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VA BENEFITS

Other Programs May Provide Lessons for Improving Individual Unemployability Assessments

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Highlights of [GAO-06-207T](#), a testimony before the Committee on Veterans' Affairs, U.S. Senate

Why GAO Did This Study

The Department of Veterans Affairs (VA) provides disability compensation to veterans disabled by injuries or diseases that were incurred or aggravated while on active military duty. Under Individual Unemployability (IU) benefit regulations, a veteran can receive increased compensation at the total disability compensation rate if VA determines that the veteran is unemployable because of service-connected disabilities. GAO has reported that numerous technological and medical advances, combined with changes in society and the nature of work, have increased the potential for people with disabilities to work. Yet, VA has seen substantial growth of IU benefit awards to veterans over the last five years.

In 2001 GAO reported that a growing number of private insurance companies in the United States have focused their programs on developing and implementing strategies to enable people with disabilities to return to work. Our testimony will describe how U.S. private insurers facilitate return to work in three key areas: (1) the eligibility assessment process, (2) work incentives, and (3) staffing practices. It will also compare these practices with those of VA's IU eligibility assessment process.

www.gao.gov/cgi-bin/getrpt?GAO-06-207T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Cynthia Bascetta at (202) 512-7215 or bascettac@gao.gov.

VA BENEFITS

Other Programs May Provide Lessons for Improving Individual Unemployability Assessments

What GAO Found

The disability programs of the three private insurers we reported on in 2001 included the following common return-to-work practices in their disability assessment process:

Incorporate return-to-work considerations from the beginning of the assessment process: Private insurers integrated return-to-work considerations early and throughout the eligibility assessment process. Their assessment process both evaluated a person's potential to work and assisted those with work potential to return to the labor force.

Provide incentives for claimants and employers to encourage and facilitate return to work: These incentives included requirements for obtaining appropriate medical treatment and participating in a return-to-work program, if such a program would benefit the individual. In addition, they provided financial incentives to employers to encourage them to provide work opportunities for claimants.

Strive to use appropriate staff to achieve accurate disability decisions and successful return-to-work outcomes: Private insurers have access to staff with a wide range of expertise not only in making eligibility decisions, but also in providing return-to-work assistance. The three private disability insurers told us that they selected the appropriate type and intensity of staff resources to assess and return individuals with work capacity to employment cost-effectively.

In comparison, VA's Individual Unemployability decision-making practices lag behind those used in the private sector. As we have reported in the past, a key weakness in VA's decision-making process is that the agency has not routinely included a vocational specialist in the evaluation to fully evaluate the applicant's ability to work. Preliminary findings from our ongoing work indicate that VA still does not have procedures in place to fully assess veterans' work potential. In addition, the IU decision-making process lacks sufficient incentives to encourage return to work. In considering whether to grant IU benefits, VA does not have procedures to include vocational specialists from its Vocational Rehabilitation and Education (VR&E) services to help evaluate a veteran's work potential. By not using these specialists, VA also misses an opportunity to have the specialist develop a return-to-work plan, in collaboration with the veteran, and identify and provide needed accommodations or services for those who can work. Instead, VA's IU assessment is focused on the veterans' inabilities and providing cash benefits to those labeled as "unemployable," rather than providing opportunities to help them return to work. Incorporating return-to-work practices could help VA modernize its disability program to enable veterans to realize their full productive potential without jeopardizing the availability of benefits for people who cannot work.

Mr. Chairman and Members of the Committee:

Thank you for inviting me to testify on how the Department of Veterans Affairs (VA) Individual Unemployability (IU) disability assessment practices compare with those used by private sector insurers in helping people with severe disabilities realize their full potential to work. It is especially fitting, with the continuing deployment of our military forces to armed conflict, that we reaffirm our commitment to those who serve our nation in its times of need. Therefore, ensuring the most effective and efficient management of benefits and services to those who incur disabilities because of military service is of paramount importance. At the same time, many people with disabilities have indicated that they want to work and be independent and would do so if they receive the supports they need. Fortunately, numerous technological and medical advances, combined with changes in society and the nature of work, have increased the potential for people with disabilities to work. Nevertheless, VA has seen substantial growth of unemployability benefit awards to veterans with service-connected disabilities. From fiscal years 1999 to 2004, the number of veterans receiving unemployability benefits has more than doubled, from 95,000 to 197,000.

To help people with disabilities achieve their full potential, the disability programs financed by social insurance systems in other countries focus on returning beneficiaries with disabilities to work. Also, in recent years, a growing number of private insurance companies in the United States have been focusing on developing and implementing strategies to enable people with disabilities to return to work. Today I would like to discuss how U.S. private sector disability programs facilitate return to work in three key areas: (1) the eligibility assessment process, (2) work incentives, and (3) staffing practices. I will describe these three elements for U.S. private sector disability insurers and compare these practices with those of VA's IU eligibility assessment process.

My testimony is based primarily upon our prior work, including our 2001 report assessing the disability practices of selected private insurance companies and other countries.¹ This work involved in-depth interviews

¹See *SSA Disability: Other Programs May Provide Lessons for Improving Return-to-Work Efforts*, GAO-01-153 (Washington, D.C.: Jan. 12, 2001). In this report, we evaluated the disability systems of Germany, Sweden, and the Netherlands. We found that their disability programs are focused on return-to-work and include practices similar to those used in the U.S. private sector.

and document review for three private sector disability insurers: UNUMProvident, Hartford Life, and CIGNA. In addition, we used our 1987 review of Individual Unemployability benefits² as well as preliminary observations from our ongoing review of these benefits.

In summary, the disability systems of the private insurers we reviewed integrated return-to-work considerations early after disability onset and throughout the eligibility assessment process. This involved both determining—as well as enhancing—the ability of each claimant to return to work. For example, private insurers used vocational specialists to help ensure they fully assess the work capacity of claimants, identify needed accommodations, and develop individualized plans to help those who can return to work. In addition, these insurers provided incentives for claimants to take part in vocational rehabilitation programs and to obtain appropriate medical treatment. They also provided incentives for employers to provide work opportunities for claimants. Managers of these other programs also explained to us that they have developed techniques—such as separating (or triaging) claims—to use staff with the appropriate expertise to provide return-to-work assistance to claimants in a cost-effective manner.

VA's individual unemployability decision-making practices lag behind those used in the private sector. As we have reported in the past, a key weakness in VA's decision-making process is that the agency did not routinely include a vocational specialist in the evaluation to fully evaluate an applicant's ability to work. Preliminary findings from our ongoing work indicate that VA still does not have procedures in place to fully assess veterans' work potential. In addition, the IU decision-making process lacks sufficient incentives to encourage return to work. In considering whether to grant IU benefits, VA does not have procedures to include vocational specialists from its Vocational Rehabilitation and Education (VR&E) services to help evaluate a veteran's work potential. By not using these specialists, VA also misses an opportunity to have the specialist develop a return-to-work plan, in collaboration with the veteran, and identify and provide needed accommodations or services for those who can work. Instead, VA's IU assessment is focused on the veterans' inabilities and providing cash benefits to those labeled as "unemployable," rather than providing opportunities to help them return to work. Incorporating return-

²See *Veterans' Benefits: Improving the Integrity of VA's Unemployability Compensation Program*, GAO/HRD-87-62 (Washington, D.C.: Sept. 21, 1987).

to-work practices could help VA modernize its disability program to enable veterans to realize their full productive potential without jeopardizing the availability of benefits for people who cannot work.

Background

VA pays basic compensation benefits to veterans incurring disabilities from injuries or diseases that were incurred or aggravated while on active military duty. VA rates the severity of all service-connected disabilities by using its Schedule for Rating Disabilities. The schedule lists types of disabilities and assigns each disability a percentage rating, which is intended to represent an average earning impairment the veteran would experience in civilian occupations because of the disability. All veterans awarded service-connected disabilities are assigned single or combined (in case of multiple disabilities) ratings ranging from 0 to 100 percent, in increments of 10 percent, based on the rating schedule; such a rating is known as a schedular rating. Diseases and injuries incurred or aggravated while on active duty are called service-connected disabilities.

VA's Individual Unemployability Benefits

Disability compensation can be increased if VA determines that the veteran is unemployable (not able to engage in substantially gainful employment) because of the service-connected disability. Under VA's unemployability regulations, the agency can assign a total disability rating of 100 percent to veterans who cannot perform substantial gainful employment because of service-connected disabilities, even though their schedular rating is less than 100 percent. To qualify for unemployability benefits, a veteran must have a single service-connected disability of 60 percent or more or multiple disabilities with a combined rating of 70 percent or more, with at least one of the disabilities rated 40 percent or more. VA can waive the minimum ratings requirement and grant unemployability benefits to a veteran with a lower rating; this is known as an extra-schedular rating.

Staff at VA's regional offices make virtually all eligibility decisions for disability compensation benefits, including IU benefits. The 57 VA regional offices use nonmedical rating specialists to evaluate veterans' eligibility for these benefits. Upon receipt of an application for compensation benefits, the rating specialist would typically refer the veteran to a VA medical center or clinic for an exam. Based on the medical examination and other information available to the rater, the rater must first determine which of the veteran's conditions are or are not service-connected. For service-connected conditions, the rater compares the diagnosis with the rating schedule to assign a disability rating.

Along with medical records, raters may also obtain other records to evaluate an IU claim. VA may require veterans to furnish an employment history for the 5-year period preceding the date on which the veteran claims to have become too disabled to work and for the entire time after that date. VA guidance also requires that raters request basic employment information from each employer during the 12-month period prior to the date the veteran last worked. In addition, if the veteran has received services from VA's VR&E program or Social Security disability benefits, the rater may also request and review related information from these organizations.

Once VA grants unemployability benefits, a veteran may continue to receive the benefits while working if VA determines that the work is only marginal employment rather than substantially gainful employment. Marginal employment exists when a veteran's annual earned income does not exceed the annual poverty threshold for one person as determined by the U.S. Census Bureau—\$ 9,827 for 2004. Furthermore, if veterans are unable to maintain employment for 12 continuous months due to their service-connected disabilities they may retain their IU benefits, regardless of the amount earned.

Modernizing Federal Disability Programs

After more than a decade of research, GAO has determined that federal disability programs were in urgent need of attention and transformation and placed modernizing federal disability programs on its high-risk list in January 2003. Specifically, our research showed that the disability programs administered by VA and the Social Security Administration (SSA) lagged behind the scientific advances and economic and social changes that have redefined the relationship between impairments and work. For example, advances in medicine and technology have reduced the severity of some medical conditions and have allowed individuals to live with greater independence and function in work settings. Moreover, the nature of work has changed in recent decades as the national economy has moved away from manufacturing-based jobs to service- and knowledge-based employment. Yet VA's and SSA's disability programs remain mired in concepts from the past—particularly the concept that impairment equates to an inability to work—and as such, we found that these programs are poorly positioned to provide meaningful and timely support for Americans with disabilities.

In contrast, we found that a growing number of U.S. private insurance companies had modernized their programs to enable people with disabilities to return to work. In general, private insurer disability plans

can provide short- or long-term disability insurance coverage, or both, to replace income lost by employees because of injuries and illnesses. Employers may choose to sponsor private disability insurance plans for employees either by self-insuring or by purchasing a plan through a private disability insurer. The three private disability insurers we reviewed recognized the potential for reducing disability costs through an increased focus on returning people with disabilities to productive activity. To accomplish this comprehensive shift in orientation, these insurers have begun developing and implementing strategies for helping people with disabilities return to work as soon as possible, when appropriate.

Private Insurers Incorporate Return- to-Work Considerations from the Beginning of the Assessment Process

The three private insurers we studied incorporate return-to-work considerations early in the assessment process to assist claimants in their recovery and in returning to work as soon as possible.³ With the initial reporting of a disability claim, these insurers immediately set up the expectation that claimants with the potential to do so will return to work. Identifying and providing services intended to enhance the claimants' capacity to work are central to their process of deciding eligibility for benefits. Further, the insurers continue to periodically monitor work potential and provide return-to-work assistance to claimants as needed throughout the duration of the claim. Their ongoing assessment process is closely linked to a definition of disability that shifts over time from less to more restrictive—that is, from an inability to perform one's own occupation to an inability to perform any occupation.

After a claim is received, the private insurers' assessment process begins with determining whether the claimant meets the initial definition of disability. In general, for the three private sector insurers we studied, claimants are considered disabled when, because of injury or sickness, they are limited in performing the essential duties of their own occupation and they earn less than 60 to 80 percent of their predisability earnings,

³Throughout the testimony, we use the term "claimant" to refer to both a person who submits a claim for disability insurance and a person who receives disability benefits for the lifetime of a claim.

depending upon the particular insurer.⁴ As part of determining whether the claimant meets this definition, the insurers compare the claimant’s capabilities and limitations with the demands of his or her own occupation and identify and pursue possible opportunities for accommodation—including alternative jobs or job modifications—that would allow a quick and safe return to work. A claimant may receive benefits under this definition of disability for up to 2 years.

As part of the process of assessing eligibility according to the “own occupation” definition, insurers directly contact the claimant, the treating physician, and the employer to collect medical and vocational information and initiate return-to-work efforts, as needed. Insurers’ contacts with the claimant’s treating physician are aimed at ensuring that the claimant has an appropriate treatment plan focused, in many cases, on timely recovery and return to work. Similarly, insurers use early contact with employers to encourage them to provide workplace accommodations for claimants with the capacity to work.

If the insurers find the claimant initially unable to return to his or her own occupation, they provide cash benefits and continue to assess the claimant to determine if he or she has any work potential. For those with work potential, the insurers focus on return to work before the end of the 2-year period, when, for all the private insurers we studied, the definition of disability becomes more restrictive. After 2 years, the definition shifts from an inability to perform one’s own occupation to an inability to perform any occupation for which the claimant is qualified by education, training, or experience. Claimants initially found eligible for benefits may be found ineligible under the more restrictive definition.

The private insurers’ shift from a less to a more restrictive disability definition after 2 years reflects the changing nature of disability and allows

⁴The private insurers generally define one’s “own occupation” as the occupation a person is routinely performing at onset of disability. They generally assess how the claimant’s own occupation is performed in the national economy, rather than how the work is performed for a specific employer or at a specific location. Moreover, two of the insurers have expanded their “own occupation” definition of disability to include a reasonable alternative position. These two insurers require that a claimant who is judged able to do so accept a reasonable alternative position—a job in the same general location as that offered by the claimant’s current employer—or risk losing cash benefits. The claimant must be qualified to perform the work of this alternative position—which must pay the claimant more than 60 to 80 percent of predisability earnings, depending upon the insurer—given his or her education, training, or experience.

a transitional period for insurers to provide financial and other assistance, as needed, to help claimants with work potential return to the workforce. During this 2-year period, the insurer attempts to determine the best strategy for managing the claim. Such strategies can include, for example, helping plan medical care or providing vocational services to help claimants acquire new skills, adapt to assistive devices to increase functioning, or find new positions. For those requiring vocational intervention to return to work, the insurers develop an individualized return-to-work plan, as needed. Basing the continuing receipt of benefits upon a more restrictive definition after 2 years provides the insurer with leverage to encourage the claimant to participate in a rehabilitation and return-to-work program. Indeed, the insurers told us they find that claimants tend to increase their efforts to return to work as they near the end of the 2-year period.

If the insurer initially determines that the claimant has no work potential, it regularly monitors the claimant's condition for changes that could increase the potential to work and reassesses after 2 years the claimant's eligibility under the more restrictive definition of disability. The insurer continues to look for opportunities to assist claimants who qualify under this definition of disability in returning to work. Such opportunities may occur, for example, when changes in medical technology—such as new treatments for cancer or AIDS—may enable claimants to work, or when claimants are motivated to work.

The private insurers that we reviewed told us that throughout the duration of the claim, they tailor the assessment of work potential and development of a return-to-work plan to the specific situation of each individual claimant. To do this, disability insurers use a wide variety of tools and methods when needed. Some of these tools, as shown in tables 1 and 2, are used to help ensure that medical and vocational information is complete and as objective as possible. For example, insurers consult medical staff and other resources to evaluate whether the treating physician's diagnosis and the expected duration of the disability are in line with the claimant's reported symptoms and test results. Insurers may also use an independent medical examination or a test of basic skills, interests, and aptitudes to clarify the medical or vocational limitations and capabilities of a claimant. In addition, insurers identify transferable skills to compare the claimant's capabilities and limitations with the demands of the claimant's own occupation. This method is also used to help identify other suitable occupations and the specific skills needed for these new occupations when the claimant's limitations prevent him or her from returning to a prior occupation. Included in these tools and methods are

services to help the claimant return to work, such as job placement, job modification, and retraining.

Table 1: Medical Assessment: Tasks, Tools, and Methods

Task	Tools and methods
Assess the diagnosis, treatment, and duration of the impairment and begin developing a treatment plan focused on returning the claimant to work promptly and safely	Consultation of medical staff and other resources, including current medical guidelines describing symptoms, expected results from diagnostic tests, expected duration of disability, and treatment
Assess the claimant's cognitive skills	Standardized mental tests
Validate the treating physician's assessment of the impairment's effect on the claimant's ability to work and the most appropriate treatment and accommodation	Review of the claimant's file, generally by a nurse or a physician who is not the claimant's treating physician
Verify the diagnosis, level of functioning, and appropriateness of treatment	Independent medical examination of the claimant by a contracted physician
Evaluate the claimant's ability to function, determine needed assistance, and help the claimant develop an appropriate treatment plan with the physician	Home visits by a field nurse or investigator or accompanied doctor visits
Assess the claim's validity	Home visits and interviews with neighbors or others who have knowledge of the claimant's activities

Source: GAO analysis of private insurers' practices.

Table 2: Vocational Assessment and Assistance: Tasks, Tools, and Methods

Task	Tools and methods
Identify transferable skills, validate restrictions on and capabilities for performing an occupation, and identify other suitable occupations and retraining programs	<ul style="list-style-type: none">• Test basic skills, such as reading or math• Determine interests and aptitudes• Evaluate functional capacities associated with an occupation, such as lifting, walking, and following directions• Compare functional capacities, work history, education, and skills with the demands of an occupation
Enhance work capabilities and help develop job-seeking skills	<ul style="list-style-type: none">• Provide résumé preparation, help develop job-seeking skills, and help with job placement• Assist in obtaining physical, occupational, or speech therapy and access to employee assistance, support groups, or state agency vocational rehabilitation or other community services• Identify and fund on-the-job training or other educational courses
Assess ability to perform own or any occupation, assess potential for accommodation, and determine whether sufficient salary is offered locally or nationally for a suitable occupation	<ul style="list-style-type: none">• Observe and analyze the essential duties of the claimant's own occupation, another occupation for the same employer, or an occupation of a prospective employer• Determine the general availability and salary range of specified occupations• Identify for a specified occupation the potential employers and related job descriptions, salary range, and openings
Reaccustom claimant to a full work schedule and enable claimant to overcome impairment and return to work	<ul style="list-style-type: none">• Provide work opportunities for the claimant to gradually resume his or her job duties• Procure devices to assist with work or otherwise help to modify the job

Source: GAO analysis of private insurers' practices.

Private Insurers Provide Incentives for Claimants and Employers to Encourage and Facilitate Return to Work

To facilitate return to work, the private insurers we studied employment incentives both for claimants to participate in vocational activities and receive appropriate medical treatment, and for employers to accommodate claimants. The insurers require claimants who could benefit from vocational rehabilitation to participate in an individualized return-to-work program. They also provide financial incentives to promote claimants' efforts to become rehabilitated and return to work. To better ensure that medical needs are met, the insurers we studied require that claimants receive appropriate medical treatment and assist them in obtaining this treatment. In addition, they provide financial incentives to employers to encourage them to provide work opportunities for claimants.

The three private insurers we reviewed require claimants who could benefit from vocational rehabilitation to participate in a customized rehabilitation program or risk loss of benefits. As part of this program, a return-to-work plan for each claimant can include, for example, adaptive equipment, modifications to the work site, or other accommodations. These private insurers mandate the participation of claimants whom they believe could benefit from rehabilitation because they believe that voluntary compliance has not encouraged sufficient claimant participation in these plans.⁵

The insurers told us that they encourage rehabilitation and return to work by allowing claimants who work to supplement their disability benefit payments with earned income.⁶ During the first 12 or 24 months of receiving benefits, depending upon the particular insurer, claimants who are able to work can do so to supplement their benefit payments and thereby receive total income of up to 100 percent of predisability

⁵Although claimants may be involved in the development of the individualized rehabilitation plans, the insurers make the final decision about the types of rehabilitation services claimants will receive.

⁶The private disability insurers we reviewed told us that their benefits generally replace 60 percent of predisability earnings, depending upon the insurer.

earnings.⁷ After this period, if the claimant is still working, the insurers decrease the benefit amount so that the total income a claimant is allowed to retain is less than 100 percent of predisability income.

When a private insurer, however, determines that a claimant is able, but unwilling, to work, the insurer may reduce or terminate the claimant's benefits. To encourage claimants to work to the extent they can, even if only part-time, two of the insurers told us they may reduce a claimant's benefit by the amount the claimant would have earned if he or she had worked to maximum capacity. The other insurer may reduce a claimant's monthly benefit by the amount that the claimant could have earned if he or she had not refused a reasonable job offer—that is, a job that was consistent with the claimant's background, education, and training. Claimants' benefits may also be terminated if claimants refuse to accept a reasonable accommodation that would enable them to work.

Since medical improvement or recovery can also enhance claimants' ability to work, the private insurers we studied not only require, but also help, claimants to obtain appropriate medical treatment. To maximize medical improvement, these private insurers require that the claimant's physician be qualified to treat the particular impairment. Additionally, two insurers require that treatment be provided in conformance with medical standards for treatment type and frequency. Moreover, the insurers' medical staff work with the treating physician as needed to ensure that the claimant has an appropriate treatment plan. The insurers told us they may also provide funding for those who cannot otherwise afford treatment.

The three private sector insurers we studied may also provide financial incentives to employers to encourage them to provide work opportunities for claimants. By offering lower insurance premiums to employers and paying for accommodations, these private insurers encourage employers to become partners in returning disabled workers to productive employment. For example, to encourage employers to adopt a disability

⁷To illustrate, assume that Ms. Jones is a claimant with predisability earnings of \$1,000 per month and an insurance policy that replaces 60 percent of her predisability earnings. She is currently not working. Under this scenario, her income would be limited to \$600 per month in disability benefits. However, if she returned to work, even part-time, she would have the opportunity to increase her total income to 100 percent of her predisability earnings or, in this instance, \$1,000. If she returned to work and earned \$500 per month, the insurer would reduce her benefit payment from \$600 to \$500 per month, so that her combined earnings and benefit payment would provide a total monthly income equal to her predisability income of \$1,000.

policy with return-to-work incentives, the three insurers offer employers a discounted insurance premium. If their disability caseload declines to the level expected for those companies that assist claimants in returning to work, the employers may continue to pay the discounted premium amount. These insurers also fund accommodations, as needed, for disabled workers at the employer's work site.⁸

Private Insurers Strive to Use Appropriate Staff to Achieve Accurate Disability Decisions and Successful Return-to-Work Outcomes

The private disability insurers we studied have developed techniques for using the right staff to assess eligibility for benefits and return those who can to work. Officials of the three private insurers told us that they have access to individuals with a range of skills and expertise, including medical experts and vocational rehabilitation experts. They also told us that they apply this expertise as appropriate to cost effectively assess and enhance claimants' capacity to work.

The three private disability insurers that we studied have access to multidisciplinary staff with a wide variety of skills and experience who can assess claimants' eligibility for benefits and provide needed return-to-work services to enhance the work capacity of claimants with severe impairments. The private insurers' core staff generally includes claims managers, medical experts, vocational rehabilitation experts, and team supervisors. The insurers explained that they set hiring standards to ensure that the multidisciplinary staff is highly qualified. Such qualifications are particularly important because assessments of benefit eligibility and work capacity can involve a significant amount of professional judgment when, for example, a disability cannot be objectively verified on the basis of medical tests or procedures or clinical examinations alone.⁹ Table 3 describes the responsibilities of this core staff of experts employed by private disability insurers, as well as its general qualifications and training.

⁸Educating employers about the size and extent of disability costs is an important element in motivating employers to promote efforts to return claimants to work. For example, one of the private insurers we reviewed educates employers about the direct and indirect costs of not controlling lost time associated with disability, which this insurer estimated to amount to 4 to 6 percent of an employer's payroll.

⁹According to one insurer, disabilities with subjective diagnoses include certain types of mental illness, fibromyalgia, chronic pain (often back pain), and chronic fatigue syndrome.

Table 3: Responsibilities and Qualifications of Staff Employed by Private Disability Insurers to Assess and Enhance a Claimant’s Work Potential

Type of staff	Responsibilities	Qualifications and training
Claims managers	<ul style="list-style-type: none"> • Determine disability benefit eligibility. • Develop, implement, and monitor an individualized claim management strategy. • Serve as primary contact for the claimant and the claimant’s employer. • Focus on facilitating the claimant’s timely, safe return to work. • Coordinate the use of expert resources. 	<p>One insurer gives preference to those with a college degree and requires insurance claims experience and specialized training and education.</p> <p>Another requires a college degree, a passing grade on an insurer-sponsored test, and specialized training and coaching.</p>
Medical and related experts ^a	<ul style="list-style-type: none"> • Collect and evaluate medical and functional information about the claimant to assist in the eligibility assessment and help to ensure that claimants receive the appropriate medical care to enable them to return to work. • At one insurer, physicians also help train company staff. 	<p>Medical staff include registered nurses with case management or disability-related experience and experts in behavioral and mental issues, such as psychologists, experienced psychiatric nurses, and licensed social workers. Two insurers also employ board-certified physicians in various specialties.^b</p>
Vocational rehabilitation experts	<ul style="list-style-type: none"> • Help assess the claimant’s ability to work. • Help overcome work limitations by identifying needed assistance, such as assistive devices and additional training, and ensuring that it is provided. 	<p>Rehabilitation experts are master’s-degree-level vocational rehabilitation counselors. In addition, one insurer requires board certification and 5 years of experience.</p>
Supervisors	<ul style="list-style-type: none"> • Provide oversight, mentoring, and training. 	<p>One insurer gives preference to those with a college degree and requires 3 years’ disability experience, some management experience, and specialized training. Another insurer requires a college degree, more than 12 years’ disability claims experience, and completion of courses leading to a professional designation.</p>

Source: GAO analysis of private insurers’ practices.

^aAt one company, the medical experts are employees of a company subsidiary but are often colocated with the insurer’s employees.

^bOne company, for example, employs 85 part- and full-time physicians, including psychiatrists, doctors of internal medicine, orthopedists, family practice physicians, cardiologists, doctors of occupational medicine, and neurologists.

The three disability insurers we reviewed use various strategies for organizing their staff to focus on return to work, with teams organized to manage claims associated either with a specific impairment type or with a specific employer (that is, the group disability insurance policyholder). One insurer organizes its staff by the claimant’s impairment type—for example, cardiac/respiratory, orthopedic, or general medical—to develop in-depth staff expertise in the medical treatments and accommodations targeted at overcoming the work limitations associated with a particular

impairment. The other two insurers organize their staff by the claimant's employer because they believe that this enables them to better assess a claimant's job-specific work limitations and pursue workplace accommodations, including alternative job arrangements, to eliminate these limitations.¹⁰ Regardless of the overall type of staff organization, each of the three insurers facilitates the interaction of its core staff—claims managers, medical experts, and vocational rehabilitation experts—by pulling these experts together into small, multidisciplinary teams responsible for managing claims. Additionally, one insurer engenders team interaction by physically colocating core team members in a single working area.

To provide a wide array of needed experts, the three disability insurers expand their core staff through agreements or contracts with subsidiaries or other companies. These experts—deployed both at the insurer's work site and in the field—provide specialized services to support the eligibility assessment process and to help return claimants to work. For instance, these insurers contract with medical experts beyond their core employee staff—such as physicians, psychologists, psychiatrists, nurses, and physical therapists—to help test and evaluate the claimant's medical condition and level of functioning. In addition, the insurers contract with vocational rehabilitation counselors and service providers for various vocational services, such as training, employment services, and vocational testing.

The private insurers we examined told us that they strive to apply the appropriate type and intensity of staff resources to cost-effectively return to work claimants with work capacity. The insurers described various techniques that they use to route claims to the appropriate claims management staff, which include separating (or triaging) different types of claims and directing them to staff with the appropriate expertise. According to one insurer, the critical factor in increasing return-to-work rates and, at the same time, reducing overall disability costs is proper triaging of claims. In general, the private insurers separate claims by those who are likely to return to work and those who are not expected to return to work. The insurers told us that they assign the type and level of staff necessary to manage claims of people who are likely to return to work on

¹⁰All three insurers, however, have behavioral care specialists specifically for managing psychiatric claims.

the basis of the particular needs and complexity of the specific case (see table 4).

Table 4: Staff Assignment for Claims Management by Triage Category

Triage category	Staff assigned	Types of return-to-work services provided
Likely to return to work		
Condition requires medical assistance and more than 1 year to stabilize medically.	Medical specialist	<ul style="list-style-type: none"> • Recommend improvements in treatment plan to treating physician • Refer claimant for more specialized or appropriate medical services • Ensure frequency of treatment meets standards for condition
Condition requires less than a year to stabilize.	Claims manager	<ul style="list-style-type: none"> • Monitor medical condition • Maintain contact with employer and physician to ensure return to work • Obtain input from medical and vocational specialists as needed
Condition is stabilized, and claimant needs rehabilitation or job accommodation to return to work.	Multidisciplinary team including <ul style="list-style-type: none"> • Vocational expert • Medical expert • Claims specialist • Other specialists as needed 	<ul style="list-style-type: none"> • Evaluate claimant’s functional abilities for work • Customize return-to-work plan • Arrange for needed return-to-work services • Monitor progress against expected return-to-work date
Unlikely to return to work		
Claimant is determined unable to return to work.	Claims manager	<ul style="list-style-type: none"> • Review medical condition and level of functioning regularly

Source: GAO analysis of private insurers’ practices.

As shown in table 4, claimants expected to need medical assistance, such as those requiring more than a year for medical stabilization, are likely to receive an intensive medical claims management strategy. A medical strategy involves, for example, ensuring that the claimant receives appropriate medical treatment. Claimants who need less than a year to stabilize medically are managed much less intensively. For these claims, a claims manager primarily monitors the claimant’s medical condition to assess whether it is stable enough to begin vocational rehabilitation, if appropriate. Alternatively, a claimant with a more stable, albeit serious, medical condition who is expected to need vocational rehabilitation, job accommodations, or both to return to work might warrant an intensive vocational strategy. The private disability insurers generally apply their most resource-intensive, and therefore most expensive, multidisciplinary team approach to these claimants. Working closely with the employer and

the attending physician, the team actively pursues return-to-work opportunities for claimants with work potential.

Finally, claimants who are likely not to return to work (or “stable and mature” claims) are generally managed using a minimum level of resources, with a single claims manager responsible for regularly reviewing a claimant’s medical condition and level of functioning.¹¹ The managers of these claims carry much larger caseloads than managers of claims that receive an intensive vocational strategy. For example, one insurer’s average claims manager’s caseload for these stable and mature claims is about 2,200 claims, compared with an average caseload of 80 claims in the same company for claims managed more actively.

VA’s Individual Unemployability Return-to-Work Efforts Lag behind Other Programs

Unlike disability compensation programs in the private sector, VA has not drawn on vocational experts for IU assessments to examine the claimant’s work potential and identify the services and accommodations needed to help those who could work to realize their full potential. In our 1987 report, we found that VA had not routinely obtained all vocational information needed to determine a veteran’s ability to engage in substantially gainful employment before it granted IU benefits. Without understanding how key vocational factors, such as the veteran’s education, training, earnings, and prior work history, affect the veteran’s work capacity, VA cannot adequately assess the veteran’s ability to work. To perform this analysis, VA officials told us that the agency has vocational specialists who are specially trained to perform this difficult analysis. Skilled vocational staff can determine veterans’ vocational history, their ability to perform past or other work, and their need for retraining. By not collecting sufficient information and including the expertise of vocational specialists in the assessment, VA did not have an adequate basis for awarding or denying a veteran’s claim for unemployability benefits.

Preliminary findings from our ongoing work indicate that VA still does not have procedures in place to fully assess veterans’ work potential. In addition, the IU decision-making process lacks sufficient incentives to encourage return to work. In considering whether to grant IU benefits, VA does not have procedures to include vocational specialists from its VR&E

¹¹The insurers review these claims on a regular basis, ranging from every 6 months to every 3 years, depending upon the insurer and the characteristics of the claim.

services to help evaluate a veteran's work potential. By not using these specialists, VA also misses an opportunity to have the specialist develop a return-to-work plan, in collaboration with the veteran, and identify and provide needed accommodations or services for those who can work. Instead, VA's IU assessment is focused on the veterans' inabilities and providing cash benefits to those labeled as "unemployable," rather than providing opportunities to help them return to work.

Concluding Observations

Return-to-work practices used in the U.S. private sector reflect the understanding that people with disabilities can and do return to work. The continuing deployment of our military forces to armed conflict has focused national attention on ensuring that those who incur disabilities while serving in the military are provided the services needed to help them reach their full work potential. Approaches from the private sector demonstrate the importance of using the appropriate medical and vocational expertise to assess the claimant's condition and provide appropriate medical treatment, vocational services, and work incentives. Applying these approaches to VA's IU assessment process would raise a number of important policy issues. For example, to what extent should the VA require veterans seeking IU benefits to accept vocational assistance or appropriate medical treatment? Such policy questions will be answered through the national policymaking process involving the Congress, VA, veterans' organizations, and other key stakeholders. Nevertheless, we believe that including vocational expertise in the IU decision-making process could provide VA with a more adequate basis to make decisions and thereby better ensure program integrity. Moreover, incorporating return-to-work practices could help VA modernize its disability program to enable veterans to realize their full productive potential without jeopardizing the availability of benefits for people who cannot work.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions you or members of the committee may have.

For future contacts regarding this testimony, please call Cynthia Bascetta at (202) 512-7215. Carol Dawn Petersen, Julie DeVault, and Joseph Natalicchio also made key contributions to this testimony.

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