STATEMENT OF
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Chairman Runyan, Ranking Member Titus and Members of the Subcommittee:

On behalf of the DAV (Disabled American Veterans) and our 1.2 million members, all of whom are wartime wounded and injured veterans, thank you for asking DAV to submit testimony for the record on the Department of Veterans Affairs' (VA) adjudication of complex disability claims and ensuring quality, accuracy, and consistency on complicated issues. As the nation's leading veterans service organization (VSO) assisting veterans seeking disability compensation and other benefits, DAV has tremendous experience and expertise relating to the processing of claims as well as the various ways veterans may appeal adverse actions and decisions.

Mr. Chairman, for the first time in years, some good news is coming out of the Veterans Benefits Administration (VBA) in regard to the backlog of veterans' disability compensation and pension claims. Despite a partial government shutdown that disrupted progress for most of October 2013, VBA appears to have finally turned a corner for the first time in more than two decades. However, despite the laudable progress and milestones that have been achieved, significant work remains to be done before VBA can hope to completely eliminate the backlog and reform the claims processing system so that every claim is done right the first time, including the most complicated claims.

At the beginning of 2013, there were more than 860,000 pending claims for disability compensation and pension. By the end of the year, that number had dropped by more than 20 percent, down to about 693,000 pending, a reduction of more than 20 percent. The number of claims in the backlog – greater than 125 days pending – dropped by more than a third, from over 611,000 in January 2013 to less than 392,000 at present. VBA also increased the number of claims completed each month from an average of about 89,000 during the first four months of the year to more than 110,000 over the final eight months of the year; however the cause is unclear. VBA also reports that the average days for rating pending claims has dropped this year from 280 days to under 180 days, and there are virtually no claims remaining that have been pending for more than a year.

The most important factor driving VBA's productivity gains was undoubtedly the policy of mandatory overtime for claims processors that ran from May through November. During this six month stretch, VBA achieved significant boosts in the number of completed claims per month, reaching as high as 129,488 in August, before dropping back down during the shutdown and after mandatory overtime ended before Thanksgiving. The other key factors boosting claims

production were likely the increased focus on fully developed claims (FDC), which rose to more than 12 percent of VBA's claims inventory, and the continued professional development of VBA's newest employees hired during the past five years. Although VBA finished the roll out of both Veterans Benefits Management System (VBMS) and the new Transformation Organizational Model (TOM) last year, this likely had only a marginal influence on productivity increases last year since there is a learning curve that both employees and management must complete before they reach their full productive potential with new systems.

While the drop in the backlog was certainly good news, even more encouraging was the steady increase in the accuracy of claims produced throughout the year, as measured by the Systematic Technical Accuracy Review (STAR) teams. According to VBA, their 12-month measure for rating claims accuracy rose from 85.7 percent at the beginning of the year to nearly 90 percent by the end of November. Although this remains far from the 98 percent accuracy goal put forward by the Secretary, it is a significant improvement. As VBA officials regularly point out, however, when using an issue-based standard, rather than claims-based since one claim may contain many separate issues, the accuracy rate is even higher, approaching 97% during the final months of 2013.

There are several likely causes for the increased accuracy of rating claims. First, statutory and regulatory changes have eliminated virtually all errors related to the duty to notify veterans of their rights under the Veterans Claims Assistance Act (VCAA), since the required notice is now included on the application form itself. Inadequate VCAA notice had historically been one of the largest categories of STAR errors Second, the use of VBMS has automated many of the required development steps required to properly prepare a claim to be rated, such as scheduling compensation exams and routine future examinations, thereby reducing the number of these types of errors by more than 50 percent. Third, rating calculators and other automation tools have helped to prevent inaccurate ratings because the system will not accept disability evaluation levels outside certain parameters established for each diagnostic code. Finally, VBA's new Quality Review Teams (QRTs) have had a positive effect on the quality and accuracy of ratings.

All of this progress comes after four years of comprehensive transformation – that included implementation of new organizational and operating processes, new IT systems, and new training, testing and quality control regimes – all designed to reach the Secretary's ambitious goals for 2015 of all claims within 125 days with 98 percent claims accuracy.

One of the cornerstones of this transformation is the TOM, which is based upon the segmentation of claims based on their complexity. At the beginning of the new process, VBA's traditional triage function has been replaced with a new Intake Processing Center that puts an experienced Veterans Service Representative (VSR) at the front end of the process to divide claims along three separate "lanes:" "Express," "Core," and "Special Ops." The Express Lane is for claims that are less difficult, such as those that are fully developed or those containing one or two issues, etc. The Core Lane is for processing claims involving three to seven contentions, as well as claims for individual unemployability. And the Special Ops Lane is for more difficult claims, such as those with eight or more contentions, long-standing pending claims; complex conditions, such as traumatic brain injury (TBI), post-traumatic stress disorder (PTSD), military

sexual trauma (MST), special monthly compensation (SMC), and other claims requiring extensive time and expertise.

VBA estimates that about 30 percent of claims will be processed through the Express lane, about 60 percent through the Core lane and about 10 percent through the Special Ops lane. In each of these lanes, integrated teams comprised of VSRs, RVSRs and Decision Review Officers (DROs) work in close proximity so that they can better coordinate their efforts and increase production. Although there have been increases in both production and quality over the past year using the TOM, VBA must regularly measure, carefully analyze and continually improve its new operating procedures to fix problems and maximize efficiencies. We have been particularly interested to learn whether VBA might be tempted to more resources and personnel in the Express Lane as a tactic to generate greater production and artificially lower the pending backlog of claims. While such a redistribution of VBA resources would allow VBA to move a larger number of simple claims more quickly and thus lower the number of pending claims, it would force much longer delays on veterans awaiting decisions on the more complex claims, including those with eight or more contentions, or those suffering from PTSD.

DAV recently surveyed a number of our National Service Offices to learn more about how VA Regional Offices (VARO) were distributing their personnel among the lanes and found wide variations. For example, at one VARO, the distribution of VSRs and Rating Veterans Service Representatives (RVSR) among the lanes was 31 percent in the Express, 56 percent in the Core and 13 percent in the Special Ops. At a similar sized VARO, the distribution was 48 percent in the Express, 22 percent in the Core and 30 percent in the Special Ops. While the needs in each particular VARO differ, there is clearly a disparity in the amount of personnel assigned to a particular lane. In some VAROs, DAV's National Service Officers (NSOs) observed that the distribution appeared to be reasonable based on their observations of the makeup of that particular VARO's workload, while others observed understaffing of one or more of the segmented lanes. Others commented that too often VARO personnel were being shifted from one lane to another based upon the current month's priority. It is essential that VBA be aware of such wide ranging differences among VAROs, analyze both workload data and the distribution of resources, and ensure that sufficient personnel are being assigned to each of the lanes, particularly the more complicated claims that require greater time and expertise.

According to VBA, employees working within the Special Ops Lane are individuals who possess the highest skill level, and are required to complete an additional 20 plus hours of training and testing on more complex issues such as TBI and MST to ensure accuracy when preparing a rating. Additionally, all ratings in the Special Ops Lane require a second signature until the RVSR has demonstrated a 90 percent accuracy with consistency. While the exact number of necessary personnel assigned to handle the more complex claims like TBI, PTSD, etc., within the Special Ops Lane, or their respective experience level is difficult to ascertain, DAV believes these individuals should be the more experienced and skilled employees, particularly RVSRs.

Another concern expressed by some of DAV's NSOs was that VBA was sometimes placing claims in the wrong lanes: complex claims going through the Core lane or too many multi-issue claims being directed to the Express lane. In order to prevent these errors in

directing claims to the right lane, VBA must ensure that the personnel at the Intake Processing Center of each VARO have the proper training and experience required to make these crucial decisions.

A related concern we have is that VBA may be neglecting the preparation of claims awaiting certification to the Board of Veterans' Appeals. There have been reports that some VAROs have redirected some VSRs and RVSRs who normally work on preparing appeals instead to work only on claims that contribute to lowering the backlog. Again, such an approach may yield short-term gains in reducing the claims backlog, but it will have longer term negative consequences for the growing backlog of appeals, which now stands at more than 266,000.

In order to continue incentivizing quality and accuracy along each track, especially the Special Ops lane for complicated claims, VBA must also ensure that performance standards are adjusted appropriately for VSRs' and RVSRs' work on each of the different tracks within the new organizational model. Production standards for VSRs and RVSRs handling the simplest claims must be different from those handling the most complex, which take more time per claim. Employees handling complex Special Ops claims should not be held to the same performance levels in terms of claims completed per day as those handling simpler Express claims.

Understanding that this model will continue to change as technology evolves concurrently, it would be wise for VBA to consult with the American Federation of Government Employees (AFGE) and other labor representatives in developing a mutually acceptable framework for quickly adjusting performance standards in the future as conditions merit. As new processes and technologies come online, it is imperative that VBA be able to make timely adjustments to performance standards to ensure that production pressures do not outweigh the goals of accuracy and quality. DAV believes that VBA must develop a scientific methodology for measuring the resources (primarily personnel) required to accurately and timely process the current and future anticipated workload, as well as a new model for allocating those resources among VA regional offices.

One of the keys to reducing the backlog has been and will continue to be the FDC program. DAV continues to actively support the FDC program and by the end of fiscal year 2013, nearly 25 percent of all claims submitted to VBA were filed through the FDC program. This approach not only lowers the burden on VBA employees, it also results in faster and more accurate claims decisions for veterans. However, we recognize that not all claims can be filed as "fully developed" and VBA must continue to maintain and improve the manner in which it processes complex claims.

Mr. Chairman, in order for VBA to complete the transformation, end the backlog and decide each claim right the first time, it must develop and inculcate a new work culture based on quality and accountability. At a time when so much national attention has been focused on reducing the number of claims pending in the backlog, VBA must continue to place at least equal emphasis on quality and accuracy, rather than just speed and production. In fact, accurately deciding a veteran's claim for disability should never compromised or sacrificed for the sake of productivity. DAV has and always will maintain the VBA's attention and focus should be on

generating decisions that are right the first time. This particularly applies to those claims that are more complex and complicated.

Unfortunately, most of the metrics that VBA employs today are based primarily on measures of production, rather than quality. For example, the most common way to measure the VBA's progress is through its Monday Morning Workload Reports, which contain measures of production, but not accuracy or quality. Another major tool used to review VBA's status is its "Aspire Dashboard," which provides current performance statistics for each VARO, and provides national totals. Like the Monday Morning Reports, however, the Aspire Dashboard metrics are primarily related to pending work inventory and production times, with only a few measures of accuracy included. VBA must develop new and realistic metrics and performance measures at every level in the process: from claims processors to regional office management to central office leadership.

VBA must continue to make the changes to its work culture so that quality and accuracy are the cornerstones of all their activities, especially in dealing with complex claims. DAV believes that VBA's creation of Quality Review Teams was a powerful statement of VBA's commitment to quality. QRTs perform several functions: they conduct local quality reviews, perform in-process reviews and provide select training. In particular, the in-process reviews, often referred to as "mulligan reviews," allow errors to be corrected before they negatively affect a rating decision, and without penalizing the VBA employee. VBA must continually evaluate and improve its training, testing, and quality control programs in order to truly reform the claims system over the long term.

Another key to changing VBA's culture is how well they invest in the training, testing and professional development of its workforce. Over the past several years, VBA has reengineered its "challenge" training program for new employees, which consists of four weeks of in-station training via "live meeting" software, followed by four weeks of in-residence training at the Baltimore academy or other centralized locations around the country. Every employee is also required to complete continuing training of 85 hours per year coupled with required testing. In addition, VBA has developed a new training program called Station Enhancement Training (SET), which requires all employees at targeted poor performing VAROs to undergo comprehensive training together for one week. First begun at some of VBA's lowest performing stations, including Oakland, Los Angeles and Baltimore, SET allows employees to review and refresh their knowledge, while also providing structured time to work live cases under the supervision of the training staff. VBA has reported that SET training not only increased quality, it also boosted morale of employees and VBA expects to continue SET training in 2014.

Finally, VBA's transformation strategy depends on the successful implementation of new technology, including the VBMS, the Stakeholder Enterprise Portal (SEP), an expanded e-Benefits system with VONAPPS Direct Connect (VDC), and the Virtual Lifetime Electronic Record (VLER) initiative. In terms of processing claims, the most important technology is VBMS, the paperless, rules-based system that VBA uses to create electronic claims files, manage workflow and determine ratings. VBA was able to complete implementation of VBMS ahead of schedule in June and by the end of 2013, nearly all of VBA's pending claims were processed

using electronic files. Going forward, VBA must continue to receive and allocate sufficient funding for scanning paper claims forms and evidence, including the back-scanning legacy files, and must monitor and work to improve the quality of the scanned documents.

It is also vitally important to recognize that no modern IT system or software is ever truly "finished," In addition to the funding required for maintenance of the VBMS system, VBA must continue to make significant investments in VBMS development for as long as this system is capable of meeting VBA's needs. The coding and embedding of rating calculators inside VBMS, for example, remains a labor-intensive, time-consuming process and one that will continue as the VA Schedule for Rating Disabilities (VASRD) is continually updated in the future. Furthermore, as new IT technologies emerge, and new requirements for VBA are identified, VBMS must evolve to address those needs and opportunities, and that will require an aggressive development program that has sufficient resources. At the same time, VBMS must be carefully developed to ensure that it also provides sufficient support for complex claims that are not easily done through automated and rules-based processes.

Mr. Chairman, while VBA should be commended for the progress made in reducing the backlog of pending claims, now is not the time for them or Congress to shift any resources or attention away from their longstanding problems in processing claims accurately and timely. DAV believes VBA's new organizational model of segmented lanes is moving in the right direction but there is still work to be one to ensure greater consistency and efficiency throughout all VAROs.

By their very nature, complex claims are more difficult to process from the development stage through final rating. VBA must ensure that they assign the most skilled and experienced individuals to process these claims as well as those at the front end responsible for assigning claims to the proper lanes. Ultimately, the success of VBA's transformation will not be judged on how well they process the large number of simple claims, but on how accurately and quickly they adjudicate the most complex claims. Getting all claims decisions right the first time is the only fair and equitable way to treat to our nation's veterans, their dependents and survivors. Anything less is unacceptable.

Mr. Chairman, this concludes my testimony. I would be happy to answer any questions you or the Subcommittee.