



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

119105

HUMAN RESOURCES  
DIVISION

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JULY 13, 1982

Ms. Dorothy L. Starbuck  
Chief Benefits Director  
Department of Veterans  
Benefits  
Veterans Administration



119105

Subject: VA Claims Processing Improvements Can Aid In  
Improving Productivity (GAO/AFMD-82-86)

Dear Ms. Starbuck:

We have recently concluded the onsite portion of a productivity review of the Veterans Administration's compensation, pension, and education benefits claims processing function. As a part of that review, we were able to identify a number of operational changes that could lower costs and improve timeliness. Your staff has been aware of our work, and in December 1981 we were contacted by a member of the task force you recently activated to improve the claims process. We were asked if we could provide suggestions to the task force that they might consider in their work. In response, we met with members of the task force and others in February 1982, and orally presented about half of the method and procedural changes we had developed--the others were not yet sufficiently developed to be included. This letter transmits to you the entire series of 17 suggested improvements. (See encl. I.) Enclosure II provides details about the objectives, scope, and methodology of our review.

Some of these suggestions originated from discussions our staff had with individuals who were working directly with claims. Some were developed from our own ideas on how the claims process might be improved. Still others were obtained through observing good practices that were followed in certain locations but not in others. Consequently, not all of these suggestions will benefit all locations--some have already been implemented at some stations. Further, some improvements have already been made as a result of suggestions we made while visiting the locations. However, we believe the potential for considerable cost savings still remains from broad adoption of these operational changes. For example, the potential savings could be more than \$7.0 million per year from just two operational changes:

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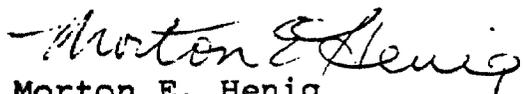
--Reducing claims authorizations by using statistical sampling at a 75-percent level could save about \$3.4 million.

--Eliminating the section chief positions could save about \$3.7 million.

In your consideration of these and other improvement suggestions, we believe it is important to address the impact of management or method changes on the quality of your work. Consequently, it may be appropriate to test certain of these improvements on a pilot basis.

I hope the suggestions will be useful to you and your claims processing task force. A response to the Congress regarding the disposition of these suggestions is not required, but we would appreciate your letting us know of any cost savings or other improvements made as a result of our work.

Sincerely yours,

  
Morton E. Henig  
Senior Associate Director

Enclosures - 2

CLAIMS PROCESSING IMPROVEMENTS CAN AID  
IN IMPROVING PRODUCTIVITY

The following are some ideas for processing claims more efficiently with fewer people. We saw some of these ideas in use during our visits, and the field locations (stations) we did not visit may already be using some of them. However, in our review we found that stations are often unaware of practices used in other stations.

Some of these ideas were the outcome of our study. We did not see them in use but believe they could be an improvement at all stations. They include selected ideas and thoughts of the field adjudication staff which we believe deserve serious consideration. In some cases, the procedures are controlled by the central office and the station has no authority to make changes.

No specific time or dollar savings have been attached to the individual changes suggested because assessing the present coverage would have been too time consuming for the scope of our current study. However, potential savings have been estimated for the first three suggestions. Although some changes appear minor, many stations process over 100,000 claims annually. A single minute saved per claim at a station with such a workload translates into potential cost savings of over \$16,000 annually.

1. Authorizing claims on a sample basis could save considerable time.

Authorizing claims on a sample basis could save both calendar and "hands-on" time and free senior adjudicators to perform other processing functions. The Veterans Administration (VA) has about 526 senior adjudicators who authorize (review and approve someone else's decision) all compensation, pension, burial, and initial education claims. Substantially all of the 8.7 million claims processed during fiscal 1981 were reviewed and approved by senior adjudicators. The purpose of this procedure is to decrease the error rate for payments.

At the stations we visited, senior adjudicators told us they spend most of their time reviewing and approving decisions of adjudicators, burial clerks, and education clerks. Personnel records show that many of these adjudicators and clerks are experienced, seasoned individuals who have been in their positions for 5 or more years, and that error rates vary considerably by individual. For example at one station, of two employees with comparable monthly output, one had no procedural errors and the other had 6.67 errors.

Private industry has long recognized that even examining 100 percent of the items produced does not guarantee a 100-percent-perfect product. In fact, total inspection often can result in

increased quality problems as employees take the attitude that quality work is unnecessary because their errors will be caught and corrected. Consequently, the quality control system should be examined to determine what level of review actually is needed to maintain desirable quality levels.

If such review and approval of decisions were done on a sample basis, much time could be saved with little compromise of quality. Field stations could be given the flexibility to authorize claims commensurate with the quality record of an individual's work.

Based on the average grade for a senior adjudicator of GS-11, step 4 (\$25,924 per year), we have estimated the potential labor cost savings of reducing senior adjudicator review:

<u>No. of claims reviewed</u>	<u>Percentage of total claims received</u>	<u>No. of senior adjudicators required</u>	<u>Labor cost</u>	<u>Annual recurring savings</u>
8,700,000	100	526	\$13,636,024	\$ -
6,525,000	75	394	10,214,056	3,421,968
4,350,000	50	263	6,818,012	6,818,012
2,175,000	25	131	3,396,044	10,214,056

2. Screening of incoming mail would minimize folder handling.

Identifying incoming mail that can be worked without the claim folder reduces calendar time as well as hands-on time because pulling and handling of files can be eliminated in these cases. VA's instructions require that as much mail as possible be processed without the claim folder, and that mail not requiring development or rating board action be worked immediately without the folder.

We found that each of the nine stations screened mail at some point, but not all did it in a way that minimized folder pulling and handling. At one station, which is consistently a leader in productivity, VA's instructions were followed very closely. On the other hand, at one of the largest stations we found that many folders were being pulled unnecessarily because screening was limited.

As a test, we determined that one unit received 821 pieces of active mail on a particular day, of which 146 pieces were computer generated letters containing basic information on the claimant. We selected five of the 146 letters and gave them to an adjudicator who successfully worked them without the claims folder. We then determined that the adjudication division was receiving about 1,600 of these letters daily, and the folder was being pulled for each letter until we discussed the situation with adjudication staff.

Working as much mail as possible without the folder, and screening to identify that mail, are required by VA instructions. These requirements should be emphasized by central office, particularly in the stations' systematic analyses of operations and in the central office's semiannual staff analyses of the stations.

To obtain an idea of potential savings from pulling only necessary folders, we made estimates at various levels of processing. We did not determine the actual percentage of claims that could be worked without folders or how many are being worked this way VA-wide. The costs are based on VA records which indicate that the 58 file activities pulled 8.7 million files in fiscal 1981, and that the average file clerk is paid \$5.24 per hour.

<u>Work units completed</u>	<u>Units processed without the claim folder</u>	<u>Savings</u>	<u>Positions eliminated</u>
8,682,246	4,341,123 = 50% of work units completed	\$478,280	45
	5,209,348 = 60% of work units completed	573,937	54
	6,077,572 = 70% of work units completed	669,593	63

3. The number of section chiefs can be reduced.

Many of the 117 section chief positions can be eliminated by assigning duties to other supervisory personnel. As the third position in a VA unit's four-tier supervisory structure, the section chief supervises two or three unit chiefs, coordinates activities between units and the rating board, and checks the quality of work processed by each unit. The unit chief supervises the day-to-day activities of a claims processing team comprising about 20 senior adjudicators, adjudicators, and clerical and technical support members. The section chief reports to the assistant adjudication officer.

VA's unit concept provides for either two or three units per section, and emphasizes that three units per section is most desirable for supervisory control. At the nine stations we visited, two had no section chiefs and seven had a total of 16 section chiefs. Our observations, discussions with station personnel, and analysis of documentation disclosed no relationship between the number of section chiefs and the station's productivity, timeliness, or quality of work. Further, having three units per section chief provides no assurance of high performance. For example, one station with three units per section was consistently a leader in productivity and in the top group in timeliness and quality. Another station with three units per section was consistently low in productivity but usually exceeded timeliness and quality goals.

Our observations and study of the claims process strongly suggest that the section chief duties could be assigned to the assistant adjudication officer, who is already performing similar work by helping the adjudication officer plan and control work and achieve established quality and production goals. We also believe (1) sections should have at least three units, (2) the span of control can exceed three units per section, and (3) except for at a few large stations the section chief positions could be eliminated altogether.

We estimate that eliminating 100 of the 117 section chiefs could provide \$3.7 million in recurring annual savings. This is based on the average section chief grade of GS-13, step 4, with a salary of \$36,946.

4. File activities would benefit from better supervision.

Central supervision of all file clerks would provide tighter control of the entire files function. It would also allow a uniform search for missing or unavailable folders. Although the VA is trying to reduce the use of claim folders, our work at nine stations showed that the claim folder is still used for working most claims actions. The file clerks are responsible for associating claims mail with the corresponding folder, delivering the folder for action, and refiling the folder when action has been completed.

The 58 VA stations presently house claim folders on 10.5 million claimants. During our review, we learned that ready access to these files and efficient movement of claim folders in and out of the files is one of the keys to an efficient adjudication process.

Two different approaches are used for supervising the files activity and we observed both. One approach places all file clerks under the supervision of a single files supervisor. The other assigns file clerks to individual units where they are under unit chief supervision.

The files activities at the stations we visited were generally more efficient when supervised by a single files supervisor. The files supervisor's only job is to see that the files are kept orderly and up to date, and to provide a service in pulling and refiling claim folders. Unit chiefs, on the other hand, are responsible for many parts of the claims process and do not have time to adequately supervise the file clerks assigned to them. Placing all file clerks under a single, designated supervisor would provide better service to the entire adjudication division.

5. Strengthening the training program should reduce employee errors.

Strengthening the VA's training program should improve employee performance by reducing errors. The VA's present program, Ventures

in Progress (VIP) was developed in 1975. It consists of a classroom package designed for the various elements in the adjudication division and is to be supplemented with training on new issues, circulars, manual or procedural changes, and areas requiring special or additional training. The VA recommends that a maximum of 7.5 percent of available staff hours (roughly 3 hours per week) be used for training. Two of the 3 hours are spent on the prepared VIP units and the other hour on the items discussed above.

During our review we found that the 1975 VIP program had not been updated and was considered by many people to be obsolete because of changes in veterans benefits over the past 6 years. We also learned that several of our sample stations were not performing the training as envisioned by central office and were spending less time on it than the recommended 7.5 percent of staff hours. Employees at some of the stations we visited told us they did not learn as much as they could have because the training material was obsolete.

Because training is a necessity for learning the job and maintaining competence, we feel that the central office should continually update the VIP program to meet changing needs.

6. Certain awards could be made at time of application.

Vocational rehabilitation awards for disabled veterans could be made when the veteran applies for these benefits. This would eliminate certain processing steps and result in less hands-on processing time.

Disability is established when the veteran applies for disability compensation benefits. In addition to compensation, the veteran may be eligible for assistance in restoring employability lost by reason of service incurred disability. Over 46,000 of these claims were processed in fiscal 1981.

A counselor in the field station's vocational and rehabilitation division assists the veteran in planning a program to meet the individual need. The counselor also obtains the claim folder from the adjudication division and helps the veteran complete the application. The counselor then walks the application through the adjudication division, where an adjudicator determines eligibility and entitlement and makes the award. These awards are handwritten because the "Target" computerized claims processing system is not programmed to handle them.

As described above, the counselor has the application and the claim folder, disability has already been established, and the claim is not worked on the computer. We see no reason why the counselor could not determine eligibility and entitlement himself, and make the award. Security concerns could be satisfied by reviewing awards made by each counselor on a sample basis.

7. Benefits counselors could perform more basic claim changes.

By allowing veterans benefits counselors to process more claim changes on the Target system, the VA could reduce hands-on and processing time by eliminating steps. Overpayments could also be avoided because information would get into the system more quickly.

Counselors in the veterans services division help veterans and eligible applicants complete benefit applications during personal interviews and by telephone. The counselors also receive claim changes such as address changes, first notices of death, payment suspensions, and changes in dependents. The counselors write up these changes and send them to the adjudication division for action, with one exception: they enter address changes into the Target system themselves and then send the written notices to adjudication to be filed in the claimants' folders. Since all claim changes could be processed without the claim folders, we believe counselors could handle all of them directly, avoiding the lengthy process shown below.

EXAMPLE OF CHANGE IN DEPENDENTS TAKEN BY AVETERANS BENEFITS COUNSELOR

<u>Present</u>	<u>Proposed</u>
Counselor writes up change in dependents	Counselor writes up change in dependents
Counselor sends hard copy to adjudication through mail system (mail clerk, to mail-room for sorting, to mail clerk)	Counselor inputs change on Target-- <u>Action taken</u>
Change data is delivered to adjudication division	Counselor sends hard copy of change through mail system to adjudication division
Claimant's folder is pulled	Adjudication drops into claimant's folder
Folder and data are delivered to clerk for processing	
<u>Action taken by inputting change on Target</u>	
Folder returned to files unit for refiling	

As shown, action is taken much sooner when it is performed by the counselor. We believe excessive handling of the change could be eliminated if counselors could take a more active role in processing claim changes. Two aspects of this method, however, should be considered before making any changes: (1) the amount of extra training required to provide needed skills to the counselor and (2) the degree to which counselors function as advocates for the veterans and the impact of such advocacy on their independence and objectivity.

8. Incentive awards would improve employee morale and productivity.

Individuals are motivated when they are recognized for their accomplishments. When high performers are given awards, they usually increase their productivity. However, high performers sometimes lose incentive when awards are withheld. Although each of the nine stations we visited provided incentive awards to employees, award programs varied. We found that employees given visible recognition responded very positively.

We looked closely at the awards program at one high productivity station which placed more emphasis on employee recognition than any other we visited. Each month, an incentive award presentation program was part of the director's staff meeting. Award recipients were given a letter and a list of those receiving awards by category. Station corridors displayed photographs and lists of award recipients, and separate bulletin boards recognized employees for special achievement, creativity, outstanding ratings, and best letter of the quarter.

We found a very similar program in a private industry firm where great significance is placed on performance. The company has a very strong award system and also places performance posters in key spots.

We believe that the strong award program we have described should be extended to the other VA stations. Employee productivity would be enhanced through recognition and, where little or no promotion potential exists, the recognition would help maintain good working relationships.

9. Moving the Sycor unit would provide more logical organization.

The Sycor unit's workload is largely financial in nature. The unit more logically fits organizationally in the finance division. Moving the unit to the finance division would (1) place the process where it is most used in the station and (2) eliminate staff from the adjudication division who are not performing claims processing functions. Before Target was implemented, the major workload of the Sycor unit was to prepare claims payment data and transmit them to a VA data processing center. Nearly all claims award information is now input and transmitted to the data processing center through the Target system.

10. Additional video display terminals could increase productivity.

More claims could be processed daily if adjudicators were provided more video display terminals (VDTs). We observed that a VDT is often shared by two or more adjudicators with the result that an adjudicator must frequently wait his or her turn to process a claim using the Target system. Waiting means lost production and may discourage the adjudicator from working claims without the folder. As discussed elsewhere in this report, working claims without the folder saves processing time and utilizes advantages offered by the Target system.

We found that one station recognized the impact of shared VDTs in its production standards. Employees not sharing VDTs were expected to process about 24 to 30 claims daily, whereas those sharing VDTs were expected to process about 20 to 24.

Some additional VDTs are needed now. However, as VA makes staffing adjustments to compensate for a decreasing claims workload, fewer VDTs will have to be shared. As this happens, central office should ensure that VDTs are allocated to meet the changing need.

11. Consolidation of instruction manuals would help employees.

Consolidating instruction manuals could reduce the time clerks and supervisors spend interpreting instructions and resolving associated problems. Development and correspondence clerks use three basic instruction manuals, M23-1, M22-1, and M4-1, in carrying out their daily tasks. These manuals, written by two separate organizations in the central office, are not correspondingly updated. At times they are conflicting and often leave jurisdictional boundaries unclear or do not adequately assign responsibilities.

Providing uniform, consolidated instructions could alleviate employee confusion and improve processing speed.

12. Rerouting unnumbered mail would reduce handling and speed delivery.

Sending unnumbered mail directly to the adjudication division would reduce mail handling and speed delivery. At the stations we visited, incoming mail that has no claim number is sent from the mailroom to the data terminal unit in the administrative division. There, a search is made on the automated subsystem to see whether a file exists for the claimant. If a file is found, a request is made for its transfer to the station. If none is found, a file number is assigned. At some stations, the claim folder is prepared at this point; at other stations the mail is sent to the adjudication division where the folder is prepared.

Our large station estimated that it takes 4 to 5 days for unnumbered mail to clear through the data terminal backlog. If it

were routed directly to the adjudication division, it could be worked within a day. If file location is required, the adjudicator could hand-carry the request for a data inquiry to the terminal. This station's terminal processed an average of 150 pieces of unnumbered mail and prepared from 30 to 50 new folders daily.

Routing unnumbered mail directly to adjudication could also reduce the creation of duplicate claims folders. Under the present system, an application for burial benefits showing the applicant's social security number is sent to adjudication, where a folder is prepared. An unnumbered application for pension benefits received at about the same time is sent to the data terminal where a folder may also be prepared. One station visited had had several problems with duplicate folders.

Moving these responsibilities to the adjudication division could reduce mail handling, improve processing time, and establish better quality control.

13. Allowing adjudicators to establish certain claims would improve the workflow.

Giving limited claims establishment authority to adjudicators would provide a smoother workflow and could reduce processing time. Claims establishment occurs when a unit clerk enters a command that creates a pending issue in the Target system. A pending issue is necessary to allow a subsequent award or disallowance to be processed. To eliminate the possibility of an employee both establishing and approving a claim, only unit clerks have authority to establish claims.

While it may be advisable to limit claims establishment responsibility to certain individuals, the procedure sometimes creates workflow bottlenecks because of the volume of mail or because adjudicators must return cases to unit clerks to establish or correct codes.

One way to deal with these problems is for unit clerks to establish routine claims and claims requiring development, rating action, and referral for folder pull. Claims that lend themselves to immediate action, however, could be routed directly to adjudicators who could both establish the claims and prepare them for review and approval. System security concerns could be satisfied by an edit comparing the identification of the establishing employee with the identification of the approving employee and denying approval if the two are the same.

14. More emphasis could be placed on accepting existing medical evidence in lieu of VA examinations.

Taking full advantage of existing physical examination reports in lieu of requiring an applicant to obtain a VA examination can save considerable processing time and reduce the VA hospitals'

workload. Obtaining medical evidence from VA hospitals is one of the longstanding causes of processing delays. For example, at one large station, which is very active in working with hospitals to improve timeliness, the average time for receiving examination reports from VA hospitals was 54 days. At that time the processing of initial pension claims averaged 110 days; thus obtaining physical examinations took a large proportion of the processing time.

VA's instructions recognize the value of using existing medical evidence from qualified sources by requiring constant care to avoid unnecessary examination or reexamination of claimants. The instructions provide that a hospital report or examination from a military, State, county, municipal, or other government hospital or recognized private institution may be acceptable. In pension cases, statements from private physicians may serve for rating the claim. The instructions also specify that no VA examination is to be made solely to confirm medical evidence from these sources.

Adjudication staff at several stations told us that they do not attempt to obtain existing examination reports in lieu of VA examinations. One adjudication officer suggested that applicants for pensions may often have already obtained an examination for social security benefits which might be used by the VA.

Accepting existing medical evidence in lieu of a VA examination is authorized and encouraged by VA instructions. It should be emphasized by central office, particularly in the stations' systematic analysis of operations.

This suggestion and the following one--which deals with the need for physicians on the rating board--should be considered together. In particular, should non-VA examinations become more commonly used in the rating process, consideration will have to be given to the level of expertise and training needed on the rating boards.

15. Eliminating physicians on rating boards would reduce staffing costs.

Eliminating physicians on rating boards would improve the rating process. The rating board is responsible for deciding whether to grant or deny a claim based on established criteria. The board consists of three members--a physician and two lay persons--who rotate as chairman. The number of boards a station has depends upon the workload. Board members individually decide whether to deny or grant a claim. If they do not agree on a decision, the claim is sent to the adjudication officer for resolution. If all members agree, the rated claim is sent to the authorization section (adjudicators) for further processing.

The board physician has several duties which include acting as a medical rating specialist at hearings conducted by the board and conducting personal hearings when assigned as chairman of the

board. While serving as chairman he is also responsible for the administrative operation of the board, including work distribution. At some stations visited, physicians process certain claims, but these are few and are processed by lay members at other stations.

In the rating process, one board member writes the case and the other two sign in agreement or disagreement. The ratings must be signed by all three--the rating specialist, the chairman, and the physician. Our work shows that the physician usually has little impact on decisions rendered by the board; his or her basic duty is to legalize the decision with the physician's signature.

Even though the physician has been assigned certain duties and responsibilities, we believe many of these can be performed by a lay person (a rating specialist) and the physician's position can be eliminated. Decisions signed by at least three nonmedical rating specialists should suffice since the decisions are based on either private or VA hospital physicians' examinations and reports, which have usually been reviewed by the VA physicians at a VA hospital. The VA rating board physician performs no medical examinations personally. In addition, the boards use military and civilian medical records if applicable. Finally, all board decisions are subject to appeal to the Board of Veterans Appeals, which includes a physician. In those instances where the rating board requires medical advice, the VA hospital staff could provide assistance.

Therefore, eliminating the physician is practicable. It would provide potential savings in staffing and improve the rating process. It would also eliminate critical situations that now occur when physicians are on sick or annual leave. At such times rating decisions must wait, or stations must "borrow" VA hospital physicians.

16. Annual income questionnaire could be better timed.

Releasing the annual income questionnaire throughout the year would eliminate the high volume of claims mail now received during November, December, and January. This mail often causes backlogs and requires overtime work to process. The VA expects to process about 1.3 million questionnaires in fiscal 1982. Although all are sent to a processing center for action, about one-quarter need additional work and are forwarded to the appropriate station.

The questionnaire is released on November 1 to all claimants receiving VA pensions, and is to be returned to the VA by January 1. Its purpose is to verify that the claimants' income and net worth have remained within the allowable limits for 12 months. When the questionnaires are received in the adjudication division, each is reviewed and any necessary action is taken.

Releasing the questionnaire on the anniversary date of the claim would be one way to spread out the concentrated workload created by the present system.

17. More claims could be developed by telephone.

The supporting documentation needed to adjudicate claims could be obtained more quickly if more development work were done by telephone. Because claimants often fail to submit all necessary documentation and processing delays occur while this information is being obtained, time saved at this point is particularly beneficial to the claims process. At the stations we visited, a letter was sent to the applicant requesting additional information needed to adjudicate the claim. This added to processing time, particularly when typing pools were backlogged.

To speed up claims development, one station was using clerks to call (1) educational institutions to verify enrollment and attendance, (2) VA hospitals to verify admissions and discharges and request hospital summaries, and (3) funeral homes to verify payment information. This exemplifies the kind of development work other stations could do by telephone. We observed that this station's telephone development could be even more effective if claimants were required to include their telephone number on the initial documentation.

OBJECTIVES, SCOPE, AND METHODOLOGY

We recently conducted a review of the compensation, pension, and education benefits operations in the Veterans Administration (VA). The overall objective was to identify opportunities for higher productivity and lower costs in VA's processing of claims. The methodology included (1) examining the general process to identify reasons for higher productivity in some claims operations and (2) seeking ways to extend to other locations any superior techniques thus identified.

Our review was made during February 1981 through October 1981. It included nine VA regional offices and adjudication divisions located in Albuquerque, New Mexico; Atlanta, Georgia; Boston, Massachusetts; Detroit, Michigan; Lincoln, Nebraska; Roanoke, Virginia; Seattle, Washington; St. Petersburg, Florida; and Waco, Texas. Selection was based on discussions with VA central office managers and analysis of productivity data for the 58 regions. We designed the selection to include large, medium, and small stations with high and low productivity.

At the nine VA offices visited, we interviewed officials to identify policies and procedures for processing claims, and we interviewed staff in the adjudication division to determine workflow from the time the claims were received through final processing. This included establishment, development, rating, adjudication, and authorization for payment of claims through the Target automated claims processing system.

At every location we attempted to gather information that would be representative of that to be found across the VA. We discussed policies, procedures, and management control matters, and obtained productivity and efficiency data as they related to claims processing. We gathered information about the regional offices' organization, management, automation, measurement systems, and quality control techniques. We generally accepted information obtained during discussions and interviews with VA personnel without assessing its accuracy or validity. We also examined the productivity measurement system to determine if it was conceptually sound and sufficiently accurate to make interstation productivity comparisons.

At VA's central office we obtained documentation and interviewed personnel to obtain statistical data and other information about VA's policies, procedures, planning, and budgeting as they relate to claims processing. We also reviewed the legislative history of the VA and studied the system and procedures of the claims processing activity.