

**EXECUTIVE SUMMARY OF
JEFFREY C. HALL
ASSISTANT NATIONAL LEGISLATIVE DIRECTOR
OF THE
DISABLED AMERICAN VETERANS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
JUNE 19, 2012**

- Over the past decade, claims for disability compensation have more than doubled, rising from nearly 600,000 in 2000 to over 1.4 million in 2011; during this same decade, VBA's workforce grew by about 80 percent, rising from 13,500 FTEE in 2007 to over 20,000 today.
- As of June 12, 2012, there were 911,450 pending claims for disability compensation and pensions awaiting rating decisions by the VBA, an increase of more than 360,000 from two years ago; over 600,000 of those claims have been pending for more than 125 days. VBA's accuracy rate according to STAR is currently 86 percent, far below the target of 98 percent.
- For the past 2 1/2 years, VBA has been developing a new claims processing model while also undertaking several IT initiatives, especially the Veterans Benefits Management System (VBMS). We are now nearing the point where VBA's strategies to transform its people, processes and technologies must begin to turn around this failing system.
- Although it must be stressed that there is indeed positive change and significant progress being made, there are also some troubling problems related to VBMS and other automation initiatives that now raise serious questions about whether VBA's transformation efforts will ultimately be successful.
- The issue of VSO access to VBMS and the scanning of information and evidence into VBMS, especially the handling of legacy paper files, remain unresolved by VBA and deeply concerning to DAV. Without access to VBMS, VSOs are not able to review decisions and corresponding claims files, leaving us unable to properly assist our client veterans, as well as VBA.
- Instead of resolving the VSO access issue, a number of questionable work-around measures have been implemented at each of the four pilot VAROs, differing from station to station. Instead of resolving the scanning of files, especially legacy files, VBA is nearing the end of a temporary agreement with NARA without a long-term solution.
- VBA has implemented nationwide a streamlined rating decision notification process called the Simplified Notification Letter (SNL). Since inception, the new SNLs have raised serious concerns amongst veterans and VSOs, primarily due to the lack of information, explanation and insufficient or inadequate reasons and bases being provided.
- VBA's plan is for the fully automated evaluation builder, rating calculator based SNLs to be integrated into the automated VBMS system; however, after 2 1/2 years since the transformation process began, problems with both the VBMS and SNLs raise serious concerns about VBA's focus and ability to be successful in the overall transformation.
- Since neither VSOs nor Congress have sufficient IT expertise to evaluate technical questions about VBMS, a panel of independent, outside IT experts from the private sector should review VBMS and provide an informed judgment about its progress and chance for success.

**STATEMENT OF
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Chairman Miller and Members of the Committee:

Thank you for inviting the Disabled American Veterans (DAV) to testify on the status of the Veterans Benefits Administration's (VBA) claims processing transformation initiatives, especially the Veterans Benefits Management System (VBMS). With 1.2 million members, all of whom are wartime disabled veterans, DAV is dedicated to building better lives for America's disabled veterans and their families. With the largest corps of National Service Officers (NSOs), DAV provides free representation to veterans and their survivors in seeking disability compensation and other benefits, working from within all 57 VA Regional Offices, as well as through our Mobile Service Office and Transition Service Officer programs.

This morning the Committee will examine the progress made by VBA towards reforming its system for processing veterans' claims for benefits, especially the lengthy and flawed system for determining disability compensation claims. While preparing for today's hearing, I reviewed testimony DAV has provided over the past two years in order to better present our views today, and I was struck by the change in our assessment of VBA's progress. At a Subcommittee hearing 24 months ago, we testified that, "...there were reasons to be optimistic about [VBA's] chances for improvement." Sixteen months ago we testified to the full Committee that there were, "... some positive and hopeful signs of change." And earlier this year, we testified that there were, "... many positive and hopeful signs that the VBA is on the right path." Although it must be stressed that there is indeed positive change and significant progress being made, there are also some troubling problems related to VBMS and other automation initiatives that now raise serious questions about whether VBA's transformation efforts will ultimately be successful.

Mr. Chairman, this Committee is well aware of the scale of the problems facing VBA. Over the past decade, the number of veterans filing claims for disability compensation has more than doubled, rising from nearly 600,000 in 2000 to over 1.4 million in 2011. This workload increase is the result of a number of factors over the past decade, including the wars in Iraq and Afghanistan, an increase in the complexity of claims and improved outreach and communication utilizing new Internet tools, including social networking. Furthermore, new presumptive conditions related to Agent Orange exposure (ischemic heart disease, B-cell leukemia and Parkinson's disease) and previously denied claims related to the *Nehmer* decision added almost 200,000 new claims leading to a workload surge that is expected to level off this year. To meet this increased workload, VBA's workforce grew by about 80 percent, rising from 13,500 FTEE

in 2007 to over 20,000 today, with the vast majority of that increase occurring during the past four years.

Yet despite the hiring of thousands of new employees, the number of pending claims for benefits, often referred to as the backlog, continues to grow. As of June 12, 2012, there were 911,450 pending claims for disability compensation and pensions awaiting rating decisions, an increase of more than 360,000 from two years ago when VBA was just beginning their transformation planning process. Almost 600,000 of those claims have been pending over 125 days (VBA's official target for completing claims), more than three times the number that existed two years earlier. But more important than the number of claims processed is the number of claims processed correctly. VBA's quality assurance program, the Systematic Technical Accuracy Review (STAR), indicates the current accuracy rate is just over 86 percent for the one-year period ending in April 2012. Although this is a slight improvement from one year prior, it is still well short of VA's target of 98 percent accuracy. Further, VA's Office of Inspector General (VAOIG) reported in May 2011 that based on inspections of 45,000 claims at 16 of the VA's 57 regional offices (VAROs), claims for disability compensation were processed correctly only 77 percent of the time.

VBA has struggled for decades to provide timely and accurate decisions on claims for veterans benefits, especially veterans disability compensation, and numerous prior reform attempts that began with great promise, sadly fell far short of success. Early in 2010, recognizing the severity of the problems they were facing, VBA's leadership committed to undertaking a comprehensive transformation of claims processing from an outdated, inefficient, and inadequate system into a modern, automated, rules-based, and paperless system. It has been two-and-a-half years since this latest reform effort began and we are nearing the point where VBA's strategies to transform its people, processes and technologies must begin to turn around this failing system.

At the outset, I want to make clear that we remain extremely pleased with the continuing partnership VBA has formed with DAV and other veterans service organizations (VSOs) to help reform the claims process. The outreach to VSOs that began about three years ago has been strengthened by Under Secretary Alison Hickey, whose commitment to working with VSOs on behalf of our nation's veterans is greatly appreciated. General Hickey has set a tone within VBA, reflected throughout her leadership team, emphasizing the importance of partnering with VSOs while designing the new systems necessary to ensure that veterans, especially disabled veterans, receive all their earned benefits in a timely manner.

In recent months VBA has begun to roll out a new operating model for processing claims for disability compensation, one that will change the roles and functions of thousands of VSRs and RVSRs at Regional Offices across the country. VBA is also launching new IT systems, including the Veterans Benefits Management System (VBMS), a new Stakeholder Enterprise Portal (SEP), an expanded e-Benefits system with VONAPPS Direct Connect (VDC), and other elements of their Veterans Relationship Management (VRM) and Virtual Lifetime Electronic Record (VLER) initiatives. VA's transformation strategy is centered around three main components: people, processes and technologies; today's hearing will focus primarily on the technology aspect, particularly VBMS.

Mr. Chairman, as you know, the VBMS has been in development for more than two years, with the first pilot location at the Providence, Rhode Island VA Regional Office (VARO) beginning in November 2010; a second testing site at the Salt Lake City, Utah VARO was initiated just over a year ago and two more pilot sites were recently stood up at the Wichita, Kansas VARO and the Fort Harrison, Montana VARO. The Providence and Salt Lake City VAROs are currently processing only original claims for disability compensation within VBMS, whereas both Wichita and Fort Harrison process all claims within VBMS and also use the new operating model developed from VBA's experience at its I-Lab in Indianapolis. Build upon the best practices developed from VBA's myriad of processing pilots conducted over the last several years, the I-Lab developed a new operating model for processing claims that relies on the segmentation of claims as its cornerstone. The traditional triage function was replaced in the new operating model with an Intake Processing Center, putting experienced claims personnel at the front end of the process, with responsibility to divide claims along three separate tracks; Express, Core, and Special Ops. The Express lane is for simpler claims, such as fully developed claims, claims with one or two contentions, or other simple claims. The Special Ops lane is for more difficult claims, such as those with eight or more contentions, longstanding pending claims, complex conditions, such as traumatic brain injury and special monthly compensation, and other claims requiring extensive time and expertise. The Core lane is for the balance of claims with between three and seven contentions, claims for individual unemployability (IU), original mental health conditions, and others.

However, despite the General Hickey's leadership, and even acknowledging the progress that has been made, there are troubling issues related to VBMS and related IT and automation initiatives that could be harbingers of fundamental flaws with VBA's transformation plans. Although VSOs have neither the logistical capability nor IT expertise to comprehensively evaluate the complicated programming, software and hardware that make up VBMS, we are able to make firsthand observations from our interactions with VBA and VBMS that have caused us to reevaluate earlier more positive assessments. In particular, we have serious concerns about VBA's failure to effectively address some basic VBMS issues that have been raised repeatedly over the past two years: providing service officers who hold Power-of-Attorney (POA) for claimants with access to files in VBMS, implementing a scanning solution for paper claims files, particularly those involving legacy claims, and fully incorporating rules-based decision support.

Back in early 2010, when we were first invited to provide input into what became VBA's claims transformation strategy, DAV and other VSOs stressed the central importance of resolving issues related to the assignment and acceptance of POAs in VBMS. Without proper recognition of the POA by VBA, our service officers are unable to fully assist veterans with their claims, especially monitoring progress and working with VBA to get those claims done right the first time. This breakdown not only hurts the veterans we represent, it also hurts VBA since our efforts produce better claims, which in turn reduces VBA's workload.

However, despite our repeated entreaties to resolve POA issues before deploying VBMS, as of today, DAV's NSOs remain unable to access the VBMS system at the four pilot sites on behalf of any of the veterans we represent. Perhaps equally troubling is the fact that different work-around solutions have been developed at different VAROs in order to allow us to review

decisions made with VBMS. For example, in Providence and Wichita, when a decision on a claim is made for one of our client veterans, rather than being notified that the “paperless” rating decision is ready to be reviewed in the VBMS system as intended, our NSOs receive an email which includes a PDF attachment of the decision that must be downloaded in order to review. Since it does not contain evidence from the claims file upon which the decision was based, our NSOs are directed to go into the Virtual VA system where a copy of the VBMS claims file is also being stored.

Contrastingly, in Salt Lake City, DAV NSOs receive email notification that a rating decision for one of our clients has been completed, but in order to see the decision our NSOs must leave their office and go to a different VBA building in order to review a paper copy of the decision. If DAV NSOs want to review the claimant’s file, which is almost always done, the NSO must then make a separate request and the paper file is subsequently made available to them. Finally, in Fort Harrison, our NSO also receives an email notification that a rating decision has been made in VBMS; however, in order to review that decision and the corresponding evidence used, the NSO must go to the RVSR who performed the rating, whereupon the NSO is allowed to review the decision on the computer of the RVSR. It is not clear what the RVSR is doing while service officers are occupying their work stations and utilizing their computers, but we do know that our NSOs must spend a great deal of their workday away from their office to accomplish this necessary work.

VBA officials have told us that the reason VSOs cannot yet access the VBMS as intended is due to the Limitation of Consent section of the POA because VBMS is unable to provide different levels of access to different electronic claims files. When a veteran assigns DAV or another VSO their POA, they have the right to check a Limitation of Consent box that limits access to information relating to certain health matters, including issues with AIDS, drugs and alcohol. Although this limitation is rarely invoked, the VBMS currently provides either full access or no access to electronic claims files; it cannot provide partial or limited access. As a result, the system has blocked all VSO access to veterans' files. It is our understanding that VBA has a solution which will allow the vast majority of unrestricted POAs to be accepted by the system, thereby allowing us access to VBMS. This fix is to be included in the next iterative release of VBMS scheduled for July 16th. Even with this solution, when a veteran does choose to limit access to this medical information, the system will continue to block the POA holder from having any access to that particular veterans rating decision or claims file in VBMS.

Mr. Chairman, VBA's failure to address this problem concerns us on two levels. First, the fact that such a basic POA issue was not addressed and resolved prior to live claims being done through VBMS raises doubts about whether VBA has given sufficient thought to the full range of POA issues we have been raising with them for years. Failure to deal with POA issues in a timely manner is not just a problem for VBMS, but also for the Stakeholder Enterprise Portal (SEP) currently under development by VBA and scheduled for release later this year.

Second, we question why VBMS does not appear capable of providing different levels of access to different files or parts of files for different users, since such basic security functions are routinely part of major software and IT systems used everyday across the nation. While we trust VBA will fix the first part of this access problem, we have concerns about whether they will be

able to resolve the remaining access issues related to POAs in both VBMS and the SEP. If POA access issues are not fully addressed, it will be virtually impossible for VSOs to properly assist the veterans we represent. Moreover, the fact that such a basic prerequisite for VBMS success – POA access – was either unanticipated or ignored, and that it remained unresolved even as VBMS was being deployed, makes us question whether there may be similar fundamental gaps or work-arounds embedded in other parts of VBMS.

A second major VBMS issue that has yet to be satisfactorily resolved is VBA's proposed scanning and digitizing solution for paper documents and claims folders. Mr. Chairman, as you are aware, and will hear from later witnesses, VBA is currently relying on an agreement with the National Archives and Records Administration (NARA) to perform all of the scanning required to process paperless claims in VBMS at the four pilot VAROs. However, due to the volume of scanning required, NARA has informed VBA that they will no longer be able to perform this work, although we understand that they intend to continue supporting the scanning needs of the four pilot VAROs until a new scanning vendor is secured to perform this work. Apparently NARA's decision to stop performing this work caught VBA somewhat by surprise. We have been told that VBA will soon be soliciting contract proposals from outside vendors to perform scanning for the pilot VAROs, as well as the twelve additional VAROs scheduled to begin processing claims with VBMS by the end of this fiscal year. It is not yet clear whether the lack of a scanning vendor will delay the rollout of VBMS to the twelve additional VAROs, however the failure to properly plan for such an essential feature of the VBMS system troubles us and once again raises questions in our minds about whether there are other gaps or problems in their claims processing transformation strategy.

Mr. Chairman, even before VBMS was first conceived, it was clear that in order to have a paperless claims process there must be a comprehensive system in place to digitize paper documents. Yet VBA has failed to finalize a long-term scanning solution, in part because it has not yet definitively answered fundamental questions about when and which legacy documents will be scanned into VBMS. Although VBA has committed to moving forward with a paperless system for new claims, it has dragged its feet for more than two years in determining under what conditions existing paper claims files would be converted to digital files. Because a majority of claims processed each year are for reopened or appealed claims and because files can remain active for decades, until all legacy claims are converted to digital data files, VBA could be forced to continue paper processing for decades. We have been told that VBA's current plans are to convert claims files that have new rating-related actions, but not those with minor actions such as dependency or address changes. However, the uncertainty over the past couple of years about how much scanning would be required, and at what cost, is at least partly responsible for VBA's reliance on NARA, and its current rush to find a new scanning vendor.

While there are very difficult technical questions to be answered, and significant financial considerations involved in transitioning to all-digital processing, particular involving legacy paper files, we believe VBA would be best served by taking the most aggressive approach feasible in order to shorten the length of time this transition takes. While the conversion from paper processing to VBMS will require substantial upfront investment, it will pay dividends for VBA and veterans in the future. We would urge VBA to provide, and Congress to review, a

clear plan for eliminating legacy paper files, one that includes realistic timelines and resource requirements.

Another area of concern with the VBMS system is the implementation of rules-based decision support for automating ratings. In our testimony two years ago, we called on VBA to ensure that VBMS was, "... designed to take maximum advantage of the artificial intelligence offered by modern IT in order to provide decision support to VBA's claims adjudicators." After some initial indecision, VBA did commit to making such an element a core component of VBMS, which began initially at the Atlanta VARO as a local pilot program called the Disability Evaluation Narrative Text Tool, or DENNT. Early versions of DENNT, however, had serious flaws that included almost a total lack of sufficient information regarding the reasons and bases for rating decisions. After raising our concerns with Under Secretary Hickey, significant changes were made, and the DENNT program was rolled out nationally as the new initiative called Simplified Notification Letters, or SNLs, which provide automated rating decisions and notification letters. SNLs use automated calculators and evaluation builders to guide rating decisions and then rely on coded, standardized text to generate notification letters and rating decisions. However, many of the problems we objected to in DENNT are still present in the SNLs.

Traditionally, VBA rating specialists produced rating decisions that contained detailed information about the issues claimed, evidence considered, and the reasons and bases for decisions, as well as the pertinent laws, regulations and rating criteria. The rating decisions would accompany detailed notification letters that were sent to the claimant. By contrast, today's SNL decisions provide only brief information about the issues claimed, a list of evidence and the criteria for a higher evaluation, if pertinent. This accompanies a letter with formatted auto-text entries chosen by the rater through a series of codes. The rater simply indicates a specific code on each section of the rating decision (not provided to the veteran), which is then finalized by the post determination team under the Denial Reason or Explanation section boxes contained in the letter. In addition, there is a free text box to provide more detailed information about the decision; however in most SNLs that we have reviewed, such information is not sufficient and often leads to greater confusion rather than clarity.

Essentially VBA has created a rating decision that is combined with a notification letter, instead of having a separate and distinct rating decision and notification letter, in order to save time and reduce workload. However, many of the SNLs we reviewed contain so little information and explanation that even an experienced DAV NSO has difficulty determining if the rating decision was correct without reviewing the full file. Even if SNLs do lead to a reduction in processing times—and we have yet to see convincing evidence that they will—the lack of information and confusion created by such abbreviated decision letters will likely lead to more appeals, thereby shifting workload within VBA rather than eliminating it.

Let me cite as an example an SNL we reviewed for a veteran we represent who made a number of claims, including one for service connection for PTSD that was denied by VBA. In the SNL he received, under the paragraph entitled "What We Decided" VBA wrote that they had, "... granted entitlement to hospital and medical treatment because a psychosis or other mental illness was diagnosed within the required timeframe." But the letter then stated that VBA had,

"... determined that the claimed PTSD was, "... not related to your military service, so service-connection couldn't be granted..." However, the box below that stated that the Denial Reason on the PTSD claim was because, "the evidence does not show a current diagnosed disability." Then to make it even more confusing, the box for the explanation of the denial states that VBA concedes that the veteran "... experienced a stressful event in service or fear of hostile military or terrorist activity."

The limited and confusing information contained in the letter above is typical of the problems that we have seen in SNLs at VAROs across the country. The common denominator in the majority of SNLs we have reviewed is an extremely limited amount of information and insufficient reasons and bases. In preparation for today's hearing, I randomly selected ten SNLs obtained from different VAROs to review for quality. Of the ten, eight were deficient due to insufficient information; inadequate reasons or bases; incorrect evidence listed or not considered; discrepancies in the raters' identified code(s) and the information in the letter; confusing or unclear language; and other similar problems. By contrast, the two SNLs that were accurate and acceptable provided sound explanations of the reasons and bases for the decision, primarily by utilizing the free text section to go beyond the coded, automated text. It was precisely for this purpose that the free text section was first added following the early problems with the DENTT program. However based upon our review, proper utilization of the free text section in order to make the SNL a clear and complete rating notification is still not being done with any consistency.

Ironically, many years ago, VBA rating decisions looked very similar to the shortened decisions contained in most SNLs: lacking detailed information and explanation. This practice was changed with the institution of RBA 2000, which required far greater detail, explanation, pertinent law and regulation, as well as holdings from the United States Court of Appeals for Veterans Claims. While we certainly want rules-based decision support to be a central part of the new claims process and VBMS, VBA must not use technological automation to eliminate essential manual steps, such as the inclusion of sufficiently detailed free text explanations that are crucially important to the veteran. We believe that requiring raters to provide detailed, plain English explanations of their decisions will not only better inform veterans (and their representatives), but will also lead to better reasoned and more accurate decisions by the raters themselves.

It is unfortunate that SNLs were not more rigorously and systematically tested as part of a pilot program before being rolled out nationally. It would have been better to address these problems before a large number of decisions were made; however, it appears that the pressure to reduce the backlog took precedence over the goal of reforming the system so that each claim is decided right the first time. The above problems with SNLs again cause us to question whether VBA has cut other corners within VBMS in order to meet self-imposed deadlines to reduce the backlog. We would urge VBA to take steps to address the deficiencies we have identified with SNLs, and put a system in place to ensure that there is consistency in how SNLs are produced both within and amongst VAROs.

At present, VBA has finished developing evaluation builders for all of the diagnostic codes in the VA Schedule for Rating Disabilities (VASRD); however, only about half of them

have been embedded directly into the VBMS system; the remaining ones are still functional but sit outside VBMS. The major difference is that evaluation builders residing outside VBMS are not able to be as easily or quickly modified when corrections or changes are necessary, a concern since the entire VASRD is currently in the process of being updated and revised. We would urge VBA to move as expeditiously as possible to fully embed all calculators and evaluation builders directly into the VBMS system.

Two other vital components to the success of both VBMS and VBA's transformation strategy are training and quality control. As VBA transitions to digital claims files, VBA's existing STAR quality assurance system must be able to access VBMS files electronically in order to conduct their reviews. We understand that such basic access is currently available and that the VBMS team is working with the STAR office to determine other business requirements. In addition, VBA must ensure that the new Quality Review Teams (QRTs) at each VARO have the ability to review claims at every stage of the process. VBMS must be focused at least as much on increasing quality control as it is on producing more claims decisions.

In order to transition employees to the VBMS work environment, web-based training modules have been developed for new users; however, trainers will be onsite when VBMS rolls out to new VAROs. Instead, each VARO will have a number of "super users" who will receive about six hours of web-based training, compared to three to four hours for normal users. Additionally, ongoing training and support, as well as a help desk at VBA central office, will be available to VAROs or individuals with problems. Since we have not had a chance to review the new VBMS training materials, we are not able to comment on whether its content or length is sufficient. However based on our experience with VBA's existing employee training programs, about which we have testified several times to this Committee, we would urge VBA to ensure that sufficient time is provided to employees to properly complete all required training. We would also recommend that testing of the training be conducted to ensure it is being properly received by employees and that it is appropriate to the task at hand. Finally, we hope that the decision to rely on web-based training was not made for budgetary reasons. The upfront cost of providing thorough training will be far less than the future cost of correcting inaccurate claims decisions.

Two years ago, when VBA was just setting out on the path towards transforming their claims processing system, DAV's testimony to this Committee offered a few major recommendations. We called on VBA to partner with VSOs and fully integrate us into the new VBMS system. We recommended that VBA make an early and clear decision on how to handle the conversion of legacy paper files. We also urged that rules-based decision support be fully incorporated into VBMS as a core component, and stressed the importance of training and quality control. Finally, we called for an outside, independent review of VBMS, since neither VSOs nor Congress have the IT expertise to make informed judgments about whether VBMS is being developed properly. Based upon the concerns raised in our testimony, we believe it is now more crucial than ever that such a review be conducted by a private sector panel of experts. Rather than a GAO audit, or a consulting company review, we envision bringing in leading systems experts from major IT companies such as Google, Facebook, Amazon or Apple, who might be interested in providing some of their leading experts pro bono to sit down and talk with the VBMS team to determine if they are on track. We believe that there are many companies

looking for ways to support our nation's veterans with no other conflicts of interest. This kind of expert private sector perspective could either result in greater confidence that VBA is on the right track, or provide an informed judgment about where and why they have gone wrong. Either way VBA has something to gain and nothing to lose.

Mr. Chairman, we have long advocated that in order to achieve long-term success, VBA must make a cultural shift away from focusing on speed and production to a new culture built upon quality and accuracy. It is not enough to simply lower the backlog, after all backlogs can return. Moreover, it doesn't matter how quick a claim is completed if it is not done correctly. However, despite the problems with VBMS discussed in our testimony, we have not concluded that VBA's transformation efforts cannot be successful. Therefore, we would urge this Committee to continue to oversee and support VBA as they seek to complete the VBMS, mindful of the concerns we have raised. For the 3.8 million disabled veterans who rely on disability compensation to meet some or all of their essential needs, it is imperative that we finally and truly reform VBA's claims processing system, and a successful VBMS must be a central component of that change.

That concludes my statement and I would be pleased to answer any questions you may have.