

**Annual Report of
Barry A. Jesinoski
Executive Director
Washington Headquarters
to the
91st National Convention
of the
Disabled American Veterans
Las Vegas, Nevada
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National Commander Samuels, distinguished guests, and delegates to the 91st National Convention of the Disabled American Veterans:

As Executive Director of National Service and Legislative Headquarters in Washington, it is an honor and a privilege to present this annual report to the membership.

First, I want to thank National Commander Donald L. Samuels for his inspired leadership and dedication to DAV and our mission of service and hope for this nation's disabled veterans and their families. Over the past year he has represented DAV very well, not only as our National Commander, but as a respected example of the entire veterans community in the eyes of government officials in Washington and the administration.

I also want to give special recognition to our National Adjutant Arthur Wilson. His wise counsel and unwavering support have been invaluable, not just to me but to all of us as we strive to serve you and your families.

Art's diligence and stewardship have maintained DAV's outstanding financial position even in these uncertain economic times. Thanks to his leadership, DAV is in the best position in our history to continue our service and advocacy for our nation's disabled veterans, their families and survivors.

I also want to commend my counterpart National Headquarters Executive Director Marc Burgess and his superb staff and our employees in Cold Spring, Kentucky. We couldn't do what we do without them.

Auxiliary National Commander Patrice Rapisand and Auxiliary National Adjutant Judy Hezlep have been extremely supportive. Without the support of the Auxiliary and all their hard work in our cause, we would not be nearly as effective in our mission.

Our team at Washington Headquarters—Service, Legislative, Communications; our professional and support staffs, alike—all work together toward the same goal: fulfilling our promises to the men and women who have served our country.

I would like to recognize the achievements of our team at the National Service and Legislative Headquarters. National Service Director Garry Augustine directs our outstanding program of service to disabled veterans and their families. Garry and his staff have done a superb job leading our corps of National Service Officers (NSOs) and Transition Service Officers (TSOs) in the successful completion of their mission. National Legislative Director Joseph Violante and his staff have excelled at advancing the legislative goals of DAV in a very difficult political environment.

I also want to recognize a valued member of our very fine team at Washington Headquarters, Executive Secretary Sally Miller, who keeps things running smoothly. My heartfelt thanks to Sally and the entire support staff for the tremendous job they do and their dedication to our mission.

Service

National Service Program

Our largest endeavor in fulfilling DAV's mission is our National Service Program. In 100 offices throughout the United States and in Puerto Rico, we employ a corps of approximately 260 National Service Officers (NSOs) and 31 Transition Service Officers (TSOs) who counsel and represent veterans and their families with claims for benefits from the Department of Veterans Affairs, the Department of Defense and other government agencies.

Between January 1, 2011, and December 31, 2011, our NSOs and TSOs, all wartime service-connected disabled veterans, represented nearly a quarter million veterans and their families in their claims for VA benefits, obtaining for them more than \$4 billion in new and retroactive benefits.

DAV National Service Officers continually train throughout their careers so that they are cognizant of the changes in all laws and regulations affecting veterans' benefits. This constant training assures that all DAV NSOs are at the forefront of veterans' advocacy. Our NSOs are highly trained professionals and skilled experts in developing and prosecuting veterans' claims. An NSO's training does not stop after completing 16 months of initial training, however. In fact training never stops because the laws, regulations and policies, which govern veterans' benefits, continue to change and grow in complexity. That's why equipping our NSOs with state-of-the-art computers and keeping their cutting-edge advocacy skills up to date is of paramount importance. DAV is the only veterans' service organization to have a training program certified for college credit by the American Council on Education.

National Appeals Office

The Board of Veterans' Appeals (BVA) is the highest appellate level within the VA responsible for the final decision concerning entitlement to veterans' benefits. About 96 percent of the claims before the board involve disability compensation issues. Our highly skilled National Appeals Officers serve appellants in the preparation of written briefs for BVA review and conduct formal hearings before Veterans' Law Judges. We maintain the largest staff of any advocacy group, representing more than 29 percent of all cases decided by the BVA in 2011.

Judicial Appeals

DAV continues its *pro bono* representation program for veterans seeking review in the United States Court of Appeals for Veterans Claims. In fiscal 2010-11, the BVA took action on more than 14,000 cases involving DAV clients. Each and every one of those cases was reviewed to identify those in which a veteran's claim was improperly denied. Thanks to DAV, more than seven hundred of these cases were appealed to the court. While we are still working toward our goal of appealing each and every significant case, it is hard to believe that just a few years ago, we had yet to crack the two hundred case per year mark.

The substantial growth of this program would not have been possible without the coordinated efforts of two top-notch law firms – Finnegan Henderson of Washington, D.C., and Chisholm Chisholm & Kilpatrick of Providence, Rhode Island and Washington, D.C. Robert Chisholm (of the Chisholm firm) and Ron Smith (of Finnegan) are two of the nation's most accomplished members of the veterans bar, and DAV is proud and pleased to have them in prominent roles in our enlarged program at the court. By this time next year, we hope to be able to report still another substantial jump in the number of cases represented.

Transition Service Program

For those servicemembers making the all-important transition back into civilian life, DAV participates in Transition Assistance and Disabled Transition Assistance programs.

Our TSOs provide benefits counseling and assistance to service members filing initial claims for VA benefits at more than 100 military installations throughout the country. By filing compensation claims at separation centers where service medical records and examination facilities are readily available, we are able to provide prompt service to these future veterans. Over the last year, our TSOs conducted 3,974 formal presentations to 74,858 transitioning service members. During that same time they filed 21,947 claims for VA benefits. Counsel and representation for active duty service members during their transition was provided through the military's Disability Evaluation System. We devoted approximately \$1.73 million to this program in 2011.

Mobile Service Office Program

The Mobile Service Office (MSO) Program continues to reach out to veterans in their own communities. With 10 specially equipped Mobile Service Offices visiting communities across the country, this outreach effort generates a considerable amount of claims work from those veterans who may not otherwise have the opportunity to seek assistance at our National Service Offices. During 2011, our MSOs traveled more than 124,778 miles, visiting 811 cities and towns. Our NSOs interviewed 18,020 veterans and other potential claimants. The Harley-Davidson Foundation in August 2010 pledged a second \$1 million over four years to partner with DAV to maintain the Harley's Heroes® program. During 2011, the MSOs participated in 197 days of activities for 155 individual Harley-Davidson dealerships as part of this program, compared to 127 dealerships in 2010, reflecting an 18 percent increase in Harley-Davidson dealership participation. Nearly \$912,000 was expended for the Mobile Service Office program in 2011.

Outreach Programs

The National Service Department has the cooperation, support and assistance of Department and Chapter Service Officers across the country. Each receives the training and information necessary to assist those we serve. Our Department and Chapter Service Officer Certification Training Program guarantees the vitality and growth of our local service programs. This provides an environment where our Hospital Service Coordinators, Department and Chapter Service Officers and volunteers work together for the common goal of service to disabled veterans. In 2011, DAV trained and certified 1,811 Department and Chapter Service Officers in 36 states.

During 2011, we conducted 29 Information Seminars at various Chapters across the country, with 2,959 individuals in attendance. These Information Seminars provide the opportunity for veterans to discuss VA benefits with our NSOs in their own community, giving Chapters an opportunity to recruit new members and encourage their involvement.

Since 2006, our NSOs have offered services at other community-based events, including participation with state and county fairs, air shows, Major League Baseball, the National Football League, and NASCAR.

Women Veterans

In historic numbers, women are serving our country with pride, patriotism and honor equal to their male counterparts. But women veterans use VA health care facilities and other earned benefits in lower numbers than their male counterparts. As a result, we advocate for women veterans on a variety of fronts. We have organized top-level forums designed to bring women veterans and government policy-makers together to openly address topics of concern. The most recent was the National Training Summit on Women Veterans held last fall in Washington, D.C., which we co-sponsored. DAV also has organized special events on Capitol Hill, such as the screening of the documentary film "Service: When Women Come Marching Home," which follows a handful of women veterans struggling with their transition back to civilian life after the military.

We also are involved in the congressionally chartered VA Advisory Committee on Women Veterans. In addition, our own Women's Advisory Committee, primarily made up of women veterans from across the country, meets annually at our National Convention. We actively seek out and recruit women veterans for our National Service Officer corps.

Employment Program

Our National Service Program is responsible for the organization's employment-related program and works alongside the Department of Labor, the VA, the Office of Personnel Management, Congress and other government agencies to ensure that disabled veterans are treated fairly and equitably in the work force.

Historically, disabled veterans have not fared as well as non-disabled veterans and other workers in the job market. Our primary goal is to seek legislation and policies to enhance programs and services provided by the Departments of Labor and Veterans Affairs, the Small Business Administration, the Office of Personnel Management and other government agencies. Our active involvement and oversight ensure disabled veterans get fair consideration in the job market.

Homeless Veterans

Homelessness has been a constant presence in America's cities, towns and rural areas for many years. Since the early 1980s, homelessness has been a regular focus of media interest and a topic of policy debate and remains one of America's most complicated and important social issues.

DAV's Homeless Veterans Initiative is to seek legislation and policies to enhance programs and services to help homeless veterans break the cycle of poverty and isolation and move from the streets to self-sufficiency. Your National Service Officers and Department and Chapter members have participated in Stand Downs for homeless veterans nationwide, and on behalf of the National Service Staff, I extend thanks for all that each of you do to make a significant difference in the lives of homeless veterans and their families across the Nation.

Legislation

In accomplishing DAV's mission, the legislative staff works closely with DAV's Service Department and Communications Department staffs. We also rely heavily on DAV National Service Officers, DAV and Auxiliary officers and members and our Department Legislative Chairmen to keep us informed and for support with our grassroots lobbying. We also rely on the efforts of the members of our grassroots program, the DAV Commanders Action Network—DAV CAN. In addition, we use numerous organizational resources to achieve our goals, including the latest innovations in electronic media to carry our message to legislators and the American public. Further,

we continue to use the power of the Internet to communicate with public officials, our membership and the public. In today's fast-paced, competitive world, we must take advantage of every tool at our disposal.

Budget & Appropriations

The Administration's budget request for the Department of Veterans Affairs, submitted in February 2012, includes funding increases for VA health care and benefits programs. In light of tight budgetary constraints government-wide, DAV is pleased with these increases, but some concerns remain.

Medical Care: The Administration requested \$55.7 billion, an amount that presumes a downward trend for medical care first- and third-party collections of \$3.0 billion. Alternatively the *Independent Budget* recommends \$57.2 billion for these accounts, an increase of \$3.3 billion above the FY 2012 enacted appropriations level, and \$1.5 billion higher than the Administration's request.

Medical and Prosthetic Research: The Administration requested \$583 million, an increase of \$1.7 million from the current year. The IB recommended \$611 million to cover biomedical research inflation, to continue currently funded research projects, and to allow VA to develop new treatments for the unique injuries, illnesses and diseases prevalent in veterans.

Benefits Processing: The \$2.2 billion budget request for the FY 2013 activities of the Veterans Benefits Administration is \$145 million more than the current level and \$54 million more than the IB recommendation for that period. However, the request falls short on funding for the IB-recommended staffing level of 585 for the Board of Veterans Appeals and an additional 195 Vocational Rehabilitation and Employment counselors.

Major and Minor Construction: Contrasted to the IB's recommendations, the Administration is requesting \$2.2 billion less for Major Construction and \$461 million less for Minor Construction. This continued underfunding trend is deeply concerning to DAV. The Administration requested \$532 million and \$604 million for Major and Minor Construction, respectively.

Operational Improvements: The Government Accountability Office (GAO) has reported that VA had reduced its FY 2012 and FY 2013 budget requests by more than \$3.4 billion due to gimmicks and unreasonable assumptions not relevant to the actual needs of sick and injured veterans.

VA reported in this budget a carryover amount of \$500 million from FY 2012. This trend greatly concerns DAV because we continually receive reports from our members and from VA personnel of widespread funding shortages in the health care system.

Finally, the Administration's FY 2013 budget proposal includes a request for \$54.6 billion in advance appropriations for VA health care accounts in FY 2014, a 3.3% increase, not including medical collections.

While comparatively generous to VA benefits and services programs in light of the nation's economic crisis and cuts to other government departments and agencies, the Administration's request falls short by our estimate of \$4 billion, mostly for construction funding. For VA medical care, and as validated by the Government Accountability Office [<http://www.gao.gov/assets/590/589760.pdf>], the budget was reduced significantly below the Veterans Health Administration's own actuarial forecast of funding needed.

On March 23, 2012, the House Budget Committee reported its Budget Resolution, H. Con. Res. 112, which closely mirrors the Administration's VA discretionary funding levels, about \$4 billion below the recommendations of the *Independent Budget*, most in construction funding levels. The House budget does not include \$1 billion in mandatory funding to stimulate veterans employment, as proposed by the Administration. The resolution does include the advance appropriation for VA medical care required by Public Law 111-81. On March 29, 2012, the budget resolution was passed in the House.

On May 31, the full House approved VA's appropriation for Fiscal Year (FY) 2013, H.R. 5854, by a roll call vote of 407-12. The appropriations bill was referred to the Senate, but is not expected to be passed by the Senate in its current form. The final legislative text of the House bill matched the levels approved for VA by the Appropriations Committee earlier in May.

The only significant amendment approved by the House during final consideration is a one-year ban on payment of Senior Executive Service (SES) performance bonuses during FY 2013. Given VA's significant disability claims backlog and the reported difficulties in VA mental health and other health care programs, DAV had expressed our concern to Congress about VA's SES bonus practices, but took no formal position on this amendment prior to the vote. Nevertheless, we are concerned that only VA and DOD executives would be subjected to this one-year restriction.

Through introduction of S. 3215 on May 22, the Senate has taken up VA funding with its version of VA's appropriation for next year. No activity on this measure has yet occurred. The Senate bill closely matches the President's budget proposal from February, but, of interest to our members, the Senate bill contained legislative language to clarify and modify Congressional intent on VA's reimbursement of care for service-connected veterans in State Veterans Homes. However, this language was not included in the House-passed bill. Also, neither the House nor Senate version of this bill includes the President's earlier funding proposal to stimulate veterans employment, but both of them include advance appropriations for VA health care in FY 2014.

While the overall funding levels in both bills are generous given the state of the federal deficit and the long-term U.S. debt, both bills fall short of VA's real budgetary

needs as projected by the FY 2013 *Independent Budget*. Most of the shortage is in VA's construction and facility maintenance accounts.

Key Legislative Initiatives

Since the end of the 1st session and the beginning of the second session of the 112th Congress, the legislative staff has held dozens of meetings with members of the House and Senate and their staffs, to educate them about DAV and our legislative priorities.

In February 2012, the IB for FY 2013 was released. The four coauthoring organizations of the IB, AMVETS, DAV, Paralyzed Veterans of America, and Veterans of Foreign Wars of the United States, have worked in collaboration for 26 years to honor veterans and their service to our nation. Throughout the year, each organization works collaboratively to identify and address legislative and policy issues that affect the organizations' memberships, the broader veterans' community, the work of the Veterans Benefits Administration and that of the VA health care system, always with an eye to protecting and enhancing the federal benefits veterans have earned and deserve. The IB also presents our carefully developed estimates of funding needed to ensure that VA, the Department of Labor and the Federal Court of Appeals for Veterans Claims are properly funded to ensure protection and enhancement of veterans' benefits and services.

On November 2, 2011 and May 17, 2012, House Minority Leader Nancy Pelosi held her quarterly veterans' roundtables in which the DAV participated. These roundtables include the leadership of important House committees, including the Appropriations Committee, Armed Forces Committee, Budget Committee, Military Construction and VA Appropriations Subcommittee and Veterans' Affairs Committees.

These roundtables are extremely important because they provide DAV with an informal forum in which to present our issues to congressional leadership. I firmly believe that DAV's successful Stand Up for Veterans campaign was a success because of our ability to sit down with leadership, discuss the issues and, along with other members of the veteran/military/family community, convince the leadership of the importance of passing our initiatives.

Reforming the Veterans Benefits Claims Processing System

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. 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 earlier. 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. Worse, VA's Office of Inspector General (VAOIG) reported in May 2011 there was only a 77 percent accuracy rate.

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. VA's transformation strategy is centered around three main components: people, processes and technologies. Although we have been pleased with the partnership VBA has formed with DAV and other VSOs to help reform the claims process, and despite some important progress, there are troubling signs that fundamental flaws and gaps may exist in VBA's newest technology and processes. Over the next year, DAV will continue working with VBA and Congress to ensure that these problems are addressed before they become permanently embedded into the claims processing system.

Throughout 2012, VBA has rolled out its new operating model for processing claims for disability compensation. Building upon the best practices developed from dozens of pilot programs conducted over the last several years, a new operating model for processing claims was developed that relies on the segmentation of claims as its cornerstone. The traditional triage function was replaced with an Intake Processing Center that put experienced claims personnel at the front end of the process to divide claims along three separate tracks; Express, Core, and Special Ops. At this point, it is too early to judge whether these changes will result in better outcomes for veterans.

VBA has also been finalizing and rolling out new IT systems, the most important of which is the Veterans Benefits Management System (VBMS) upon which VBA's claims processing system will rely. Other important new IT initiatives include the Stakeholder Enterprise Portal, e-Benefits, Veterans Relationship Management and Virtual Lifetime Electronic Record initiatives. Although we have been optimistic about VBMS during the early stages, we now have serious concerns based upon VBA's failure to address some basic VBMS issues that have been raised repeatedly over the past two years, specifically providing service officers who hold Power-of-Attorney (POA) for claimants with access to files in VBMS, implementing a comprehensive scanning solution for paper claims files, particularly those involving legacy claims, and fully incorporating rules-based decision support.

Essential to the success of both VBMS and VBA's transformation strategy are training, quality control, and accountability. As VBA transitions to digital claims files, its existing STAR quality assurance system must be able to access VBMS files electronically in order to conduct their reviews. In addition, VBA must ensure that the new Quality Review Teams (QRTs) at each VA regional office 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. Based on our experience with VBA's existing employee training programs, we will continue pushing VBA to allow sufficient time for employees to be properly trained on the new systems. We will also continue calling for adequate 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.

DAV has 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 quickly a claim is completed if it is not done correctly. To achieve these goals, DAV has and will continue to urge VBA and Congress to:

- Ensure that claims transformation efforts are focused principally on “deciding claims right the first time,” not just “reducing the backlog”;
- Provide aggressive oversight of VBA’s new operating model to ensure that best practices are adopted and integrated into a new claims process built around quality and accuracy;
- Ensure that the new Veterans Benefits Management System resolves fundamental issues related to VSO power-of-attorney access, scanning strategies for legacy paper files, and the incorporation of rules-based processing tools.
- Ensure that VBA’s employees and management are held accountable for their performance and that proper standards and metrics are in place to incentivize quality and accuracy, not only speed or production; and
- Ensure that VBA provides sufficient training to employees and tests all employees, including coaches and managers, on the skills, competencies, and knowledge required to do their jobs.

Over the next year, DAV will continue working with our VSO colleagues and the Veterans’ Affairs Committees in the House and Senate to oversee and improve VBA’s final implementation of their new operating model and IT systems, particularly the VBMS. One of the keys to our success will be the grassroots advocacy of our members and supporters throughout the country. While there are some significant problems and challenges that must be overcome, reform of the claims processing system is possible and DAV will continue to work towards that goal on behalf of all injured and ill veterans and their families.

Conclusion

Your Washington staff has an excellent reputation as the top-notch professional veterans service organization, committed to protecting and preserving the rights of our fellow disabled veterans.

Your program directors and their staffs have spent years as advocates and NSOs representing veterans on a daily basis. They also have credibility that others who represent particular groups don't have...they are all service-connected disabled veterans themselves.

To be sure, the staff at your National Service and Legislative Headquarters continues to provide the very best services to you and your families. But without you, our members, we in Washington would not be able to accomplish all that we have.

So, on behalf of the entire National Service and Legislative Programs staff, thank you for making it possible for us to serve you. We couldn't do it without every one of you and the support you provide as we carry on DAV's proud mission of service and hope for America's injured and ill veterans and their families.

