. However, the number of VA compensation rating claims received had grown 29 percent—from 1,013,712 in fiscal year 2009 to 1,311,091 in fiscal year 2011 (see fig. 3). As a result, the number of backlogged claims—defined as those claims awaiting a decision for more than 125 days—has increased substantially since 2009. As of August 2012, VA had 856,092 pending compensation rating claims, of which 568,043 (66 percent) were considered backlogged.

⁹The average days to complete metric measures the average processing time for claims completed within a given time period.

Figure 3: VA Compensation Rating Claims Received, Completed, and Backlogged, Fiscal Years 2009 to 2011



Source: GAO analysis of VBA data.

One factor that contributed to the substantial increase in claims received was the commencement in October 2010 of VBA's adjudication of 260,000 previously denied and new claims when a presumptive service

connection was established for three additional Agent Orange diseases.¹⁰ VBA gave these claims a high priority and assigned experienced claims staff to process and track them. VBA officials said that 37 percent of its claims processing resources nationally were devoted to adjudicating Agent Orange claims from October 2010 to March 2012. VBA officials in one regional office we spoke to said that all claims processing staff were assigned solely to developing and rating Agent Orange claims for 4 months in 2011, and that no other new and pending claims in the regional office's inventory were processed during that time. Also during this time period, special VBA teams—known as brokering centers—which previously accepted claims and appeals from regional offices experiencing processing delays, were devoted exclusively to processing Agent Orange claims. According to VBA, other factors that contributed to the growing number of claims include an increase in the number of veterans from the military downsizing after 10 years of conflict in Iraq and Afghanistan, improved outreach activities and transition services to servicemembers and veterans, and difficult financial conditions for veterans during the economic downturn.

Similar to claims processing, VA regional office appeals processing has not kept pace with incoming appeals received. For example, in fiscal year 2012, VA received 121,786 Notices of Disagreement. However, the number of Statements of the Case that were processed by VBA was only 76,685. As a result, the number of Notice of Disagreements awaiting a

¹⁰VBA was required to adjudicate these claims as a result of requirements related to the Nehmer litigation. *Nehmer v. U.S. Department of Veterans Affairs*, Civ. Action No. 86-6160 (N.D. Cal.). In the preamble to a proposed rule amending its claim adjudication regulations (75 Fed. Reg. 14,391 (March 25, 2010)), VA summarized the Nehmer litigation generally as follows: this litigation was initiated in 1986 to challenge a VA regulation, which has since been rescinded, that limited the diseases shown to be associated with herbicide exposure. In an order issued May 3, 1989, the court invalidated the portion of the regulation that limits diseases associated with herbicide exposure and voided all VA decisions denying benefit claims under that portion of the regulation. *Nehmer v. United States Veterans Administration*, 712 F. Supp. 1404 (N. D. Cal. 1989). Pursuant to a stipulation agreed to by the parties, VA must provide for readjudication of class members' claims and payment of retroactive benefits whenever VA identifies a new disease that is associated with herbicide exposure and adds a new disease to its regulatory list. In addition, pursuant to the Agent Orange Act of 1991, VA is required to issue new regulations establishing additional presumptions of service connection for diseases that the Secretary finds to be associated with exposure to an herbicide agent. 38 U.S.C. § 1116(b). Accordingly, VA amended its adjudication regulations in August 2010 to establish presumptive service connection for ischemic heart disease, Parkinson's disease, as well as hairy cell leukemia and other chronic B-cell leukemias. 75 Fed. Reg. 53,202 (August 31, 2010).

decision grew 76 percent from fiscal years 2009 to 2012 and, during that period, the time it took VA to process a Statement of the Case increased 57 percent—from 293 days to 460 days on average.

According to VBA officials, staff shortages represent a primary reason that appeals timeliness at VA regional offices has worsened. For example, VBA officials at each of the five regional offices we met with stated that over the last several years appeals staff have also had to train and mentor new staff, conduct quality reviews, as well as develop and rate disability claims to varying degrees. A 2012 VA OIG report noted that VA regional office managers did not assign enough staff to process appeals, diverted staff from processing appeals, and did not ensure that appeals staff acted on appeals promptly because, in part, they were assigned responsibilities to process initial claims, which were given higher priority.¹¹

According to VA officials, federal laws¹² and court decisions¹³ over the past decade have expanded veterans' entitlement to benefits but have also added requirements that can negatively affect claims processing times. For example, the Veterans Claims Assistance Act of 2000 (VCAA) added a requirement that VA assist a veteran who files a claim in obtaining evidence to substantiate the claim before making a decision.¹⁴ This requirement includes helping veterans obtain all relevant federal and

¹¹The VA OIG made several recommendations regarding appeals resources and processing steps to help VBA meet their appeals processing goals. VBA agreed with the VA OIG's findings and is conducting a pilot to assess the feasibility of addressing these recommendations. VA Office of Inspector General, *Veterans Benefits Administration: Audit of VA Regional Office's Appeals Management Processes*. (Washington D.C.: May 30, 2012).

¹²Veterans' Benefits Improvement Act of 2008, Pub. L. No. 110-389; Veterans' Benefits Improvement Act of 2004, Pub. L. No. 108-454; Veterans Benefits Act of 2003, Pub. L. No. 108-183; and Veterans Claims Assistance Act of 2000, Pub. L. No. 106-475.

¹³See, for example, *Haas v. Nicholson*, 20 Vet. App. 257 (2006); *Moody v. Principi*, 360 F.3d 1306 (Fed. Cir. 2004); *Szemraj v. Principi*, 357 F.3d 1370 (Fed. Cir. 2004); and *Disabled American Veterans v. Secretary of Veterans Affairs*, 327 F.3d 1339 (Fed. Cir. 2003).

¹⁴38 U.S.C. § 5103A(a)(1).

non-federal records.¹⁵ VA is required to continue trying to obtain federal records, such as VA medical records, military service records, and Social Security records, until they are either obtained or the associated federal entity indicates the records do not exist. VA may continue to process the claim and provide partial benefits to the veteran, but the claim cannot be completed until all relevant federal evidence is obtained.

Because VA must consider all evidence submitted throughout the claims and appeals process, if a veteran submits additional evidence or adds a condition to a claim late in the process it can require rework and may subsequently delay a decision, according to VBA central office officials. VBA officials at regional offices we spoke to said that submitting additional evidence may add months to the claims process. New evidence must first be reviewed to determine what additional action, if any, is required. Next, another notification letter must be sent to the veteran detailing the new evidence necessary to redevelop the claim. VA may also have to obtain additional records or order another medical examination before the claim can be rated and a decision made. Furthermore, while VA may continue to process the claim and provide partial benefits to the veteran, a claim is not considered "complete" until a decision is made on all submitted conditions. Moreover, a veteran has up to 1 year, from the notification of VA's decision, to submit additional evidence in support of the claim before the decision is considered final. Similarly, for an appeal, veterans may submit additional evidence at any time during the process. If the veteran submits additional evidence late in the process after VA completes a Statement of the Case, VA must review the new evidence, reconsider the appeal, and provide another written explanation of its decision—known as a Supplemental Statement of the

¹⁵VA will make reasonable efforts to obtain relevant records that are not in the custody of a federal department or agency, which can include records from state or local governments, private medical-care providers, current or former employers, and other non-federal governmental sources. Reasonable efforts generally consist of an initial request for the records, and, if the records are not received, at least one follow-up request 15 days later. A follow-up request is not required if a response to the initial request indicates that the records sought do not exist or that a follow-up request for the records would be futile. 38 C.F.R. § 3.159.

Case.¹⁶ Congress recently passed a law allowing VA to waive review of additional evidence submitted after the veteran has filed a substantive appeal and instead have the new evidence reviewed by the Board to expedite VA's process of certifying appeals to the Board.¹⁷

According to VBA officials, delays in obtaining military service and medical treatment records, particularly for National Guard and Reserve members, have significantly lengthened the evidence gathering phase. According to VBA officials, 43 percent of Global War on Terror veterans are National Guard and Reserve members. Department of Defense (DOD) guidance requires military staff to respond to VA requests for National Guard and Reserve records in support of VA disability compensation claims.¹⁸ However, VBA area directors and officials at all five regional offices we met with acknowledged that delays in obtaining these records are system-wide. Military records of National Guard or Reserve members can often be difficult to obtain, in particular, because these servicemembers typically have multiple, non-consecutive deployments with different units and their records may not always be held with their reserve units and may exist in multiple places. Moreover, according to VBA officials, National Guard and Reserve members may be treated by private providers between tours of active duty and VA may have to contact multiple military personnel and private medical providers

¹⁶A Supplemental Statement of the Case presents the appellant with changes or additions to the Statement of the Case. These changes and additions are usually based on additional evidence received after the issuance of the Statement of the Case, before or after receipt of a substantive appeal, or after a remand. VBA will issue a Supplemental Statement of the Case to the appellant when (1) the Statement of the Case or Supplemental Statement of the Case was prepared before receipt of additional evidence unless the evidence is duplicate or unrelated to the issue under appeal; (2) the new evidence does not result in a total grant of the issue under appeal; (3) the appellant appeared for a personal hearing; (4) an amended decision has been made, or (5) a material error is discovered in the Statement of the Case.

¹⁷The Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012, Pub. L. No. 112-154, § 501, 126 Stat. 1165, 1190. A claimant may request in writing that the VA regional office initially review the evidence.

¹⁸DOD Instruction 6040.45 states "In the case of the Reserve Component member who does not separate from Service, but applies or plans to apply for VA benefits, a copy of the STR [Service Treatment Record] shall be sent to the VARO [VA regional office] of jurisdiction in relation to the member's residence. The original service treatment record shall be maintained at their Permanent Duty Station, Reserve, or Guard unit as applicable."

to obtain all relevant records, potentially causing delays in the evidence gathering process.

Difficulties obtaining SSA medical records can also lengthen the evidence gathering phase. Although VBA regional office staff have direct access to SSA benefits payment histories, they do not have similar access to medical records held by SSA. If a veteran submits a disability claim and reports receiving SSA disability benefits, VA is required to help the veteran obtain relevant federal records, including certain SSA medical records, to process the claim. VBA's policy manual instructs claims staff to fax a request for medical information to SSA and if no reply is received, to wait 60 working days before sending a follow-up request. If a response is not received after 30 days, claims staff are instructed to send an email request to an SSA liaison. VBA officials at four of the five regional offices we reviewed told us that when following this protocol, they have had difficulty obtaining SSA medical records in a timely fashion. Moreover, they reported having no contact information for SSA, beyond the fax number, to help process their requests. In complying with VA's duty to assist requirement, VBA staff told us they continue trying to retrieve SSA records by sending follow-up fax requests until they receive the records or receive a response that the records do not exist. VBA area directors said some regional offices have established relationships with local SSA offices and have better results, but obtaining necessary SSA information has been an ongoing issue nationally. For example, officials at one regional office said a response from SSA regarding a medical records request can sometimes take more than a year to receive.

VBA's work processes, stemming mainly from its reliance on a paper-based claims system, can lead to misplaced or lost documents, and contribute to lengthy processing times. VBA officials at three of the five regional offices we met with noted that errors and delays in handling, reviewing, and routing incoming mail to the correct claim folder can delay the processing of a claim or cause rework. For example, VBA officials at one regional office said that claims may be stalled in the evidence gathering phase if mail that contains outstanding evidence is misplaced or lost. In addition, claims staff may rate a claim without knowledge of the additional evidence submitted and then, once the mail is routed to the claim folder, have to rerate the claim in light of the new evidence received. Furthermore, VBA officials told us that processing can also be delayed if mail staff are slow to record new claims or appeals into IT systems. As of August 2012, VBA took 43 days on average to record Notices of Disagreement in the appeals system—36 days longer than VBA's national target. VBA area directors said that mail processing

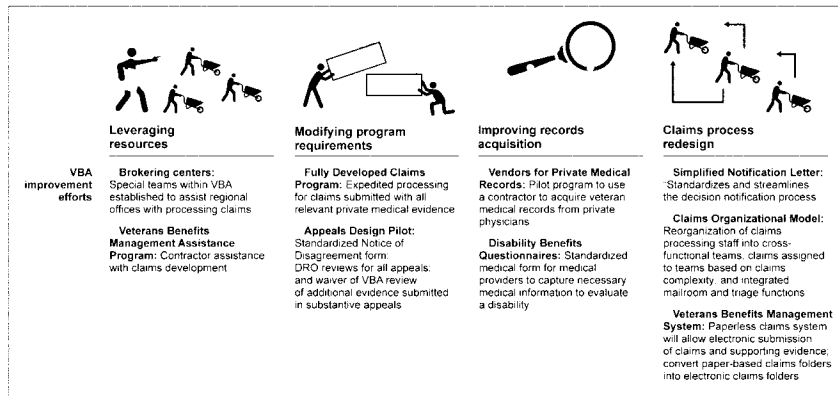
timeliness varies by regional office and that the more efficient offices in general do a better job of associating mail with the correct claims folder. VBA officials also said that moving physical claims folders among regional offices and medical providers contributes to lengthy processing times. According to a 2011 VA OIG report, processing delays occurred following medical examinations because staff could not match claims-related mail with the appropriate claim folders until the folders were returned from the VA Medical Center.¹⁹ In addition, processing halts while a claim folder is sent to another regional office or brokering center.

**VBA Is Taking Steps
to Improve Claims
and Appeals
Processing, but
Future Impact Is
Uncertain**

Based on a review of VA documents and interviews with VBA officials, we identified 15 efforts with a stated goal of improving claims and appeals timeliness. We selected 9 for further review—primarily based on interviews with VBA officials and a review of recent VA testimonies—that have the purpose of reducing disability claims and appeals processing times.

¹⁹VA Office of Inspector General, Systemic Issues Reported During Inspections at VA Regional Offices, (Washington D.C.: May 18, 2011).

Figure 4: Selected VBA Improvement Efforts



Source: GAO summary of VBA efforts.

VBA has several ongoing efforts to leverage internal and external resources to better manage its workload (see fig. 4). For example, VBA began the Veterans Benefits Management Assistance Program (VBMAP) in late fiscal year 2011 to obtain contractor support for evidence gathering for approximately 279,000 disability claims.²⁰ Under VBMAP, the contractor gathers evidence in support of a claim and then sends the claim file back to the originating regional office, which reviews the claim for completeness and quality and then assigns a rating. Contractor staff are required to complete their work within 135 days of receiving the file and provide VBA with status reports that include several measures of timeliness, including the time it took to receive medical evidence from providers and to return a claim to VBA for rating.²¹ As of June 2012, VBA

²⁰To implement VBMAP, VBA has contracted with ACS Federal Solutions to conduct evidence gathering for VBA claims, among other tasks, through a one-time, 12-month professional services contract using funds from the fiscal year 2011 VA budget.

²¹The contractor is required to complete all claims requesting an increase in existing disability benefits within 120 days of receipt.

regional offices we spoke with were awaiting the first batch of claims that were to be sent to the contractors.

To help speed up the claims and appeals processes, VBA also has several efforts that modify program requirements or change procedures (see fig. 4). The Fully Developed Claims (FDC) program began as a pilot in December 2008 and was implemented nationwide in June 2010. Normally, once a veteran submits a claim, VBA will review the claim and then send the veteran a letter detailing additional evidence required to support it. The FDC program eliminates this step because the required notification is provided to the veteran directly on the FDC form, thus reducing the time VBA would normally spend gathering evidence for the veteran. In exchange for expedited processing, veterans participating in the FDC program send VBA any relevant private medical evidence with the claim and certify that they have no additional evidence to provide. According to VBA officials, in the first 2 years of the program, VBA processed 33,001 FDC claims, taking an average of about 98 days to complete—8 days longer than the goal of 90 days for these claims. However, as of July 2012, veteran participation in the FDC program had been low—only 4 percent of all compensation rating claims submitted in 2012.

The Claims Organizational Model initiative is aimed at streamlining the overall claims process (see fig. 4).²² For this initiative, VBA created specialized teams that process claims based on their complexity. Specifically, an “express team” processes claims with a limited number of conditions or issues; a “special operations” team processes highly complex claims, such as former prisoners of war or traumatic brain injury cases; and a core team works all other claims. Each of these teams is staffed with both development and ratings staff, which VBA believes will lead to better coordination and knowledge-sharing. Under this model, VBA also redesigned the procedures that mailrooms use to sort and process incoming claims. As of December 2012, VBA had implemented the initiative at 51 regional offices.²³ According to VA, the remaining

²²We use “the Claims Organization Model” to refer to VBA’s organization model which reorganizes claims processing staff into cross-functional teams using segmented processing lanes.

²³VA first commenced a pilot in three regional offices in March 2012.

regional offices will be transitioned to the Claims Organizational Model by the second quarter of fiscal year 2013.

In 2010, VBA began to develop the Veterans Benefits Management System (VBMS), a paperless claims processing system that is intended to help streamline the claims process and reduce processing times (see fig. 4). According to VBA officials, VBMS is intended to convert existing paper-based claims folders into electronic claims folders and allow VBA employees electronic access to claims and evidence. Once completed, VBMS is also expected to allow veterans, physicians, and other external parties to submit claims and supporting evidence electronically. In August 2012, VA officials told us that VBMS was still not ready for national deployment, citing delays in scanning claims folders into VBMS as well as other software performance issues. A recent VA OIG report also concluded that VBMS has experienced some performance issues and the scanning and digitization of claims lacked a detailed plan.²⁴ However, according to VA, as of December 2012, 18 regional offices were piloting VBMS and all regional offices are expected to implement VBMS by the end of calendar year 2013.

We have noted that VA's ongoing efforts should be driven by a robust, comprehensive plan; however when we reviewed VBA's plan documents, we found that they fell short of established criteria for sound planning.²⁵ Specifically, VBA provided us with several documents, including a PowerPoint presentation and a matrix that provided a high-level overview of over 40 initiatives, but, at the time of our review, could not provide us with a robust plan that tied together the group of initiatives, their inter-relationships, and subsequent impact on claims and appeals processing times. Although there is no established set of requirements for all plans, components of sound planning are important because they define what

²⁴VA Office of Inspector General, Office of Audits and Evaluations, Veterans Benefits Administration Review of Transition to a Paperless Claims Processing Environment, (Washington D.C.: February 4, 2013).

²⁵Past GAO reports have identified best practices in planning. A results-oriented plan to achieve established goals should include (1) purpose, scope, and methodology; (2) problem definition and risk assessment; (3) goals, subordinate objectives, activities, and performance measures; (4) resources, investments, and risk management; (5) organizational roles, responsibilities, and coordination; and (6) integration. See GAO, *Social Security Disability: Additional Performance Measures and Better Cost Estimates Could Help Improve SSA's Efforts to Eliminate Its Hearings Backlog*, GAO-09-398 (Washington, D.C.: September 9, 2009).

organizations seek to accomplish, identify specific activities to obtain desired results, and provide tools to help ensure accountability and mitigate risks.

Implementation of Recommendations Could Help Improve Evidence Gathering and Ensure Better Strategic Management of Improvement Initiatives

In our December 2012 report, we recommended that VBA seek improvements for partnering with relevant federal and state military officials to reduce the time it takes to gather military service records from National Guard and Reserve sources. We also recommended that VBA develop improvements for partnering with Social Security Administration officials to reduce the time it takes to gather medical records. Lastly, we recommended that VBA develop a robust backlog reduction plan for its initiatives that, among other best practice elements, identifies implementation risks and strategies to address them and performance goals that incorporate the impact of individual initiatives on processing timeliness.

VA generally agreed with our conclusions and concurred with our recommendations, and summarized efforts that are planned or underway to address them. For example, VA stated it has recently initiated several interagency efforts to the timeliness of record exchanges between VBA and DOD. In addition, VA stated that it is working with SSA to pilot a web-based tool to provide VA staff a secure, direct communication with SSA and to automate VA's requests for SSA medical records. VA also agreed with our recommendation to develop a robust backlog plan for VBA's initiatives and, subsequent to our report, published the *Department of Veterans Affairs (VA) Strategic Plan to Eliminate the Compensation Claims Backlog*. This plan includes implementation risks and performance metrics used to track the cumulative effect of its initiatives on processing times but still lacks individual performance goals and metrics for all initiatives.

In conclusion, for years, VA's disability claims and appeals processes have received considerable attention as VA has struggled to process disability compensation claims in a timely fashion. Despite this attention, VA continues to wrestle with several ongoing challenges—some of which VA has little or no control over—that contribute to lengthy processing timeframes. For instance, the number and complexity of VA claims received has increased. VBA is currently taking steps to improve the timeliness of claims and appeals processing; however, prospects for improvement remain uncertain because timely processing remains a daunting challenge.

Chairman Sanders, Ranking Member Burr, and Members of the Committee, this concludes my prepared statement. I am pleased to answer any questions you may have.

Contacts and Staff Acknowledgments

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Chairman SANDERS. Mr. Bertoni, thanks very much.
Mr. Thompson.

STATEMENT OF JOSEPH THOMPSON, PROJECT DIRECTOR, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION AND FORMER UNDER SECRETARY FOR BENEFITS, U.S. DEPARTMENT OF VETERANS AFFAIRS

Mr. THOMPSON. Thank you, Mr. Chairman and Members of the Committee. I appreciate the opportunity to testify for the National Academy of Public Administration regarding VBA's efforts to transform its claims process.

Chartered by Congress, the Academy is an independent, non-profit, and non-partisan organization dedicated to helping government leaders address today's most critical and complex challenges.

The Academy has had the privilege of working with VA over the last several years on a number of serious issues. The VBA has embarked on an important effort to automate and improve its claims processing, and the Academy believes the agency is taking some positive steps to accomplish this.

However, its ability to get the job done will depend on the successful adoption of change management practices, some of which are discussed in my written testimony.

Deciding veterans disability claims has always been a complex and time-consuming task. In the post-9/11 world, VBA has faced major workload issues which everyone in this room is familiar with.

VBA's total claims processing capabilities have grown significantly frankly from the time I was there until today. Unfortunately, the claims work has grown even faster. I would like to try to discuss some of the approaches VBA has taken to the backlogs and the Academy's look at that.

The plan identifies strategies in three major areas: people; process; and technology. Those are, in fact, the key levers of organizational change. The Academy believes this is a fundamentally sound approach and offers a number of suggestions in the written testimony of the Committee and for VBA to consider concerning potential implementation issues.

Strategic plans are important but, as the saying goes, no battle plan survives contact with the enemy. It would be surprising if there was not some important upcoming development that fundamentally reshapes the veterans' claims processing environment.

Because of this, resiliency and adaptability may, in fact, be the most important organizational characteristics VBA will need to prevail in its change efforts. Let me also say that the breadth and scope of the change that is underway is massive and we know the agency is moving heaven and earth to implement these changes.

There are, however, a number of cautionary notes that the Academy would sound that are offered for consideration regarding the transformation process.

One, the agency does not appear to have much, if any, surge capacity, that is, the ability to bring resources to bear if circumstances require it. There is just no slack in the system and we think that is a dangerous situation.

Second, the technological advances are the key, in the Academy's opinion, to VBA's future. Having digital claims records, using a rules-based claims systems, exchanging information electronically, these changes will ultimately transform the operation.

However, technological changes not only have an enormous potential to make claims processing better in the long run, they also have an even greater chance of making claims processing more difficult in the short run.

This is typically what happens in large information technology implementation efforts. It goes on throughout the Federal Government. Glitches are the norm and time, serious amounts of time are spent fixing them.

Some of the development difficulties with VBMS we believe are evidence of that. The performance targets set for 2015 such as the elimination of 700,000 claims and the backlog and making decisions at a 98 percent accuracy rate are indeed stretch goals.

In order to accomplish them, every initiative will have to have worked precisely as planned, but as I noted that is not the norm for these types of efforts.

Managing large-scale change, coupled with high workload, is a balancing act; and given the extreme amount of work in the pipeline and the comprehensiveness of the plan changes, it is practically challenging for VBA.

Good communications with the people implementing these changes are critical—I was glad to hear of the Under Secretary's efforts in that area—to understanding its impacts, as is taking the time to assess and continually reassess the actual impacts in real time. This should lead to making adjustments and accommodations to the plans. [Laughter.]

Just make sure you do not overwhelm your own people with the changes. All of this, again, speaks to the need for fragility and adaptability.

In closing, Mr. Chairman, let me state the Academy believes VBA has taken important steps to bring about the fundamental change everyone seeks.

However, the volume of work currently sitting in regional offices combined with the extent of the changes underway make achieving success no sure thing. To be successful, VBA will need to manage this change with great care and will need everyone's support, including Congress, the Administration, the VSOs, in making sure that veterans and their families get the help they need in the manner they deserve.

Mr. Chairman, that concludes my opening statement. I will be pleased to answer any questions you or the Committee may have.

[The prepared statement of Mr. Thompson follows:]

PREPARED STATEMENT OF JOSEPH THOMPSON, PROJECT DIRECTOR, NATIONAL
ACADEMY OF PUBLIC ADMINISTRATION

Mr. Chairman, Ranking Member Burr, and Members of the Committee, I appreciate the opportunity to testify today on behalf of the National Academy of Public Administration as to the Academy's perspective on the efforts of the Department of Veterans Affairs to transform its claims process. This is an important topic to our Nation, to the veteran community and to me personally. I am a former career employee of the Department of Veterans Affairs who was honored to serve as the Undersecretary for Benefits from 1997 to 2001. As a Vietnam veteran, I was fortunate to have the programs our Nation provides to help returning servicemembers available to me. Without hesitation, I can say these programs have served our Nation well and transformed the lives of countless veterans and their families. I am one of those whose life was made immeasurably better because of the help I received from VA. Since retiring, I have had the opportunity to work with leaders in a number of Federal agencies on business process improvements, primarily as a senior advisor at the National Academy. It is in that capacity that I am here today.

Established in 1967 and chartered by Congress, the Academy is an independent, non-profit, and non-partisan organization dedicated to helping leaders address today's most critical and complex challenges. The Academy has a strong organizational assessment capacity; a thorough grasp of cutting-edge needs and solutions across the Federal Government; and unmatched independence, credibility and expertise. Our organization consists of nearly 800 Fellows—including former cabinet officers, Members of Congress, Governors, mayors, and state legislators, as well as distinguished scholars, business executives, and public administrators. The Acad-

emy has a proven record of improving the quality, performance, and accountability of government at all levels.

The Academy has had the great privilege of working with VA on a number of critical issues. From 2007 to 2011, the Academy provided advice on how VA can improve its service to veterans and sustain a process of continual improvement; strengthen its Fee Care Program; and develop effective national strategies to recruit and retain a high-performing, diverse workforce. Specifically, the Academy established independent Panels to help VA in the following areas:

- *Analysis of the Veterans Health Administration Non-VA (FEE) Care Program.* The Academy conducted an independent study to analyze the current organizational model supporting the Non-VA Care (FEE) Program, with the objective of providing the Veterans Health Administration with options on the most efficient health care for the future. This assessment evaluated other Federal and commercial health care programs, compared these programmatic structures with the current structure, and assessed how other models might improve outcomes. The Panel issued a number of practical recommendations for how VHA could improve the management of this program.

- *After Yellow Ribbons: Providing Veteran Centered Services.* As part of a broader effort to help VA improve its service to the new and preceding generations of veterans, in 2008, Congress asked the Academy to study the management and organizational challenges facing VA. The Academy conducted research and developed extensive knowledge of VA, which was applied to assess the effectiveness of VA's organizational structure, management, and coordination processes, including seamless transition, used by VA to provide health care and benefits to active duty personnel and veterans, including returning Iraq and Afghan war veterans. The Academy Panel focused on the need to ensure coordinated and effective services for those who return to civilian life after having been severely injured while in combat. The Academy Panel's report recommended actions to improve service to veterans and sustain a process of continual improvement.

- *Recruiting and Retaining a Diverse High-Performing Workforce.* In September 2007, VA sought the Academy's assistance to help address its national and local-level diversity disparities, as well as diversity among its Senior Executive Service leadership. VA sought an independent and objective analysis of its current practices to ensure that the agency is able to acquire and retain the talent vital to achieving its current and future core missions. The Academy Panel identified an opportunity for VA to reshape the workforce; improve diversity; and strengthen the healthcare, administrative, and leadership pipelines needed to ensure the right competencies are in place for the future. A specific area of emphasis involved identifying recruitment and retention challenges that confront VA for its mission-critical occupations as it seeks to improve the diversity profile and strengthen the performance of its leaders and workforce. The Panel developed a barrier analysis methodology, tools, and strategies to assist VA in identifying structural, personnel availability, and attitudinal barriers.

The Veterans Benefits Administration (VBA) has embarked on an important change to automate and improve its claims processing and has identified ambitious processing goals to achieve by 2015. The Agency has taken some positive steps in designing and implementing a dramatic transformation of its claims processing system, but its ability to deliver will depend on its successful adoption of change management practices, as well as continuing support from veterans service organizations, Congress and the Administration.

As part of my testimony today, I will examine some the challenges facing VBA's claims processing; discuss key principles of strategic planning and change management, including effective practices elsewhere in the Federal Government; and offer advice on how VA, the Administration, and the Congress can best move forward in this critical area. The Academy's Congressional charter precludes the organization itself from taking an official position on legislation, and my testimony does not represent an official position of the Academy.

"TO CARE FOR HIM WHO SHALL HAVE BORNE THE BATTLE * * *"

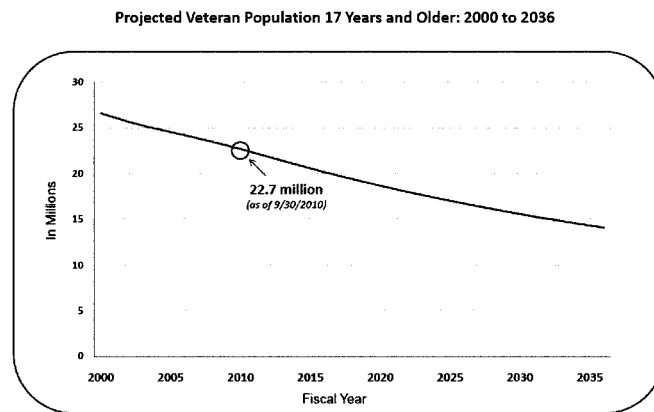
The Obama Administration has stated, "[w]e have a sacred trust with those who wear the uniform of the United States of America. For their dedicated service defending the United States, veterans receive an array of benefits and services."¹ It is important to ensure that we have a claims processing system that honors this trust. In essence, VA is charged by the American people with fulfilling the social contract that arises when a young enlistee raises his or her hand and swears an

¹ <http://www.whitehouse.gov/omb/factsheet—department—veterans>

oath to “support and defend the Constitution of the United States against all enemies * * *” Whether debilitating wounds suffered in combat or injuries suffering in furthering the mission of the United States military, disabled veterans have earned their benefits through their service.

Deciding veterans’ disability claims has always been a complex and time-consuming task. New laws, court cases, and new program requirements each add to the difficulty and length of the process. In the post-9/11 world, VBA faces major claims processing challenges driven by several factors: a surge in claims both from newly separated Iraq and Afghanistan veterans as well as claims from older veterans, including many thousands of dioxin exposure-related claims from Vietnam veterans; increasing complexity of claims such as Traumatic Brain Injury, as well as a significant increase in the number of claimed disabilities to be decided in each claim; new laws and precedential court cases which have driven claims volume increases and processing delays; and difficulties in implementation new technologies.

These challenges threaten VBA’s ability to meet its obligations to process veterans’ claims in a timely manner. Figure 1 shows the downward trend in the veteran population from 2000 to 2036, a decline which began over three decades ago. With a declining slope, the normal expectation would be for a commensurate decline in VBA’s workload. The opposite is true. Driven by the increase in claims and the growing complexity of the claims processing environment, VBA’s workload is actually increasing, and has been doing so for many years.



Source: Department of Veterans Affairs, Office of the Actuary, Veteran Population Projections Model (VetPop), 2007, Table 5L.

Figure 1. Projected Veteran Population (2000 to 2036)

VBA’s total claims processing capabilities have grown significantly over the last decade. Unfortunately, the claims work has grown even faster. Overcoming this daunting complex of challenges facing VBA will require transformation—an integrated set of changes in organization, process, workflow, people/skills, technology, and culture.

VBA’S PLAN TO ELIMINATE THE BACKLOG

In January 2013, VBA released a plan, *Department of Veterans Affairs Strategic Plan to Eliminate the Compensation Claims Backlog* that outlines the efforts to eliminate the claims backlog and improving decision accuracy to 98 percent in 2015. Those are very ambitious goals and to achieve them, not only is a robust and thoroughgoing plan necessary, everything will have to go exactly according to that plan or the organization will have to be extremely agile in dealing with the exigencies.

VBA’s plan identifies strategies in three major areas—people, process, and technology—that are the key levers of organizational change. This is a fundamentally sound approach. Not only are these areas essential to any large-scale organizational change process, they all have a symbiotic relationship with each other:

- The “people” approach has four cornerstones: improved training; case management of claims; cross-functional teams to handle the claims work; and triaging claims into those which can be done quickly, those that require special handling,

and everything else. Each of these areas has been used successfully in many organizations and I believe can be helpful to VBA in getting its work done:

- Training is a key lever because of the wholesale change VBA is undergoing. Keeping up with process and technology changes alone will be take considerable work but is absolutely essential to organizational progress.
- Case management and cross functional teams are, in my opinion, the best way to handle anything as complicated as a veteran’s disability claim. The ability to have “end-to-end ownership” of a claim as well as a having a VA advocate to help the veteran through this complicated process are both extremely worthwhile efforts that should fundamentally improve service to veterans and their families.
- Triaging can also be very helpful to increase productivity and reduce cycle times. The dangers in its use is that it can lead to “cherry-picking” the easiest claims and sometimes results in employees being pigeonholed in single purpose jobs over extended periods of time.
- The “process” approach is concerned with improving fundamental business processes. The initiatives described include:
 - Disability Benefits Questionnaires (DBQs), which are forms that physicians complete during an exam that contain explicit medical information needed to decide a disability compensation claim. This is a good idea that should improve productivity and reduce processing times provided there is widespread utilization. This is a good first step but in order to provide the basis for transformational change, the data on the form could automatically populate VBA’s claims processing system and generate a prospective award that a claims processor can approve or amend, as necessary. This would reduce an enormous amount of time required to re-key the data when it is received from the physician and significantly shorten the ratings process.
 - Simplified Notification Letters initiative, which automatically generates the text for veterans’ claims decision letters, is also on the right track in terms of saving time and effort. A suggested metric VBA might want to use to evaluate this new process would be to track the percent of veterans receiving the letter who have follow-up inquiries or appeal their claims, i.e., are they more or less satisfied with the information they receive through this new process as opposed to those veterans serviced under the old process?
 - Fully Developed Claims are also a good step to reducing cycle times but the volumes are disappointing. VBA’s look to incentivizing the process is a good step to take because every claim that comes in under this process is not only a time and resource saver for VBA but is also a significant improvement in the service provided to veterans.
 - Data exchanges with other Federal entities is absolutely necessary and is an area which the Congress and the Administration can play a key role in helping to convince some of these other agencies to cooperate with VBA in building these new systems. It has to be extraordinarily frustrating in the year 2013 for VBA field staff to have to use fax machines and search for unlisted phone numbers to secure information to help veterans.
- The “technology” approach centers on the development and implementation of the Veterans Benefits Management System (VBMS), which is a web-based, electronic claims processing system. This centerpiece of VBA’s technology approach has enormous potential to improve claims processing but is not meeting its initial milestones. This will likely prove to be the single most important change VBA is currently undertaking.

A second technology effort involves the Veterans Claims Intake Program (VCIP), which is an effort to scan claims folder documents into an electronic environment. Having these scanned claims images will provide VBA with flexibility in terms deciding how and where work gets done and should reduce the amount of lost or misplaced documents but it probably will not help improve productivity significantly. Looking at a scanned image instead of a piece of paper does not necessarily make a claims examiner’s job any faster. The true productivity boost for “electronic documents” will come when their data automatically populates VBA’s claims records.

KEY STRATEGIC PLANNING AND CHANGE MANAGEMENT PRACTICES

The transformation of VA claims processing is an important and ambitious undertaking. VA has engaged in large-scale transformations before—most notably, during the 1990s when VHA transformed the veteran healthcare system into a high-quality healthcare benchmark for the Nation. At that time, both internal and external stakeholders realized that the status quo would not get the job done and that funda-

mental change was necessary. While creating new organizational structures, such as VISNs, the Undersecretary for Health decentralized power to the field and established robust performance measures to ensure accountability. The external environment, the leadership, and the organizational design were all positive contributors to the transformation.

In order for the promise of the claims processing transformation to be fully realized, VA will need to adopt effective strategic planning and change management practices. Both OMB and GAO have produced guidance for the development and content of strategic plans.² The Government Performance and Results Act of 1993 mandated that every major Federal agency develop a mission statement, set goals, measure performance, and report accomplishments. The practice of requiring strategic plans for components within agencies was a natural outgrowth of this requirement since component strategic plans are the key to ensuring the achievement of agency-wide objectives.

In its *Executive Guide*, GAO cites the following practices as critical to successful strategic planning:

- Stakeholder involvement, including Congress and the Administration, state and local governments, third-party providers, interest groups, agency employees, fee-paying customers, and the public;
- Assessment of the internal and external environment continuously and systematically to anticipate future challenges and make future adjustments so that potential problems do not become crises; and
- Alignment of activities, core processes, and resources to support mission-related outcomes.

Successful strategic planning practices:

- Present a comprehensive mission statement.
- Establish long-term goals for all major functions and operations.
- Identify approaches and strategies to achieve the goals and objectives and obtain the various resources needed.
- Document the relationship between long-term goals/objectives and annual performance goals.
- Identify key factors external to the agency and beyond its control that could significantly affect achievement of the strategic goals.
- Describe how program evaluations have been used to establish or revise strategic goals, and a schedule of future program evaluations.

Strategic plans are important, but it is necessary for departments and agencies to be able to make ongoing adjustments. As a military strategist once noted: “No battle plan survives contact with the enemy.” It is important for planning to be fluid and flexible enough to respond to an evolving environment and given the history of veterans programs, it would be surprising if there wasn’t some important development that fundamentally impacted the veterans claims processing world.

Leadership plays an even more important role in bringing about fundamental change than the strategic plan. There are some well established principles for leading change management including:

- *Ensuring top leadership drives the transformation.* Strong and inspirational leaders are indispensable in any organization, especially those organizations undergoing large-scale transformations.
- *Establishing a clear vision and integrated strategic transformation goals.* Successful transformations depend on developing and continuously communicating the overarching vision and strategic goals of the future state organization.
- *Redesigning organizational structures, if necessary, to enable the vision.* Wholesale change requires a careful examination of organizational structure and processes to determine if these need to be revised to facilitate this transformation.
- *Creating a sense of urgency, implement a timeline, and show progress from Day One.* Change management thought leaders agree that a primary driver of a successful transformation effort is identifying a high-level of urgency throughout the organization.
- *Charting the course with a clearly-defined timeline and details of the progress* are essential for supporting the change initiative and instilling buy-in throughout the affected stakeholder community.
- *Communicating frequently through multiple channels to multiple stakeholders.* Successful change initiatives are driven by a comprehensive, consistent communication strategy that strives for both understanding and buy-in.

²See OMB Circular No. A-11, Part 2 and GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-119, June 1996.

- *Dedicating a powerful implementation guidance team to manage the transformation process.* Large-scale change does not happen without a powerful guiding force and a fragmented management team cannot do the job.

- *Engaging employees to seek their improvement ideas, build momentum, and gain ownership for the transformation.* Successful transformations involve employees from the beginning to gain their ownership for the changes occurring in the organization.

- *Sustaining the effort.* A successful organizational transformation requires the adoption of a new culture and changes will be permanent only if employees are able and willing to embrace a new set of values and norms.

While the Academy has not systematically reviewed VBA's current change management efforts, a review of the literature produced by the Agency as well as reports and studies suggest that the leadership is well-versed in these concepts and is, in fact, following many of the principles noted above. It is also apparent that VBA leaders both in Headquarters and in the field are working hard to bring about the transformation. The breadth and scope of what is underway is massive. There are, however, a number of cautionary notes that are offered for consideration regarding the transformation process underway:

- The Agency does not appear to have much, if any, surge capacity—that is, the ability to bring additional resources to bear if an exigent circumstance arises that impacts workloads. This can be discerned from reviewing GAO and VAOIG studies as well as looking at VBA's published performance reports. It is not clear what will happen if there is some "seismic shock" to the workload akin to what happened with the Veterans Claims Assistance Act of 2000 or the "Nehmer" cases VBA recently completed or even small but significant shocks.

- Technological advances are the key to VBA's future. It is likely that VBA's future, in terms of the increasing complexity of claims, is likely to resemble its past. In these times of budget austerity, the only way to ensure that you have the capability to deal with growing or changing workload will be to have the electronic tools that not only make the work faster and more accurate but also allow for more organizational agility in terms of adapting to the ever-evolving environment. Having digital claims records, using rule-based claims development and processing tools and communicating and exchanging information with key claims information providers will transform the operation.

- Technological changes being implemented not only have enormous potential to make claims processing better in the long run, but also have an even greater chance of making claims processing more difficult in the short run. This is practically a truism for large-scale information technology initiatives, and VBA would hardly be the first Federal agency to face this situation. Whether due to staff downtime to learn new processes, insufficiently tested software, poor interfacing between the new technology and the old processes or any number of other "glitches," there is always an excellent chance that the new systems do not, in the short run, live up to expectations. Some of the development difficulties with VBMS are testimony to that.

- Implementing large-scale change during periods of high workload volumes is always a careful dance involving moving ahead with planned changes while simultaneously trying to not seriously disrupt workflow. This can be a dilemma for any leader but given the extreme amount of work in the pipeline and the comprehensiveness of their planned changes, it is particularly challenging for VBA. It is important during such times to have good communications with the people implementing these changes—the field staff in regional offices, both leaders as well as rank and file staff. It is also important to take the time to assess and reassess the actual impacts of the changes in real time and to also determine the cumulative impacts of the changes.

- Keeping the focus on the quality of the claims decisionmaking process is critical. When workloads remain high and major new processing changes are implemented, the emphasis often moves to meeting production goals, sometimes at the sacrifice of quality. VBA leaders have high goals set for quality but as workload continues to remain high, they will have to be vigilant to make sure this does not lead to declines in quality.

- The performance targets set for 2015—elimination of the 700,000 claims backlog and making decisions at a 98% accuracy rate—are indeed stretch goals. In order to accomplish them, every initiative will have to have worked precisely as planned. To make this happen, VBA will have to work extremely hard, avoid any serious changes to the claims processing environment and have the support of all the stakeholders in this room today—Congress, the Administration, VSOs, and other elements of VA.

VBA's greatest strengths are its people and its mission. The benefits programs VBA administers were signed into law by presidents Washington, Madison, Lincoln, Wilson and Franklin Roosevelt. For over two centuries, these programs have succeeded in transitioning generations of warriors successfully back into civilian society and VA leaders should take every opportunity to remind employees of the Agency's rich history. They also need to remind staff that people who come to VBA for help are dealing with some of the most significant events in life: disability, illness, death, buying a home and going to school. The actions of VBA employees make a critical difference in the lives of these veterans and their families. This is no less true today than it was 200 years ago. An ongoing and consistent message to reinforce that fact can be an important driver for bringing about transformational change.

Mr. Chairman, that concludes my written statement, and I would be pleased to answer any questions you or the Committee members may have.

Chairman SANDERS. Thank you very much, Mr. Thompson.
Mr. Stichman.

**STATEMENT OF BART STICHMAN, JOINT EXECUTIVE
DIRECTOR, NATIONAL VETERANS LEGAL SERVICES PROGRAM**

Mr. STICHMAN. Thank you, Mr. Chairman, Ranking Member Burr and Members of the Committee. Thank you for the opportunity to present the views of the National Veterans Legal Services Program, a VSO, on the VA's efforts in addressing the claims required to be adjudicated under the order of the U.S. District Court in *Nehmer versus U.S. Department of Veterans Affairs*.

As background, *Nehmer* is a class action lawsuit that was initiated by NVLSP in 1986 on behalf of Vietnam veterans and their survivors.

The lawsuit challenged a VA regulation that provided that chloracne, a skin condition, is the only disease that has a positive association with exposure to Agent Orange.

It is important to understand that the requirement in the *Nehmer* consent decree to re-decide past claims denials is only triggered if and when the VA Secretary decides that the scientific evidence now shows that a positive relationship exists between Agent Orange exposure and a disease whose positive relationship with Agent Orange had not previously been recognized by VA.

So, it was in 2010 when Secretary Shinseki was simultaneously faced with, one, a growing backlog of VA claims and, two, the conclusion of the National Academy of Sciences in its latest report under the Agent Orange Act of 1991 to place three new diseases, ischemic heart disease, Parkinson's disease, and chronic B-cell leukemia in the same category of association with Agent Orange exposure as all of the other diseases that prior VA Secretaries had concluded should be afforded presumptive service-connected status due to their association with Agent Orange.

Secretary Shinseki knew that, if he agreed as a result of the latest NAS report to add these three new diseases to the list of diseases already accorded presumptive service connection, VA adjudicators would be required by the *Nehmer* consent decree to re-decide more than 150,000 past claims and tens of thousands of new claims for these three diseases at the exact same time that the same adjudicators were faced with the growing backlog of other claims.

But in a courageous decision that gave appropriate recognition of both the scientific evidence and the service and needs of disabled Vietnam veterans who risked harm to themselves in serving their

country in Vietnam, Secretary Shinseki agreed in August 2010 to add these three diseases as presumptively service-connected due to Agent Orange exposure.

In the years prior to the administration of Secretary Shinseki, VA efforts to implement the *Nehmer* consent decree were shoddy. Things changed under Secretary Shinseki.

The VA ensured that the 150,000 past claims for these three diseases were decided speedily and accurately. He accomplished this through two key management decisions.

First, he wisely assigned decisionmaking on these 150,000 past claims and 60,000 new claims to a large group of VA adjudicators whose primary task was devoted to these claims.

Second, he assembled a competent management team to train these adjudicators through use of a 130-page training guide and a training video. The end result was speedy and quality decision-making.

On October 30, 2010, 2 months after the decision to add the three diseases, VA began to adjudicate these past claims and they adjudicated 146,000 of these claims by August 1, 2012, in an accurate and timely fashion I am happy to report.

I did want to bring one of the veterans who got one of these decisions with me but we were unable to get him to come due to transportation problems. He is confined to a wheelchair but he authorized me to tell you about his re-adjudication by the VA.

He has coronary artery disease which was first diagnosed when he was 39 years old in 1987. He served in the Army from 1966 to 1968 including a 6-month tour in Vietnam and his original claim was denied because coronary artery disease was not recognized at that time.

In a nine-page letter he received and a 19-page rating decision which I have here, he not only was given an earlier effective date and a grant of service connection for coronary artery disease back to 1989 but, while the VA was reviewing his claims file, they found a number of past errors that they rectified.

In the same decision, they gave him an earlier effective date for his grant of service connection for diabetes mellitus which is another Agent Orange related disease back to 1991; an earlier effective date for the grant of special monthly compensation based on housebound status back to 1991; an earlier effective date for service connection for erectile dysfunction retroactive to 2004; an earlier effective date for special monthly compensation based on loss of use of a creative organ back to 2004; and an earlier effective date for service connection for an eye disease related to diabetes retroactive to 2002.

Chairman SANDERS. Mr. Stichman, if you could come to a conclusion.

Mr. STICHMAN. This shows the quality of the decisionmaking that the VA made during this period. Thank you.

[The prepared statement of Mr. Stichman follows:]

PREPARED STATEMENT OF BARTON F. STICHMAN, JOINT EXECUTIVE DIRECTOR,
NATIONAL VETERANS LEGAL SERVICES PROGRAM

Mr. Chairman and Members of the Committee: Thank you for the opportunity to present the views of the National Veterans Legal Services Program (NVLSP) on VA's efforts in addressing the claims required to be adjudicated under the order of

the U.S. District Court of the Northern District of California in *Nehmer v. U.S. Department of Veterans Affairs*, as well as our assessment of VA's transformation efforts aimed at improving the timeliness and accuracy of claims decisions.

SECRETARY SHINSEKI'S APPROPRIATE DECISION IN 2010 UNDER
THE AGENT ORANGE ACT OF 1991

As background, *Nehmer v. U.S. Department of Veterans Affairs* is a class action lawsuit that was initiated by NVLSP's attorneys in 1986 on behalf of Vietnam veterans and their survivors. The lawsuit challenged a VA regulation, former 38 CFR 3.311a, that provided that chloracne, a skin condition, is the only disease that has a positive association with exposure to Agent Orange or the other herbicides containing dioxin that was used by the United States in Vietnam. In 1989, the district court invalidated this regulation and voided all VA decisions denying benefit claims under the regulation. The VA decided to comply, rather than appeal this decision.

In 1991, NVLSP's attorneys negotiated a favorable consent decree with the VA in *Nehmer*. The *Nehmer* consent decree requires VA, whenever it recognizes in the future that the scientific evidence shows that a positive relationship exists between Agent Orange exposure and a new disease, to (a) identify all claims based on the newly recognized disease that were previously denied and then (b) pay disability and death benefits to these claimants, retroactive to the initial date of claim. Between 1991 and 2009, VA has recognized that scientific studies show that there is a positive association between Agent Orange exposure and diabetes, and more than a dozen different types of cancer.

In assessing VA's transformation efforts in improving claims processing under the tenure of Secretary Shinseki, it is important to understand that the requirement in the *Nehmer* consent decree to redecide past claims denials is only triggered if and when the VA Secretary decides that the scientific evidence now shows that a positive relationship exists between Agent Orange exposure and a disease whose positive relationship with Agent Orange had not been previously recognized by VA.

So it was in 2010, when Secretary Shinseki was simultaneously faced with (a) a growing backlog of VA claims, due in part to the increasing number of claims being filed by veterans returning from Iraq and Afghanistan, and (b) the conclusion of the National Academy of Sciences (NAS) in its latest report under the Agent Orange Act of 1991 to place three new diseases—*ischemic heart disease, Parkinson's disease, and chronic B-cell leukemia*—in the same category of association with Agent Orange exposure as all of the diseases that prior VA Secretaries had concluded should be accorded presumptive service-connected status due to their association with Agent Orange.

Secretary Shinseki knew that if he agreed as a result of the latest NAS report to add these three new diseases to the list of diseases already accorded presumptive service-connected status due to Agent Orange exposure, VA adjudicators would be required by the *Nehmer* consent decree to redecide more than 150,000 past claims for these three diseases—at the exact same time that these same adjudicators were faced with the growing backlog of other claims. He could have avoided the need to redecide these 150,000 past claims by simply refusing to add the three diseases as related to Agent Orange exposure. But in a courageous decision that gave appropriate recognition to both the scientific evidence and the service and needs of hundreds of thousands of disabled Vietnam veterans who risked harm to themselves in serving their country in Vietnam, Secretary Shinseki agreed on August 31, 2010 to add these three diseases as presumptively service-connected due to Agent Orange exposure.

VA'S EFFORTS IN ADDRESSING NEHMER CLAIMS

In the years prior to the administration of Secretary Shinseki, VA's efforts to implement the *Nehmer* consent decree were shoddy. On several occasions, NVLSP's attorneys had to file a motion to enforce the consent decree due to VA failure to comply with the terms of the consent decree. On each of these occasions, the U.S. District Court or the U.S. Court of Appeals for the Ninth Circuit ruled against the VA. VA's performance was so bad that the U.S. District Court had to issue an order requiring VA to show cause why it should not be held in contempt.

Things changed under Secretary Shinseki. The Secretary ensured that the 150,000 past claims for ischemic heart disease, Parkinson's disease, and chronic B-cell leukemia were decided speedily and accurately. He accomplished this result through two key management decisions. First, he wisely assigned decisionmaking on these 150,000 past claims to a large group of VA adjudicators whose primary task was devoted to these claims. Second, he assembled a competent management

team to train these adjudicators thoroughly through use of a more than 130-page training guide and a training video.

The end result was speedy and quality decisionmaking. On October 30, 2010, two months after Secretary Shinseki's issued the VA rule adding the three diseases as Agent Orange-related, VA began to issue decisions on these past claims. The VA adjudicated over 146,000 of these claims by August 1, 2012.

Not all of these adjudications were correct. As class counsel, NVLSP has a team of attorneys and paralegals devoted to ensuring that VA meets its obligations under the *Nehmer* consent decree. VA provides NVLSP with a copy of all of its decisions under the *Nehmer* consent decree. NVLSP's attorneys work with the Vietnam veterans and survivors on these cases to ensure that the VA assigns them the correct effective date for their award of benefits for these three diseases and pays them the proper amount of retroactive compensation. NVLSP and VA have developed an effective system for quickly rectifying mistakes in decisionmaking, and thus far nearly 1,000 mistakes have been corrected. But the mistakes have been relatively rare, and a far cry from the low quality of decisionmaking that occurred during prior administrations.

NVLSP has also identified a group of more than 60,000 past claimants whom VA did not previously identify as needing review under the *Nehmer* consent decree. But to VA's credit, it has agreed that these cases need to be reviewed, and the parties are currently working together to ensure that they are reviewed in a timely fashion.

While VA has been subject to much criticism over the past few years about the timeliness and accuracy of its decisionmaking in general, the bottom line is that on *Nehmer* claims, VA deserves a great deal of credit.

VA'S OTHER TRANSFORMATION EFFORTS FOR IMPROVING TIMELINESS AND ACCURACY

NVLSP has three observations about other VA's transformation efforts aimed at improving the timeliness and accuracy of claims decisions. First, we commend VA management's development of the new Fully Developed Claim (FDC) process. While it needs to be clarified and modified for it to produce significant improvement in timeliness and accuracy, it is a welcome innovation.

In its present formulation, it is not applicable to many claims because VA prohibits use of FDC process if the claimant has any other claims pending that are not subject to the FDC process. This is unwise. For example, claimants and their representatives are being deterred from using the FDC process because it requires that they withhold the filing of other claims—and risk loss of months of benefits—simply to obtain a quick decision on one claim filed under the FDC process.

Second, there has long been an unfortunate obsession by both VA and Congress with one statistic: how long it takes VA to decide an initial claim for benefits, regardless of the quality of the decision on that claim. When VA reports to Congress that the average time it takes to decide an initial claim is now down to 164 (or whatever number of) days, it is not representing to Congress that this is the number of days it takes on average to decide an initial claim correctly. Rather, VA is merely reporting the average time it takes to reach a correct or incorrect decision. The longstanding obsession with this skewed statistic has long produced a significant deleterious effect: VA regional office adjudicators prematurely decide claims—without taking the time to obtain and assemble the evidence necessary to properly decide a claim—in an effort to ensure that the average time for deciding an initial claim that is reported to VA managers and Congress is a low number of days. This obsession is counter-productive because it produces unjust premature denials, which, in turn, result either in the veteran giving up on a potentially valid claim or in appeals filed by veterans which create the existing backlog of claims.

Finally, on cases in which an appeal is filed, there is another longstanding adjudicatory phenomenon which both frustrates the interests of justice and adds to the backlog. NVLSP and others have long observed that after a veteran files an appeal (i.e., a notice of disagreement) with an initial decision, there is an unfortunate tendency of many VA adjudicators to overdevelop the claim. That is, there is a tendency by many VA regional office and Board of Veterans' Appeals adjudicators to delay a decision on a claim where the evidence in the current record supports a grant of the claim, in order to obtain additional evidence—typically in the form of another VA medical examination—in the apparent hope that evidence will be developed to support a denial of the claim. This longstanding phenomenon certainly works to protect the public fisc. But it is contrary to the pro-claimant process embodied in statutes and regulations and is a major contributor to the large VA backlog of claims.

I would be pleased to answer any questions that Members of the Committee may have.

Chairman SANDERS. Thank you very much.
Mr. Violante.

**STATEMENT OF JOSEPH VIOLANTE, NATIONAL LEGISLATIVE
DIRECTOR, DISABLED AMERICAN VETERANS**

Mr. VIOLANTE. Mr. Chairman and Members of the Committee, thank you for inviting Disabled American Veterans to testify about the Veterans Benefits Administration's claims processing transformation.

Congratulations, Chairman Sanders, for being selected to lead this Committee, and welcome back Ranking Member Burr. I look forward to working with both of you and all the Members of this Committee.

Mr. Chairman, the timely and accurate award of a disability rating does more than provide compensation. It provides an array of benefits that support the recovery and transition of veterans and families and survivors.

But when benefits are delayed or denied, the consequences can be devastating. Today, the number of claims pending is far too high. The time veterans wait is too long, and the accuracy of decisions is too low.

But while there is a tendency to focus only on reducing the backlog, DAV continues to urge VBA and Congress to concentrate their efforts on the underlying problems that created and continue to fuel the backlog.

Three years ago, VBA set out on an ambitious path to completely transform its IT systems, business processes, and corporate culture while simultaneously continuing to process more than one million claims annually.

In the midst of this transformation, it is hard to get the proper perspective to measure whether the final design will ultimately be successful.

For anyone who has lived through a home renovation, that experience would have many parallels. It is hard to judge whether the renovation will be successful when you are surrounded by open walls, exposed wires and pipes, as unexpected problems pop up adding time and cost to the project.

In a similar way, observations of VBA's transformation efforts logically focus on the exposed errors and unfinished initiatives but it is still too soon to judge whether the transformation will be successful. Of course, it would be equally premature to simply trust that they will succeed.

DAV believes that VBA is on the right path with the right goals and that they have leadership committed to transforming and institutionalizing a new claims system that will better serve veterans.

Ultimately, the question of whether they will be successful remains to be determined, but one point we are certain of, there is no turning back. VBA is currently rolling out the Veterans Benefits Management System, its new IT program for processing claims.

Although not yet fully developed or deployed, there has been some extremely important milestones. One of the most critical was the decision and commitment to scan all legacy paper files for new or reopened claims requiring rating-related actions. The creation of

the digital eFolders allows instantaneous transmission and simultaneous review of files, saving both time and resources.

The most important process achievement is the implementation of VBA's new transformation organizational model which creates cross-functional teams working in segmented lanes to more efficiently processing claims.

Another key reform was the creation of local Quality Review Teams that monitor claims processing in real time to catch and correct errors before the decision is finalized.

Finally, one of the most encouraging aspects has been the open, transparent, and collaborative manner in which they work with DAV and other VSOs. Under Secretary Hickey has demonstrated her commitment to expanding the partnership with VSOs and we believe that veterans are better served thanks to her strong and principled leadership.

Mr. Chairman, DAV believes significant progress has been made but important work remains. DAV offers numerous recommendations in our testimony, but let me highlight just a few.

First, while aggressive oversight of VBA claims transformation efforts is essential, Congress must support and fully fund the completion of VBMS and all document scanning. We also recommend an independent review of VBMS by outside IT experts.

Second, VBA must develop a new corporate culture based on quality, accuracy, and accountability throughout every regional office.

Finally, Congress should enact legislation to mandate that VBA shall accept private medical evidence when it is competent, credible, and adequate for rating purposes.

In addition, private physicians should be allowed access to DBQs for medical opinions of service connection and for PTSD diagnosis.

Mr. Chairman, that concludes my testimony. I will be happy to answer any questions.

[The prepared statement of Mr. Violante follows:]

PREPARED STATEMENT OF JOSEPH A. VIOLANTE, DIRECTOR,
DAV NATIONAL LEGISLATIVE

Mr. Chairman and Members of the Committee: Thank you for inviting DAV (Disabled American Veterans) to testify about the status of the Veterans Benefits Administration's (VBA's) claims processing transformation efforts.

Mr. Chairman, the timely delivery of earned benefits to the millions of men and women who have served in our Armed Forces is one of the most sacred obligations of the Federal Government. The award of a service-connected disability rating does more than provide compensation payments; it is the gateway to an array of benefits that support the recovery and transition of veterans, their families and survivors. However, when these benefits are delayed or unjustly denied, the consequences to veterans and their families can be devastating. For those wounded heroes who file claims for disability compensation, the wait to receive an accurate rating decision and award can take anywhere from a few months to several years; longer if they have to appeal incorrect decisions. For that reason, we are grateful that this Committee's first regular hearing of the 113th Congress focuses on one of DAV's highest priorities: completing the reform of the veterans benefits claims processing system.

As the Nation's leading veterans service organization (VSO) assisting veterans seeking disability compensation and other benefits, DAV has tremendous experience and expertise relating to the processing of claims. With a corps of 260 full-time professional National Service Officers (NSOs) and 35 Transition Service Officers, DAV assists almost a quarter of all veterans who file claims for disability compensation each year. Last year, DAV NSOs reviewed more than 326,000 claims files, filed 234,500 new claims for benefits, and participated in more than 287,000 rating board actions. In this capacity, we assist VBA in its work by helping veterans file more

complete and accurate claims. From our decades of experience working on veterans claims, we fully understand both the magnitude and complexity of the challenges VBA faces in trying to accurately adjudicate more than a million claims each year in a timely manner, and we remain committed to doing all we can to help develop and implement solutions.

Mr. Chairman, there will be much discussion today about the size of the pending backlog of claims, nationally as well as in individual states and cities, and understandably so. Today there are about 900,000 claims for compensation and pension awaiting decisions at VBA, more than double the number pending four years ago. Of those claims, fully 70 percent have been waiting more than 125 days, VBA's official target for measuring the backlog, which is double the number of just two years ago. Moreover, the length of time it takes to process veterans' claims also continues to rise, with the average processing time now almost 280 days, far from VBA's target of 80 days. Several Regional Offices (ROs) are averaging more than a year to process claims. New York takes almost 450 days on average and the Los Angeles RO averages over 500 days. Looking at these numbers, it is clear that the challenges facing VBA are enormous.

But while there can be a tendency in the media to talk only about reducing the backlog, we continue to argue that VBA and Congress must instead concentrate their efforts on addressing the underlying problems that created and continue to fuel the backlog. After all, VBA could eliminate the backlog quite easily by simply denying all pending claims, or granting every claim, but neither approach would be correct and neither would help to resolve the systemic problems that created the backlog in the first place.

As we have said many times in the past, and it bears repeating today, the backlog is a symptom, not the cause of VBA's claims processing problems. It is similar to a person suffering from a cold, virus or flu who may have severe and painful symptoms, such as a high temperature or body aches. Treating those symptoms alone will do little to rid the body of the underlying illness or to prevent those same symptoms from recurring in the future. Similarly, VBA could direct all existing and new resources to processing claims using old technologies and processes, and perhaps that would more quickly reduce the existing backlog in the short term. But such an approach would do little to build the modern, paperless system necessary for timely and accurate processing of veterans claims in the future, and as certain as the tide, the backlog would roll back in and rise again.

Mr. Chairman, in many ways, VBA today faces the same core problems that have plagued them for decades: too many claims being processed and adjudicated inaccurately without sufficient accountability for the results, rather than a system designed to decide each claim right the first time. The solution to these problems will require new technologies and business processes, and most importantly, a cultural transformation built upon the foundations of quality, accuracy and accountability. From our vantage point as participants in and observers of the VBA claims system, as well as active collaborators in the current transformation process, we believe today's VBA leadership shares our vision.

In early 2010, Secretary Shinseki laid out an extremely ambitious goal for VBA to achieve by 2015: process 100 percent of claims in less than 125 days, and do so with 98 percent accuracy. However, if the only information available was the latest metrics from VBA's ASPIRE Dashboard, one would be hard pressed to find any signs of progress toward achieving the Secretary's goals. But numbers alone do not tell the whole story.

As you know, VBA set out on a path three years ago to completely transform their IT systems, business processes and corporate culture, while simultaneously continuing to process more than a million claims each year. Today, VBA is actively rolling out new organizational models and practices, and continuing to develop and deploy new technologies almost daily. In the midst of this massive transformation, it is hard to get the proper perspective to measure whether their final design will be successful. But for anyone who has ever lived through a major home renovation, or seen a home makeover show on television, that experience would have many parallels to what VBA is experiencing during its transformation. During the renovation, the homeowner would have to live through the mess and chaos of contractors demolishing walls, ripping out pipes and tearing up floors, making living there much more difficult during this process. And even though the homeowner knows what the finished renovation is supposed to look like and how it will improve their home, it is hard to judge whether the renovation will be successful when they can observe nothing but open walls, exposed wires, and unexpected problems arising that add time and cost to the renovation.

In a similar way, current observations of VBA's transformation efforts logically focus on the openly exposed flaws, problems and unfinished initiatives, but it would

be premature to conclude that this imperfect and uncompleted transformation process is a precursor to a flawed final outcome. It would be equally premature to sit back and simply trust that the final result will be successful based on nothing more than plans and promises. Instead we must all remain actively engaged in overseeing and supporting VBA to achieve the results we all desire.

MILESTONES OF PROGRESS

Mr. Chairman, taking all of the above into consideration, DAV believes that VBA is on the right path, that they have set the right goals and that they have leadership committed to transforming and institutionalizing a new claims processing system to better serve veterans. How successful the current transformation efforts will ultimately be remains an open question to be answered at a later time, and on that point there can and will be differing opinions. However, we hope that following today's hearing there is no disagreement on one point: there can be no turning back. VBA must complete this essential transformation from its outdated, paper-based claims system to a modern, paperless, automated claims system. The stakes for veterans and the investment by VA are high, so failure is not an option.

Recognizing that its old system was irretrievably broken, in 2009 VBA launched dozens of new ideas, initiatives and pilots grouped in three categories: people, processes and technology. Having thoroughly tested, validated and synthesized the best practices culled from all of this experimentation, VBA is currently rolling out many of these new programs nationally. The biggest and most important amongst these is the Veterans Benefits Management System (VBMS), the new IT infrastructure for claims processing. Over the past year, VBMS has been rolled out to 20 Regional Offices, and will be fully deployed to all remaining ROs before the end of the year, possibly as soon as June. It is important to remember that VBMS is not yet a finished product; rather it continues to be developed and perfected as it is deployed so it is hard to judge whether the final system will deliver all of the functionality and efficiency required to meet VBA's future claims processing needs. However, there have been a number of extremely important milestones that are themselves significant signs of progress.

In our view, probably the most crucial milestone was VBA's decision to scan all paper claims files for every new or reopened claim requiring a rating-related action. This decision embodied VBA's total commitment to creating a fully digital, paperless, automated claims processing system, which DAV and other VSOs had strongly encouraged for years. Although this will require significant upfront investment to cover the costs of scanning tens of millions of paper records, in the long run it will pay dividends for both VBA and veterans.

Another important milestone is the creation of digital e-folders, which serve as the cornerstone of the new VBMS system. E-folders facilitate instantaneous transmission and simultaneous reviewing of claims files. Every new or reopened rating-related claim made at an RO that has adopted VBMS will now have an e-folder created and all supporting documentation will be scanned and reside in that e-folder. For claims that were already in process at the time of conversion to VBMS, those claims will be developed using legacy systems, but will be rated inside VBMS with an e-folder, but supporting documentation will continue to reside inside a traditional paper claims folder. At present, there are an estimated 200,000 e-folders and that number will continue to grow as the remaining ROs convert to VBMS this year. In addition, the Appeals Management Center (AMC) is now working in VBMS and able to review e-folders. The Board of Veterans Appeals (BVA) will also begin receiving appeals in VBMS on a pilot basis this month.

DAV has been closely involved in advising the VBMS team throughout its development and has confidence in their strategic plan; however, it would be a mistake to simply trust that the finished product will do the job as intended. Similar to a home renovation, there is a need to have qualified, independent experts review plans and inspect progress at regular intervals. Although a homeowner may know where they want electrical outlets located, it is unlikely that they would be qualified to judge whether the electrical wiring schematic and supplies are safe or sufficient to handle the intended load. In a similar manner, while we believe VBA's plans for VBMS contain the necessary features and functions, we do not have the technical expertise to determine whether the enterprise architecture and iterative development process will ultimately result in a successful IT system. For this reason, DAV continues to recommend that VBA bring in an independent panel of IT experts to review the plans and progress of VBMS. Such a team could be composed of leading IT experts from companies such as Google, Apple, and Amazon, who would volunteer a day or two to help evaluate whether VBMS is likely to achieve its intended

purpose, or whether there are significant concerns that merit further scrutiny or corrective actions.

Other key technological developments supporting paperless claims processing include e-Benefits and the Stakeholder Enterprise Portal (SEP), which allow veterans and their representatives to file claims, upload supporting evidence and check on the status of pending claims. More than 2,000 claims have been initiated via e-Benefits through its VONAPPS Direct Connect (VDC) application and just last month, DAV was able to file the first SEP claim on behalf of a veteran for whom we hold power-of-attorney (POA), which is now being processed inside VBMS for a truly end-to-end digital claim.

In terms of business processes milestones, VBA has fully rolled out its new transformation organizational model (TOM) to every Regional Office. Based on the best practices from their pilots and initiatives, this new organizational model is centered on two major changes in how ROs manage their work. The traditional triage function is now done through an Intake Processing Center (IPC) at every RO, which places more experienced employees at the front end of the process in order to better direct claims along several new segmented processing lanes. The smaller, less complex claims will be processed in the “express lane,” the most complex claims will be done in the “special ops” lane, and the bulk of the claims will be done in the “core” lanes. In each of these segmented lanes, cross-functional teams of Veterans Service Representatives (VSRs) and Rating Veterans Service Representatives (RVSRs) work together on claims, allowing greater interaction throughout the process, and are expected to yield greater accuracy and timeliness. This new organizational model also allows each RO to better align its workforce according to experience and expertise levels. Other key process improvements that DAV strongly supports include the Fully Developed Claims (FDC) program, which expedites ready-to-rate claims, and Disability Benefits Questionnaires (DBQs), which standardize and encourage the collection of private medical evidence to aid in rating decisions.

On the people side of its transformation efforts, VBA has also initiated vitally important changes that should yield positive long-term improvements. DAV was especially pleased that VBA fulfilled one of our longstanding recommendations through the creation of local Quality Review Teams (QRTs), whose primary function is to monitor claims processing in real time to catch and correct errors before rating decisions are finalized. The QRTs have been trained by the national STAR (Systematic Technical Accuracy Review) quality assurance staff to provide consistent application of VBA rules and regulations. QRTs are also helping to develop and implement training and mentoring programs in many ROs, providing a much-needed emphasis on quality and accuracy, rather than just speed and production. The decision to move 600 VSRs and RVSRs out of day-to-day production and into QRT positions is a powerful sign of VBA’s commitment to creating a culture of quality.

Finally, one of the most important and encouraging aspects of VBA’s transformation efforts has been the open, transparent and collaborative manner in which they have worked with stakeholders, particularly with VSOs. From the outset of this transformation, VBA leaders reached out to DAV and other VSOs seeking our ideas and support to help fix the broken claims system. Throughout the development of VBMS, SEP, TOM, FDC, DBQs and many other small and large initiatives, VSOs have been regularly invited to share our perspectives and ideas. Since being confirmed, Under Secretary Allison Hickey has repeatedly demonstrated her passionate commitment to expanding the partnership between VBA and VSOs, and we believe that veterans will be better served thanks to her strong and principled leadership.

RECOMMENDATIONS

Mr. Chairman, DAV believes that significant progress has been made, but that vitally important work remains. In order to support VBA’s transformation efforts and further improve the delivery of benefits to veterans, DAV makes the following recommendations.

First, Congress must continue to perform aggressive oversight of VBA’s ongoing claims transformation efforts, particularly new IT programs, while actively supporting the completion and full implementation of these vital initiatives.

In order for VBA’s current transformation plans to have any reasonable chance of success, VBA must be allowed to complete and fully implement them. It is imperative that Congress continue to support this goal, even while continuing to perform aggressive oversight. In particular, we recommend that Congress encourage an independent, expert review of VBMS. At the same time, Congress must continue to fully fund the completion of VBMS, including providing sufficient funding for digital scanning and conversion of legacy paper files, as well as the development of new auto-

mation components for VBMS. As stated earlier, it is too late to turn back from paperless processing and we urge Congress to both oversee and support full funding for this and other vital IT initiatives throughout the final development and implementation phases.

Second, Congress must encourage and support VBA's efforts to develop a new corporate culture based on quality, accuracy and accountability, as well as strengthen the transmission and adoption of these values and appropriate supportive policies throughout all VBA Regional Offices.

The long-term success of all of VBA's transformation efforts will depend on the degree to which these changes are institutionalized and disseminated from the national level to the local level. In addition to training, testing and quality control, the best means of transforming and transmitting cultural change is to properly align measuring and reporting functions with desired goals and outcomes for both VBA leadership and employees. For example, as long as the most widely reported metric of VBA's success is the Monday Morning Workload Reports, particularly the weekly update on the size of the backlog, there will remain tremendous pressure throughout VBA to place production gains ahead of quality and accuracy. Similarly, if individual employee performance standards set unrealistic production goals, or fail to properly credit ancillary activity that contributes to quality but not production, those employees will be incentivized to focus on activities that maximize production. VBA must develop more and better measures of work performance that focus on quality and accuracy, both for the agency as a whole and for individual employees. Furthermore, VBA must ensure that employee performance standards are based on accurate measures of the time it takes to properly perform their jobs.

Finally, Congress must ensure that VBA does not change its reporting or metrics for the sole purpose of achieving statistical gains, commonly referred to as "gaming the system," in the absence of actual improvements to the system. For example, VBA recently changed how processing errors are scored for multi-issue claims. Previously, a claim would be considered to have an error if one mistake on at least one issue in the claim was detected during a STAR review. Under the new error policy, if there are 10 issues in the claim and a single error is found on one of the issues, that would now be scored as only 0.1 error for that claim. While this may be a more valid way of measuring technical accuracy, it also has the effect of lowering the error rate, thereby implying an improvement in quality, even though the same number of errors was detected.

Third, Congress and VBA should enact and adopt new legislation and policies that maximize the use of private medical evidence to conserve VBA resources and enable quicker, more accurate rating decisions for veterans.

DAV and other VSOs have long encouraged VBA to make greater use of private medical evidence when making claims decisions, which would save veterans time and VBA the cost of unnecessary examinations. DBQs, many of which were developed in consultation with DAV and other VSO experts, have been designed to allow private physicians to submit medical evidence on behalf of veterans they treat in a format that aids rating specialists. However, we continue to receive credible reports from across the country that many VSRs and RVSRs do not accept the adequacy of DBQs submitted by private physicians, resulting in redundant VA medical examinations being ordered and valid evidence supporting veterans' claims being rejected.

Although there are currently 81 approved DBQs, VBA has only released 71 of them to the public for use by private physicians. In particular, VBA should allow private treating physicians to complete DBQs for medical opinions about whether injuries and disabilities are service-connected, as well as DBQs for PTSD, which current VBA rules do not allow; only VA physicians can make PTSD diagnoses for compensation claims. Congress should work with VBA to make both of these DBQs available to private physicians.

To further encourage the use of private medical evidence, Congress should amend title 38, United States Code, section 5103A(d)(1) to provide that, when a claimant submits private medical evidence, including a private medical opinion, that is competent, credible, probative, and otherwise adequate for rating purposes, the Secretary shall not request a VA medical examination. This legislative change would require VSRs and RVSRs to first document that private medical evidence was inadequate for rating purposes before ordering examinations, which are often unnecessary.

In addition, VBA should accelerate the development of software that seamlessly translates relevant information from VHA medical examinations performed by treating physicians into appropriate DBQs for VBA rating specialists. This free flow of

electronic health data would save veterans time and VBA resources by further eliminating unnecessary VBA compensation exams.

Fourth, Congress and VBA should expand and create new authorities to rapidly award partial or temporary benefits to disabled veterans when the evidence of record clearly supports such awards.

VBA currently has the authority under 38 CFR 4.28 to issue prestabilization ratings for veterans who are discharged from active duty due to severe injuries or illnesses that are not yet fully stabilized or healed, and which cause significant limitations in their ability to be employed. VBA also has rules to award intermediate rating decisions with deferred issues as discussed in M21-1MR, Part II, Subpart iv, Chapter 6, Section A. Intermediate rating decisions for multi-issue claims can be made when the record contains sufficient evidence to decide some of the claimed issues, including service connection, even though remaining issues require further development, and will be deferred. Although VBA has had these authorities for a number of years, VBA rarely takes advantage of them to provide at least partial or minimum benefits to veterans on an expedited basis. Concerns about “double work” and performance standards that fail to properly credit these two ratings actions have discouraged the widespread use of these valuable rating authorities.

DAV believes that both prestabilization and intermediate ratings should be encouraged and expanded to apply to additional circumstances. Currently, prestabilization ratings can only be awarded at two rating levels—50 percent and 100 percent—thereby limiting the number of veterans who could benefit from this authority. DAV recommends that a third level—30 percent—be added in order to rapidly award at least some minimum level of benefits to veterans who need support in their recoveries. The 30 percent rating would also open the door for veterans to receive other important benefits, such as vocational rehabilitation, more quickly to support their transition. In addition, we would encourage Congress and VBA to expand the use of intermediate ratings by creating a category of “interim” or “temporary minimum” ratings for claims in which the evidence of record is already sufficient to support at least a minimum service-connected disability rating. Similar to intermediate ratings, these “interim” or “temporary minimum” ratings should not slow or impede the regular development and processing of the rest of the claim. With the adoption of paperless e-folders and smart processing, all of these temporary rating authorities could be more easily accomplished without the risk of “double work” by VBA.

Although these temporary rating authorities would not directly reduce VBA’s workload or the backlog, providing a rapid award of at least some benefits, based on the available records, to disabled veterans would increase overall confidence in the claims process, and likely help to reduce the number of appeals filed by claimants. Most importantly, these changes would expedite much-needed assistance into the hands of veterans and their families during difficult transitions and recoveries.

Fifth, Congress should enact new legislation to provide a presumption of service connection for tinnitus and hearing loss for veterans who served in combat or whose military occupation specialty (MOS) exposed them to high levels of noise.

During their military service, many veterans were exposed to significant acoustic trauma from very high levels of noise caused by heavy machinery, aircraft, explosive devices or numerous other causes. As a result, many of them later in life develop hearing loss and tinnitus, but often have a hard time proving it was due to their service because of inadequate testing and record keeping while in service. Tinnitus is the number one service-connected disability from all periods of service, with more than 800,000 veterans receiving disability compensation, and that number has steadily grown each year. Over 700,000 veterans have been rated for hearing loss, making that the second highest total for service-connected disabilities. By creating a reasonable presumption, not only would thousands of veterans receive compensation to which they are entitled, but VBA would be able to redirect resources from unnecessary development of these claims to address its other needs. Both the affected veterans and VBA would benefit from this limited and reasonable presumption.

Sixth, Congress should enact legislation to create a new Veterans Economic Opportunities Administration inside VA, which would be comprised of the Vocational Rehabilitation and Employment Service, Education Service, the Department of Labor’s Veterans Employment and Training Service, and other related offices and functions, in order to allow greater focus by VBA on successfully fixing the claims processing system.

DAV and our partners in the *Independent Budget* recommend the creation of a new Veterans Economic Opportunities Administration (VEOA) which would not only

help to support veterans seeking new employment and economic opportunities, but would also indirectly support VBA's transformation efforts. By removing responsibility for managing both the Vocational Rehabilitation and Employment (VR&E) and Education Services, this change would allow VBA leadership to concentrate more exclusively on claims processing reform. Given the dismal record of the Department of Labor's Veterans Employment and Training Service (VETS) over the past two decades, this reorganization would also allow greater focus and synergy with VA on employment issues, a critical priority for veterans, particularly younger veterans. Moving VETS to VA would also help to protect funding for veterans employment programs since all VA funding is currently exempt from sequestration cuts, while DOL programs are not.

Mr. Chairman, that concludes my testimony and I would be happy to answer any questions that you or other Committee members may have.

Chairman SANDERS. Mr. Violante, thank you very much not only for the work that the DAV does but for your excellent testimony.

Every Member of this Committee and all of these service organizations are deeply, deeply concerned about the backlog and we want to move that process forward as rapidly as we can.

I think the testimony that we have heard today from General Hickey and others is that, among other things, the VA is now processing more claims than they ever have before. And, they took a detour in appropriately dealing with the Agent Orange issue.

Mr. Stichman, what I heard you say is, in fact, that the VA did exactly the right thing in terms of responding to the illnesses suffered by our soldiers who served in Vietnam, and they did so in a prompt and accurate way.

Would you elaborate on that?

Mr. STICHMAN. Yes. Your statement is accurate. They re-decided 150,000 past claims and 60,000 new claims in a speedy way using good management techniques by giving the cases to a group of adjudicators whose time was focused on that task alone at the same time that the agency was dealing with the backlog.

Chairman SANDERS. So, in the midst of a lot of criticism being leveled at the VA, some of that being appropriate, on this issue you think they actually did a pretty good job.

Mr. STICHMAN. Yes, and I know that because as class counsel we are given copies of all the decisions the VA makes; and we have been spending the last couple of years communicating with the class members and we do find some mistakes. People make mistakes on claims adjudications. That will always be true, but the percentage of correct decisions is much higher than in prior administrations in implementing the *Nehmer* consent decree.

Chairman SANDERS. Thank you very much, Mr. Stichman.

Mr. Violante, you have indicated in your view, DAV's view, that the VA is, "on the right path." I think we all understand that the year 2013 in the 21st century there is no choice but to go forward into a paperless system. The paper system can no longer be used.

Talk a little bit about what you see them doing right and then give me some suggestions, which you did make one. If you were sitting up here, what would you do; is it the same question asked General Hickey, what legislatively can we do to improve the situation? And say a few words, if you might, on this 60-day requirement, what some of your concerns might be about that.

Mr. VIOLANTE. Thank you, Mr. Chairman. Let me say that I have been in DC now for 30 years. I have been involved in veterans

issues for most of that time and I have never seen such openness with the leadership at the VA central office.

They brought us in. They talked to us. They listen to us when we talk. So, that is helping VBA go down the right path. We believe that what they are doing with VBMS is the right thing to do to get into a paperless situation.

I think what we must understand is this is not being done in a vacuum. At the same time, they are processing over a million claims annually which, in my mind, is something phenomenal. I think their Quality Review Teams are what we have asked for for a long time. It will help ensure that their accuracy is improved.

Their training program is better now than it was years ago. So, in those areas that is where we are seeing improvements.

Chairman SANDERS. Let me just interrupt you, Mr. Violante. My understanding is the DAV helps more veterans than perhaps any other organization in the country move their claims forward, is that correct?

Mr. VIOLANTE. That is correct.

Chairman SANDERS. So, you have today and have had in the past some experience in this whole process.

Mr. VIOLANTE. That is correct. Yes. We represent roughly about 300,000 veterans, about a quarter of those veterans filing claims.

With regard to the 60 days, we would not like to see that shortened only because 50 percent of the veterans are unrepresented. We certainly encourage veterans that we work with or claimants that we work with, if there is no additional evidence or they can get their evidence filed early, to do so. So, we would not like to see changes there.

A couple of things legislatively we would like to see would be with regard to the recommendations I made about requiring the VA to consider credible, competent medical evidence that is adequate for rating purposes.

Right now, we hear from the field, from our people, that in some cases where the medical evidence is sufficient to be rated, the fact that it comes in from a private physician triggers an unnecessary examination.

I think also there should be more emphasis put on partial claims. In other words, I walk in the door. VA looks at my records. They see I was involved in an IED explosion. They see I have a through-and-through wound from the shrapnel. I have ringing in my ears. You know, those can be adjudicated quickly.

The other claims for PTSD, for Post Traumatic Brain Injury, they can continue to develop those but I should walk out of there with a check immediately because in the record is evidence establishing, you know, those injuries.

So, we would like to see more done with regard to intermediate or partial claims.

Chairman SANDERS. OK. Thank you very much, Mr. Violante. Thanks again for what the DAV does.

Mr. Thompson, you have a unique perspective on this issue, given the fact that you were doing exactly what General Hickey is doing today. We look at so many numbers to try to measure the VA's progress. It is kind of difficult to deal with all those numbers.

VA, Congress, and stakeholders examine mountains of data in an attempt to gauge where progress is being made and which efforts are producing results.

What measurements or data do you think are the most vital for this Committee, VA leadership, and, most importantly, veterans to use to measure VA's performance as well as the success or failure of their transformation efforts?

Mr. THOMPSON. Mr. Chairman, I think the single most important measure is the quality and accuracy of the decisions made. You can do everything else but if you get that wrong it is a major problem.

I would say the second issue has to do with both the cycle times, or, the average days to complete as VA refers to it. This is a measure that is looking at the past. And then, they have the measurement of the age of cases in the inventory, average days pending. That is a look at the future.

So, if those average days pending are in decline, as I understand they are now, that is giving you some insight as to where the workload is headed.

If I might take my hat off as a representative of the National Academy and speak as a private citizen who has some familiarity with this issue, I think that until transformation is done, until they actually have these tools available to them, this still will remain overwhelmingly a people process inside regional offices.

It will require a large number of people handling the work, and it is my belief that they need more people than they have today. I believe they need thousands more employees considering the volumes, not just pending claims but looking at how much appeals work is sitting out there, and all of the things they are trying to do simultaneously.

I commend them for what they are trying to do but that is the heaviest lift I can imagine. In my personal perspective, I think they need more people.

Chairman SANDERS. I appreciate that thought. Would you want to add any other advice in terms of what this Committee could do legislatively based on your years of experience?

Mr. THOMPSON. Well, I have heard numerous discussions about DOD and I would offer this: 15 years ago I sat with my counterpart in DOD, the Under Secretary, when we thought we had a deal about securing the transmission of records from them to us. The fact that it is still an issue suggests to me that they may not fully be on board. If I were to spend time in terms of trying to craft legislation, I think I would look down that road.

Chairman SANDERS. Well, let me thank all of you for your valuable and interesting testimony, and we look forward to working with you in the future. Thanks again.

This hearing is now adjourned.

[Whereupon, at 12:21 p.m., the Committee was adjourned.]