United States General Accounting Office

GAO

Report to the Chairman and Ranking Minority Member, Committee on Veterans’ Affairs, U.S. Senate

December 2002

VETERANS’ BENEFITS

Claims Processing Timeliness Performance Measures Could Be Improved

GAO-03-282
VETERANS’ BENEFITS

Claims Processing Timeliness Performance Measures Could Be Improved

Why GAO Did This Study
The Chairman and Ranking Minority Member, Senate Committee on Veterans’ Affairs, asked GAO to assist the Committee in its oversight of the Veterans Benefits Administration’s (VBA) efforts to improve compensation and pension claims processing. As part of this effort, GAO assessed (1) whether VBA’s key timeliness measure clearly reflects its performance and (2) whether it has adequate data to measure the timeliness of its newly created specialized claims processing teams.

What GAO Found
VBA’s key claims processing timeliness measure does not clearly reflect how quickly it decides claims by veterans and their families for disability compensation, pension, and dependency and indemnity compensation benefits. Although each program has its own purpose and eligibility requirements, VBA does not set a separate timeliness goal for each in its annual performance plan. This obscures the significant differences in the time required to complete decisions under each program. Fiscal year 2002 timeliness, using VBA’s measure, was 223 days; however, disability compensation decisions took significantly longer than decisions under the other two programs. A disability compensation decision requires more evidence, in part because VBA must determine that each claimed disability is related to the veteran’s military service.

What GAO Recommends
GAO recommends that the Veterans Benefits Administration establish claims processing timeliness goals for its three main disability programs, incorporate these goals into VA’s strategic plan and annual performance plan, and report its progress in meeting these goals in its annual performance report.

VBA concurred in principle with GAO’s recommendation. VA provided additional information to clarify the possible timeframe for implementing timeliness measures and goals by program.

VBA does not yet have adequate data to measure the timeliness of its new specialized regional office claims processing teams but is working to improve its data. VBA’s inventory management system, which allows it to report and analyze teams’ timeliness, relies on an existing information system that does not provide timeliness data on all cases. VBA is acting to improve the completeness of the data in the existing system. Meanwhile, VBA is deploying new software that it expects should enable it to capture more complete and accurate data. VBA expects to deploy this new software at all regional offices by October 2003.


To view the full report, including the scope and methodology, click on the link above. For more information, contact Cynthia Bascetta at (202) 512-7101 or bascettac@gao.gov.
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Abbreviations

CAPS  Claims Automated Processing System
CPI  claims process improvement
IMS  inventory management system
MAP-D  Modern Award Processing–Development
VA  Department of Veterans Affairs
VBA  Veterans Benefits Administration
VSA  veterans service representative
VSC  Veterans Service Centers
VSR  veterans service representatives
December 19, 2002

The Honorable John D. Rockefeller IV  
Chairman  
The Honorable Arlen Specter  
Ranking Minority Member  
Committee on Veterans’ Affairs  
United States Senate  

Timely compensation and pension claims processing has been a longstanding problem for the Veterans Benefits Administration (VBA). In fiscal year 2002, VBA took an average of more than 7 months to complete veterans’ claims for disability compensation and pension benefits. In order to ensure that veterans and their families receive more timely decisions, the Secretary of Veterans Affairs (VA) tasked VBA to reduce claims processing time to an average of 100 days by the end of fiscal year 2003. As part of this effort, the Secretary created the VA Claims Processing Task Force to recommend ways to improve the claims process. In October 2001, the task force recommended actions to improve claims processing. VBA is in the process of implementing these recommendations.

You asked that we assist the Committee in its oversight of VBA’s efforts to improve its compensation and pension claims processing. As part of this request, you asked that we examine VBA’s timeliness performance measures. Specifically, we assessed (1) whether VBA’s key timeliness measure clearly reflects its performance and (2) whether VBA has adequate data to measure the timeliness of its newly created specialized claims processing teams. We analyzed VBA’s claims processing timeliness data. We reviewed VA’s strategic plan, most recent performance plan, and report and VBA’s implementation plan for its claims process improvement (CPI) initiative. We also talked with VBA officials about the quality of its existing timeliness data and its efforts to improve data quality. In addition, we observed how performance data are collected and used and how the reorganization of claims processing was being implemented at the Milwaukee, Wisconsin, and San Diego, California, regional offices. These were two of the four pilot sites for VBA’s CPI initiative, which is implementing task force recommendations to organize claims processing around specialized teams to handle specific stages of the claims process at
We focused our work on VBA’s compensation and pension programs, since they account for most VBA benefit claims and were the subject of the task force’s report. We conducted our review from August through November 2002 in accordance with generally accepted government auditing standards.

VBA’s key timeliness measure does not clearly reflect its speed in claims processing in that it is a composite figure for three distinct disability benefit programs—disability compensation, pension, and dependency and indemnity compensation. While the aggregate timeliness for deciding rating-related claims in fiscal year 2002 was 223 days, it was 241 days for disability compensation claims, 126 days for pension claims, and 172 days for dependency and indemnity compensation claims. Thus, using one measure obscures VBA’s timeliness in completing claims under each of the three different programs. Similarly, VBA has not set separate timeliness goals for these programs even though each program has its own purpose, beneficiaries, eligibility criteria, and evidence requirements. For example, disability compensation is provided to veterans with service-connected disabilities, while pensions are for low-income veterans with disabilities that are not related to their military service.

VBA does not yet have adequate data to measure the timeliness of its new specialized regional office claims processing teams. VBA is developing new timeliness measures appropriate to the work of these specialized teams. However, the current data are not as complete and accurate as they could be, because the agency currently relies on an information system that was not used to capture data on all cases. VBA instructed its regional offices to report on how fully they use the system and to provide estimated timeframes for full compliance with data entry requirements. Meanwhile, VBA is deploying new software applications that are expected to enable it to routinely capture information on all cases. VBA anticipates being able to better quantify its performance, determine baselines for future comparisons, and identify problems for corrective actions when these applications are deployed at all regional offices by October 2003.

This report contains a recommendation to the Secretary of Veterans Affairs to direct VBA to establish separate claims processing timeliness goals for each of its three main disability programs, incorporate these

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1The other pilot sites were the Reno, Nevada, and Roanoke, Virginia, regional offices.
goals into VA’s strategic plan and its annual performance plans, and report its progress in meeting these goals in its annual performance reports.

Background

VBA’s compensation program pays monthly benefits to veterans with service-connected disabilities (injuries or diseases incurred or aggravated while on active military duty), according to the severity of the disability. VBA’s pension program pays monthly benefits to wartime veterans who have low incomes and are permanently and totally disabled for reasons not service-connected. In addition, VBA pays dependency and indemnity compensation to some deceased veterans’ spouses, children, and parents. In fiscal year 2001, VBA paid over $20 billion in disability compensation to about 2.3 million veterans and over 300,000 survivors. VBA also paid over $3 billion in pensions to over 600,000 veterans and survivors.

Veterans may submit their disability claims to any of VBA’s 57 regional offices, which process these claims in accordance with VBA regulations, policies, procedures, and guidance. Regional offices assist veterans in obtaining evidence to support their claims. This assistance includes helping veterans obtain the following documents: records of service to identify when the veteran served, records of medical treatment provided while the veteran was in military service, records of treatment and examinations provided at VA health-care facilities, and records of treatment of the veteran by nonfederal providers. Also, if necessary for decision on a claim, the regional office arranges for the veteran to receive a medical examination or opinion. Once this evidence is collected, VBA makes a rating decision on the claim. Veterans with multiple disabilities receive a single composite rating. For pension claims, VBA determines whether the veteran meets certain criteria. The regional office then notifies the veteran of its decision.

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2VBA also pays pensions to surviving spouses and unmarried children of deceased wartime veterans.

3VA’s ratings are in 10-percent increments, from 0 to 100 percent. Generally, VA does not pay disability compensation for disabilities rated at 0 percent. Basic monthly payments range from $103 for 10 percent disability to $2,163 for 100 percent disability.

4Veterans are eligible for pensions if they meet the following criteria: (1) served in a period of war, (2) are permanently and totally disabled for reasons not related to military service, and (3) have incomes below VA’s thresholds.
In May 2001, the Secretary created the VA Claims Processing Task Force to develop recommendations to improve the compensation and pension claims process and to help VBA improve claims processing timeliness and productivity. The task force observed that the work management system in many VBA regional offices contributed to inefficiency and an increased number of errors. The task force attributed these problems primarily to the broad scope of duties performed by regional office staff—in particular, veterans service representatives (VSR). For example, VSRs were responsible for both collecting evidence to support claims and answering claimants’ inquiries. In October 2001, the task force made short- and medium-term recommendations for improving the claims process and reorganizing regional office operations. In particular, the task force recommended that VBA change its claims processing system to one that utilizes specialized teams. VBA is in the process of implementing many of these recommendations and has established a new claims processing structure that is organized by specific steps in the claims process. For example, regional offices will have teams devoted specifically to claims development, that is, obtaining evidence needed to evaluate claims.

VBA’s key timeliness measure does not clearly reflect its timeliness in completing claims because it fails to distinguish among its three disability programs—disability compensation, pension, and dependence and indemnity compensation. The programs’ processing times differ, in part because they have different purposes, beneficiaries, eligibility criteria, and evidence requirements to decide each type of claim. Despite these differences, VBA sets an annual performance goal that is an average of all three programs.

For the purposes of reporting its performance to the Congress and other stakeholders, VBA adopted one key timeliness measure—the average time to complete decisions on rating-related cases. This measure includes original and reopened disability compensation, pension, and dependency and indemnity compensation claims—in other words, claims for three VBA compensation and pension programs. VBA sets an annual goal for average days to complete rating-related cases in VA’s annual performance

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5VBA also reports the average number of days that rating-related actions are pending. In fiscal year 2002, VBA’s actual pending timeliness was 174 days.

6Reopened claims are filed by a veteran who is already receiving benefits, for example, a claim to increase a veteran’s disability rating. Reopened dependency and indemnity compensation claims are counted with reopened disability compensation claims.
plans and subsequently reports its actual timeliness—and whether it met its goal—in VA’s annual performance reports to the Congress.

This one measure does not reflect the differences in the timeliness for the three programs. In general, the disability compensation program requires the most evidence and thus these claims generally take longer to complete, as shown in figure 1. While VBA’s average fiscal year 2002 timeliness was 223 days, disability compensation decisions (which represented about 83 percent of total decisions) took almost twice as long to complete as pension decisions. The aggregate measure understated the time required to decide disability compensation claims by 18 days and overstated the time to decide pension claims by 97 days and dependency and indemnity compensation claims by 51 days.

![Figure 1: Average Days to Complete Rating-Related Cases, Fiscal Year 2002, by Program](image)

<table>
<thead>
<tr>
<th>Program</th>
<th>Average days to complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disability Compensation</td>
<td>241</td>
</tr>
<tr>
<td>Pension</td>
<td>126</td>
</tr>
<tr>
<td>Dependency and Indemnity</td>
<td>172</td>
</tr>
</tbody>
</table>

Source: Veterans Benefits Administration.

Note: Compensation includes some reopened dependency and indemnity compensation claims and VBA actions that can lead to adjustments in disability compensation ratings.
Each program has a different claims processing time frame because each has different evidence requirements resulting from their different purposes and eligibility requirements. For example, a major reason why disability compensation claims take longer is that VBA must not only establish that each claimed disability exists, but that each was caused or aggravated by the veteran’s military service. This process requires substantial evidence gathering, with VBA actively assisting the claimant. To prove service-connection, VBA obtains the veteran’s service medical records and may request medical examinations and treatment records from VA medical facilities. In contrast, pension claims do not require evidence that the claimed disabilities were service-connected. Also, veterans aged 65 and older do not have to prove that they are disabled to receive pension benefits as long as they meet the income and military service requirements.

VBA does not yet have adequate data to measure timeliness or set goals for its specialized regional office teams but is making progress in obtaining complete and accurate data. While VBA is in the process of developing performance measures and goals for these teams and has developed a system to report timeliness data, it acknowledges that the quality of its existing timeliness data needs to be improved.

Implementation of the task force recommendations to reorganize claims processing requires that VBA measure its performance for its teams. Where teams were once responsible for processing claims from receipt to completion, teams are now responsible for specific phases of the process. With complete and accurate data, VBA will be able to measure the timeliness of the individual teams and, therefore, will be able to hold them accountable for their performance as well as identify processing delays and take corrective actions. VBA expects to be able to obtain more complete and accurate data to measure team performance once it deploys new software applications that should enable it to consistently capture data for all cases and will rely less on manual data entry. VBA expects these applications to be fully deployed by October 2003.

The task force recommended that regional office Veterans Service Centers (VSC), which process compensation and pension claims, be reorganized into specialized teams. The task force identified six types of teams—triage, pre-determination, rating, post-determination, appeals, and public contact—based on different phases of the claims process. From February through April 2002, VBA piloted its CPI initiative, which included reorganizing regional offices’ VSCs into specialized teams at four regional
offices. The CPI task team noted that processing teams needed clearly defined and reasonable performance expectations and recommended timeliness measures for each team, as shown in table 1. VBA began to implement the CPI model at its other regional offices in July 2002.

Table 1: Claims Processing Teams and Related Timeliness Measures

<table>
<thead>
<tr>
<th>Team</th>
<th>Description</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Triage</td>
<td>Reviews, controls, processes, and routes all incoming mail. If claim can be resolved at once without a claims folder, the triage team does so.</td>
<td>Average control time—time from date claim received to date claim is established in VBA’s claims processing information system.</td>
</tr>
<tr>
<td>Pre-determination</td>
<td>Develops claims. Tasks include requesting and obtaining all evidence needed to support a claim.</td>
<td>Average days to initiate development. Average days to complete development.</td>
</tr>
<tr>
<td>Rating</td>
<td>Makes decisions on rating-related claims.</td>
<td>Days from the date the claim is certified ready to rate to the date the rating is prepared.</td>
</tr>
<tr>
<td>Post-determination</td>
<td>Approves the establishment of benefits, authorizes payments to beneficiaries, and notifies claimants of VBA’s decisions.</td>
<td>Days from completion of the rating decision to the authorization of benefits.</td>
</tr>
<tr>
<td>Appeals</td>
<td>Processes appeals and remands of regional office decisions.</td>
<td>Number of appeals correctly certified to the Board of Veterans Appeals.</td>
</tr>
<tr>
<td>Public contact</td>
<td>Answers telephone and in-person inquiries and refers claims to triage and informs veterans of the status of their claims.</td>
<td>Days to complete routine correspondence. Days to complete special correspondence (e.g., responses to congressional inquiries).</td>
</tr>
</tbody>
</table>

Source: Veterans Benefits Administration.

VBA has implemented an inventory management system (IMS) that allows it to measure and report team timeliness, nationally and at the regional office level. This system should provide VBA with the necessary data to develop annual performance goals, which can be used to hold itself and its regional offices accountable for improving timeliness. IMS should also provide useful data to assist VBA management with identifying problems in specific regional offices and allowing regional office management to identify problems with specific teams for further analysis and corrective actions.

However, VBA acknowledges that its IMS reports are not as useful as they can be, because IMS receives incomplete data from an existing VBA
system—the Claims Automated Processing System (CAPS). Not all regional offices are fully using CAPS; thus, CAPS data that are sent to IMS are incomplete. CAPS was not being used to collect timeliness data for all cases; rather, it was used to provide regional office staff with information on the status of cases expected to take more than 30 days to process. In order to provide a short-term improvement in the completeness of IMS data, in May 2001 VBA instructed regional offices to ensure that certain data were consistently entered into CAPS; for example, dates when evidence was requested and received. In May 2002, VBA instructed regional offices to report on how fully they use CAPS and to provide estimated timeframes for complete compliance with CAPS data entry requirements. As of August 2002, VBA reported that about 81 percent of its pending cases had records in CAPS.\(^7\)

According to VBA officials, as the regional offices implement new software applications, the ability of IMS to provide complete and accurate timeliness reports is expected to improve. For example, Share, the new claims establishment application, will automatically input data on a case into other applications, including CAPS. This will help ensure more complete and consistent data in the short term, because there will be a CAPS record for each case. Eventually, the Modern Award Processing–Development (MAP-D) application will replace CAPS as a source of timeliness data for IMS. MAP-D will, according to VBA officials, contain records for all cases and will reduce the amount of manual data entry required, thus reducing the potential for data input errors. VBA plans to have all regional offices using Share and MAP-D by October 2003.

VBA has chosen to use one aggregate performance measure for timeliness for its disability compensation, pension, and dependency and indemnity compensation programs. Such a measure does not reflect VBA’s performance for programs with different purposes, beneficiaries, and claims processing requirements. In particular, VBA’s timeliness in deciding disability compensation claims is assessed under a measure that also covers pension and dependency and indemnity compensation claims, which take much less time. Consequently, the aggregate measure can make the processing time for VBA’s largest and most time-consuming

\(^7\)Some regional offices reported more than 100 percent of pending cases in CAPS. According to VBA officials, this is because the CAPS record was not properly closed in every case.
workload look better than it really is. As long as VBA uses an aggregate timeliness measure, it will not be able to clearly demonstrate to the Congress, top VA management, and claimants how well it is meeting its objectives to serve disabled veterans and their families.

VBA’s reorganization of its regional office compensation and pension claims processing operations into specialized teams underscores the need for complete and accurate data on the timeliness of the phases of the claims process. VBA does not yet have adequate data for timeliness measurement purposes but is making progress in ensuring that it does. Once VBA has deployed its new claims processing software applications at all of its regional offices, it expects to be able to better measure the timeliness of its specialized teams, provide baselines for future comparisons, quantify team performance goals, and identify problems needing corrective action. In this way, local and team-specific information can be used to hold regional offices and their specialized teams accountable for improving timeliness.

**Recommendation**

We recommend that the Secretary of Veterans Affairs direct the Under Secretary for Benefits to establish separate claims processing timeliness goals for its three main disability programs, incorporate these goals into VA’s strategic plan and annual performance plans, and report its progress in meeting these goals in its annual performance reports.

**Agency Comments and Our Response**

In its written comments on a draft of this report (see app. I), VA concurred in principle with our recommendation. VA noted that VBA plans to develop performance measures for each of its programs, as part of VA’s effort to restructure its budget. However, VA believes establishing new goals by program should be deferred until at least fiscal year 2005, because establishing new goals at this time risks obscuring its focus on achieving the Secretary’s 100-day goal by the end of fiscal year 2003. We believe developing timeliness measures for each program would not obscure VBA’s focus on performance improvement, but would provide a more accurate picture of claims processing timeliness, because the new measures would reflect the differences among the three programs. Because VBA already has the necessary data, we believe that it should report timeliness by program for fiscal year 2004 and set goals by program for fiscal year 2005, at the latest.

VA also suggested that we based our calculations of average days to complete disability compensation, pension, and dependency and...
indemnity compensation decisions, as shown in figure 1, on original claims only. We based our calculations on all eight types of claims (known as end products) that VBA uses to calculate rating-related timeliness. These end products include both original and reopened claims.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 1 day after its issue date. At that time, we will send copies of this report to the Secretary of the Department of Veterans Affairs, appropriate congressional committees, and other interested parties. We will also make copies of this report available to others on request. The report will also be available at no charge on GAO’s Web site at http://www.gao.gov.

If you or your staff have any questions regarding this report, please call me at (202) 512-7101 or Irene Chu, Assistant Director, at (202) 512-7102. In addition to those named, Susan Bernstein, Martin Scire, and Greg Whitney made key contributions to this report.

Cynthia A. Bascetta
Director, Education, Workforce, and Income Security Issues
Ms. Cynthia A. Bascetta  
Director, Education, Workforce, and  
Income Security Issues  
U. S. General Accounting Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Bascetta:

The Department of Veterans Affairs (VA) has reviewed your draft report, VETERANS' BENEFITS: Claims Processing Timeliness Performance Measures Could be Improved (GAO-03-282), and appreciates the opportunity to comment.

GAO specifically recommends that the Veterans Benefits Administration (VBA) establish separate claims processing timeliness goals for its three main disability programs (compensation, pension, and dependency and indemnity compensation); incorporate these goals into VA’s strategic plan and annual performance plans; and, report its progress in meeting these goals in its annual performance report. VA concurs in principle with this recommendation.

Our comments in the attached enclosure offer additional information to clarify the Department’s views. The enclosure addresses three items and should facilitate ease of review.

Thank you for the opportunity to comment on the draft report.

Sincerely yours,

Anthony J. Principi

Enclosure
Appendix I: Comments from the Department of Veterans Affairs

Enclosure

The Department of Veterans Affairs’ Comments to General Accounting Office Draft Report (GAO-03-282) VETERANS’ BENEFITS: Claims Processing Timeliness Performance Measures Could be Improved

The Department of Veterans Affairs (VA) reviewed the draft report and in response to GAO’s recommendation offers three comments. They are:

VBA’s Budget to Capture Total Cost and Performance

Through an ongoing Departmental budgetary restructuring initiative, VBA’s budget is being reformatted to capture the total costs and performance associated with each of its programs. As VBA evolves to this new programmatic format, VBA will review and revise its strategic goals and performance plans and measures accordingly. VBA officials plan to work closely within the Department and with all VBA stakeholders to develop and assign appropriate performance measures for all accounts. The process has already begun with the submission of the FY 2004 budget.

Defer Establishment of New Strategic Goals

Although VA concurs in principle with GAO’s recommendation, VA believes establishment of new strategic goals by program should be deferred to at least FY 2005. This will allow VA to continue to focus resources on achieving the Secretary’s FY 2003 goals for improved Compensation and Pension (C&P) performance. The Secretary established the goal of 100 days, on average, to process rating-related claims in connection with the 2001 President’s initiative to improve claims processing. In order to ensure accountability, these current timeliness measures have been incorporated into each Regional Office Director’s performance standards. Over the past year, timeliness and productivity improvements have been achieved and the targets set by the Secretary are within reach. Establishing new goals, at this time, runs the risk of obscuring the focus on performance improvements.

Clarification of Data in Report

VA noted some discrepancies in the data cited in the report. The average number of days needed to process compensation, pension and dependency and indemnity compensations claims appear to cover original claims only. GAO may want to include data for supplemental claims and claims for increased benefits to make the report more complete.
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