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Before the Committee on Veterans'  
Affairs, United States Senate

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**VETERANS' DISABILITY  
BENEFITS**

**Long-Standing Claims  
Processing Challenges  
Persist**

Statement of Daniel Bertoni, Acting Director  
Education, Workforce and Income Security





Highlights of [GAO-07-512T](#), a testimony before the Committee on Veterans' Affairs, United States Senate

## Why GAO Did This Study

The Senate Veterans' Affairs Committee asked GAO to discuss its recent work related to the Department of Veterans Affairs' (VA) disability claims and appeals processing.

GAO has reported and testified on this subject on numerous occasions. GAO's work has addressed VA's efforts to improve the timeliness and accuracy of decisions on claims and appeals, VA's efforts to reduce backlogs, and concerns about decisional consistency.

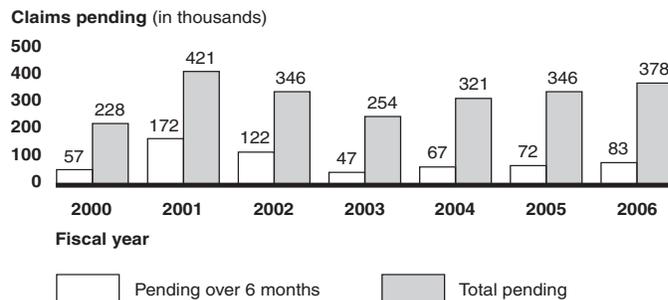
# VETERANS' DISABILITY BENEFITS

## Long-Standing Claims Processing Challenges Persist

### What GAO Found

VA continues to face challenges in improving service delivery to veterans, specifically in speeding up the process of adjudication and appeal, reducing the existing backlog of claims, and improving the accuracy and consistency of decisions. For example, as of the end of fiscal year 2006, rating-related compensation claims were pending an average of 127 days, 16 days more than at the end of fiscal year 2003. During the same period, the inventory of rating-related claims grew by almost half, due in part to increased filing of claims, including those filed by veterans of the Iraq and Afghanistan conflicts. Meanwhile, appeals resolution remains a lengthy process, taking an average of 657 days in fiscal year 2006. Further, we and VA's Inspector General have identified concerns about the consistency of decisions by VA's regional offices and the Board of Veterans' Appeals (BVA).

**Rating-Related Claims Pending at End of Period, Fiscal Years 2000-2006**



Source: VA data.

VA is taking steps to address these problems. For example, the President's fiscal year 2008 budget requests an increase of over 450 full-time equivalent employees to process compensation claims. VA is working to improve appeals timeliness by reducing appeals remanded for further work. VA is also developing a plan to monitor consistency across regional offices. However, several factors may limit VA's ability to make and sustain significant improvements in its claims processing performance, including the potential impacts of laws and court decisions, continued increases in the number and complexity of claims being filed, and difficulties in obtaining the evidence needed to decide claims in a timely and accurate manner, such as military service records.

Opportunities for significant performance improvement may lie in more fundamental reform of VA's disability compensation program. This could include reexamining program design such as updating the disability criteria to reflect the current state of science, medicine, technology, and labor market conditions. It could also include examining the structure and division of labor among field offices.

[www.gao.gov/cgi-bin/getrpt?GAO-07-512T](http://www.gao.gov/cgi-bin/getrpt?GAO-07-512T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Daniel Bertoni at (202) 512-7215 or [bertonid@gao.gov](mailto:bertonid@gao.gov).

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Mr. Chairman and Members of the Committee:

I am pleased to have the opportunity to comment on the claims processing challenges and opportunities facing the Department of Veterans Affairs' (VA) disability compensation and pension programs. Through these programs, VA provided about \$34.5 billion in cash disability benefits to more than 3.5 million veterans and their survivors in fiscal year 2006. For years, the claims process has been the subject of concern and attention by VA, the Congress, and veterans service organizations. Many of their concerns have focused on long waits for decisions, large claims backlogs, and inaccurate decisions. Our work, and media reports of significant discrepancies in average disability payments from state to state have also highlighted concerns about the consistency of decision-making within VA. In January 2003, we designated modernizing VA and other federal disability programs as a high-risk area, because of these service delivery challenges and because our work over the past decade found that these programs are based on outmoded concepts from the past.

You asked us to discuss our recent work on VA's disability claims process. My statement draws on a number of prior GAO reports and testimonies. (See related GAO products.) We updated information as appropriate to reflect the current status of VA claims processing and initiatives.

In summary, VA continues to face challenges in improving service delivery to veterans, specifically in speeding up the process of adjudication and appeal, reducing the existing backlog of claims, and improving the accuracy and consistency of decisions. For example, between fiscal years 2003 and 2006, the inventory of rating-related claims grew by almost half to a total of about 378,000, due in part to increased filing of claims, including those filed by veterans of the Iraq and Afghanistan conflicts.<sup>1</sup> During the same period, the average number of days these claims were pending increased by 16 days, to an average of 127 days. While VA has improved the accuracy of its compensation decisions to 88 percent in fiscal year 2006, it is still well short of its established goal of 98 percent. Meanwhile, appeals resolution remains a lengthy process. In fiscal year 2006, it took an average of 657 days to resolve appeals. Further, we and

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<sup>1</sup> Rating-related claims are primarily original claims for disability compensation and pension benefits, and reopened claims. For example, veterans may file reopened claims if they believe their service-connected conditions have worsened.

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VA's Inspector General have identified concerns about the consistency of decisions across regional offices and at the Board of Veterans' Appeals.

VA is taking steps to address service delivery problems, but improvements may be limited by several factors. The President's fiscal year 2008 budget requests an increase of over 450 full-time equivalent employees to process compensation claims. Through training and information sharing, VA is also working to reduce appeals processing times by decreasing the number of cases sent back from the appeals level for further development. Further, VA has taken actions to improve consistency, including developing a plan to monitor decisions and identify unacceptable variations, and commissioning a study of the major influences on compensation decisions. However, several factors may limit VA's ability to make and sustain significant improvements in its claims processing performance. These include the potential impacts of laws and court decisions, continued increases in the number and complexity of claims being filed, and difficulties in obtaining the evidence needed to adjudicate claims in a timely and accurate manner, such as military service records.

Opportunities for significant performance improvement may lie in more fundamental reform of VA's disability compensation program. This would include reexamining program design as well as the structure and division of labor among field offices. For example, we found that VA and other federal disability programs have not been updated to reflect the current state of science, medicine, technology, and labor market conditions. Specifically, the criteria for disability decisions are based primarily on estimates made in 1945 about the effect of service-connected impairments on the average individual's ability to perform jobs requiring manual labor. In addition, our work has shown that about one-third of newly compensated veterans could be interested in receiving lump sum payments, which could potentially save VA time and money associated with reopening cases over time and could be beneficial to veterans. In addition, VA and other organizations have identified potential changes to field operations that could enhance productivity and accuracy in processing disability claims. While major reexamination may be daunting, there are mechanisms for undertaking such an effort. For example, the congressionally chartered commission on veterans' disability benefits has been studying a number of program design issues, and will report to the Congress later this year.

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## Background

VA pays monthly disability compensation benefits to veterans with service-connected disabilities (injuries or diseases incurred or aggravated while on active military duty) according to the severity of the disability. VA also pays compensation to some spouses, children, and parents of deceased veterans and service members. VA's pension program pays monthly benefits based on financial need to certain wartime veterans or their survivors.<sup>2</sup>

When a veteran submits a claim to any of the Veterans Benefits Administration's 57 regional offices, a veterans service representative is responsible for obtaining the relevant evidence to evaluate the claim. Such evidence includes veterans' military service records, medical examinations, and treatment records from VA medical facilities and private medical service providers. Once a claim has all the necessary evidence, a rating specialist evaluates the claim and determines whether the claimant is eligible for benefits. If the veteran is eligible for disability compensation, the rating specialist assigns a percentage rating based on degree of disability. A veteran who disagrees with the regional office's decision can appeal to VA's Board of Veterans' Appeals and then to U.S. federal courts. If the Board finds that a case needs additional work such as obtaining additional evidence or contains procedural errors, it is sent back to the Veterans Benefits Administration, which is responsible for initial decisions on disability claims.

In November 2003, the Congress established the Veterans' Disability Benefits Commission to study the appropriateness of VA disability benefits, including disability criteria and benefit levels. The commission is scheduled to report to the Congress by October 1, 2007.

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## VA Continues to Face Service Delivery Challenges

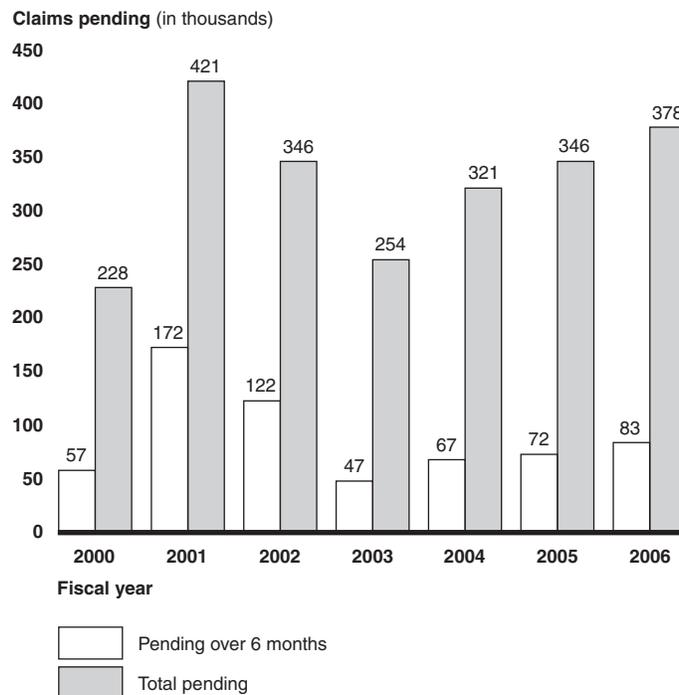
VA continues to experience significant service delivery challenges including lengthy processing times and inaccurate and inconsistent decisions. While VA made progress in fiscal years 2002 and 2003 reducing the size and age of its pending claims inventory, it has lost ground since then. This is due in part to increased filing of claims, including those filed by veterans of the Iraq and Afghanistan conflicts. Moreover, questions remain about consistency of VA's decisions across regional offices and at the Board of Veterans' Appeals.

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<sup>2</sup> Veterans qualify for pensions if they have low income, served in a period of war, and are permanently and totally disabled for reasons not service-connected (or are age 65 or older).

VA's inventory of pending claims and their average time pending have increased significantly in the last 3 years. The number of pending claims increased by almost one-half from the end of fiscal year 2003 to the end of fiscal year 2006, from about 254,000 to about 378,000. During the same period, the number of claims pending longer than 6 months increased by more than three-fourths, from about 47,000 to about 83,000 (see fig.1).

**Figure 1: Rating-Related Claims Pending at End of Period, Fiscal Years 2000-2006**

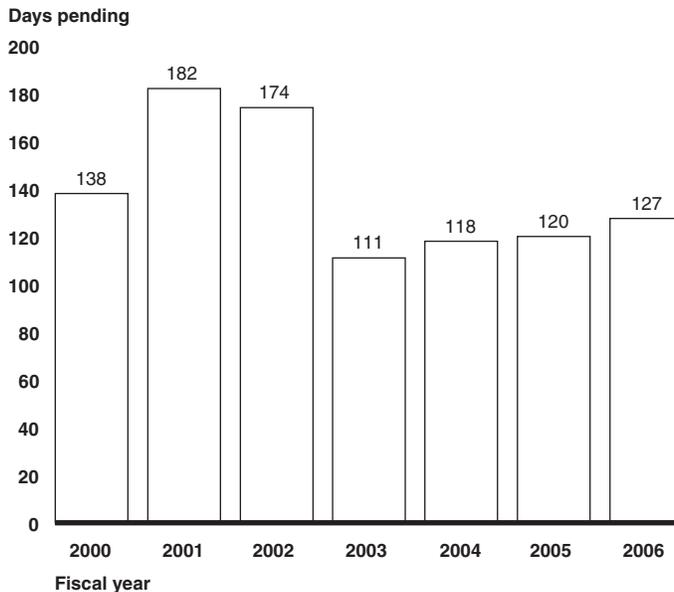


Source: VA data.

Similarly, as shown in figure 2, VA reduced the average age of its pending claims from 182 days at the end of fiscal year 2001 to 111 days at the end of fiscal year 2003. However, by the end of fiscal year 2006 average days pending had increased to 127 days. Meanwhile, the time required to resolve appeals remains too long. The average time to resolve an appeal rose from 529 days in fiscal year 2004 to 657 days in fiscal year 2006.

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**Figure 2: Average Days Pending for VA Compensation and Pension Rating-Related Claims, Fiscal Years 2000-2006**



Source: VA data.

The increase in VA’s inventory of pending claims, and their average time pending is due in part to an increase in claims receipts. Rating-related claims, including those filed by veterans of the Iraq and Afghanistan conflicts, increased steadily from about 579,000 in fiscal year 2000 to about 806,000 in fiscal year 2006, an increase of about 39 percent.

In addition to problems with deciding claims in a timely manner, VA acknowledges that regional office decision accuracy needs further improvement. VA reports that it has improved the accuracy of decisions on rating related compensation claims from 80 percent in fiscal year 2002 to 88 percent in fiscal year 2006.<sup>3</sup> However, this figure remains well short of its strategic goal of 98 percent.

VA also continues to face questions about its ability to ensure that veterans receive consistent decisions across regional offices. We have identified the need for VA to systematically address this issue to achieve

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<sup>3</sup> Actual data through July 2006.

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acceptable levels of variation.<sup>4</sup> VA's Inspector General has studied one indicator of possible inconsistency, the wide variations in average payments per veteran from state to state. In May 2005, the Inspector General<sup>5</sup> reported that compensation payments are affected by many factors and that some disabilities are inherently more susceptible to variations in rating determinations. Further, we reported in May 2005 that the Board of Veterans' Appeals had taken actions to strengthen its system for reviewing the quality of its decisions, but VA still lacked a systematic method for ensuring the consistency of decision making within VA as a whole.

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## Despite VA's Continuing Steps, a Number of Factors May Limit Its Ability to Improve Claims Processing

VA has recently taken several steps to improve service delivery, but their potential to lead to significant improvements may be limited by several factors. These steps include requesting funding for additional staff, initiatives to reduce appeal remands, and initiatives to assess and monitor decision consistency. However, limitations on potential improvements include increases in claims volume and complexity, and challenges in acquiring needed evidence in a timely manner.

In its fiscal year 2008 budget justification, VA identified an increase in claims processing staff as essential to reducing the pending claims inventory and improving timeliness. According to VA, with a workforce that is sufficiently large and correctly balanced, it can successfully meet the veterans' needs while ensuring good stewardship of taxpayer funds. The fiscal year 2008 request would fund 8,320 full-time equivalent employees working on compensation and pension, which would represent an increase of about 6 percent over fiscal year 2006. In addition, the budget justification cites near-term initiatives to increase the number of claims completed, such as using retired VA employees to provide training, and the increased use of overtime.

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<sup>4</sup> GAO, *Veterans' Benefits: Quality Assurance for Disability Claims and Appeals Processing Can Be Further Improved*, [GAO-02-806](#) (Washington, D.C.: Aug. 16, 2002); and *Veterans Benefits: VA Needs Plan for Assessing Consistency of Decisions*, [GAO-05-99](#) (Washington, D.C.: Nov. 19, 2004).

<sup>5</sup> Department of Veterans Affairs Office of Inspector General, *Review of State Variances in VA Disability Compensation Payments*, Report No. 05-00765-137 (Washington, D.C.: May 19, 2005).

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Even as staffing levels increase, however, VA acknowledges that it still must take other actions to improve productivity.<sup>6</sup> VA's budget justification provides information on actual and planned productivity, in terms of claims decided per full-time equivalent employee. While VA expects a temporary decline in productivity as new staff are trained and become more experienced, it expects productivity to increase in the longer term. Also, VA has identified additional initiatives to help improve productivity. For example, VA plans to pilot paperless Benefits Delivery at Discharge, where service members' disability claim applications, service medical records, and other evidence would be captured electronically prior to discharge. VA expects that this new process will reduce the time needed to obtain the evidence needed to decide claims.

To resolve appeals faster, VA has been working to reduce the number of appeals sent back by the Board of Veterans' Appeals for further work such as obtaining additional evidence and correcting procedural errors. To do so, VA has established joint training and information sharing between field staff and the Board. VA reports that it has reduced the percentage of decisions remanded from about 57 percent in fiscal year 2004 to about 32 percent in fiscal year 2006, and expects its efforts to lead to further reductions. Also, VA reports that it has improved the productivity of the Board's judges from an average of 604 appeals decided in fiscal year 2003 to 698 in fiscal year 2006. The Board attributes this improvement to training and mentoring programs and expects productivity to improve to 752 decisions in fiscal year 2008.

To improve decision consistency, VA has contracted for a study of the major influences on compensation payments, to develop baseline data for monitoring and managing decision variances. Also, VA is in the process of testing templates for compensation and pension medical examinations for specific types of disabilities to ensure that medical evidence from these examinations will enable consistent evaluations of disabilities. Further, VA formed a workgroup to study variances in the rates of benefit grants and denials, and in assigned disability evaluations, leading to development of plans to monitor consistency on an ongoing basis.

Despite these efforts, VA may be limited in its ability to make and sustain significant claims processing performance improvements. Recent history

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<sup>6</sup>See GAO, *Veterans' Benefits: More Transparency Needed to Improve Oversight of VBA's Compensation and Pension Staffing Levels*, [GAO-05-47](#) (Washington, D.C.: Nov. 15, 2004).

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has shown that VA's claims processing workload and performance are affected by several factors, including the impacts of laws and court decisions, increasing numbers and complexity of claims, and difficulties in obtaining accurate and timely information to adjudicate claims. Since 1999, several court decisions and laws related to VA's responsibilities to assist veterans in developing their benefit claims have significantly affected VA's ability to process claims in a timely manner. VA attributes some of the increase in the number of claims pending and the average days pending to a September 2003 court decision that required over 62,000 claims to be deferred, many for 90 days or longer. Also, VA notes that legislation and VA regulations have expanded benefit entitlement and added to the volume of claims. For example, in recent years, laws and regulations have created new presumptions of service-connected disabilities for many Vietnam veterans and former prisoners of war. Also, VA expects additional claims receipts based on the enactment of legislation allowing certain military retirees to receive both military retirement pay and VA disability compensation.

In addition, rating-related claims continue to increase, from about 579,000 in fiscal year 2000 to about 806,000 in fiscal year 2006, an increase of about 39 percent. While VA projects relatively flat claim receipts in fiscal years 2007 and 2008, it cautions that ongoing hostilities in Iraq and Afghanistan, and the Global War on Terrorism in general, may increase the workload beyond current levels. VA has also noted that claims have increased in part because older veterans are filing disability claims for the first time. Moreover, according to VA, the complexity of claims is also increasing. For example, some veterans are citing more disabilities in their claims than in the past. Because each disability needs to be evaluated separately, these claims can take longer to complete. Additionally, VA notes that they are receiving more disability claims, such as those related to mental health issues including post-traumatic stress disorder, which are generally harder to evaluate.

Additionally, claims processing timeliness and decisional accuracy can be hampered if VA cannot obtain the evidence it needs in a timely manner. For example, to obtain information needed to fully develop some post-traumatic stress disorder claims, VBA must obtain records from the U.S. Army and Joint Services Records Research Center (JSRRC), whose average response time to VBA regional office requests is about 1 year. This can significantly increase the time it takes to decide a claim. In December 2006, we recommended that VBA assess whether it could systematically utilize an electronic library of historical military records rather than submitting all research requests to the JSRRC. VBA agreed to determine

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the feasibility of regional offices using an alternative resource prior to sending some requests to the JSRRC. We also reported that while VBA quality reviewers found few decision errors due to failure to obtain military service records, VBA does not know the extent to which the information that is provided to regional offices is reliable and accurate. Regional offices rely on a VBA unit at the National Personnel Records Center, where service records of many veterans are stored, to do thorough and reliable searches and analyses of records and provide accurate reports on the results. However, we noted that VBA does not systematically evaluate the quality of these searches and analyses. Incomplete and inaccurate reports could affect decisional accuracy.

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## Opportunities for Improvement May Lie in More Fundamental Reform

While VA is taking actions to address its claims processing challenges, there are opportunities for more fundamental reform that could dramatically improve decision making and processing. These include reexamining program design, as well as the structure and division of labor among field offices.

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

In August 2002, we recommended that VA use its annual performance plan to delineate strategies for and progress in periodically updating labor market data used in its disability determination process. We also recommended that VA study and report to the Congress on the effects that a comprehensive consideration of medical treatment and assistive technologies would have on its disability programs' eligibility criteria and benefits package. This study would include estimates of the effects on the

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size, cost, and management of VA's disability programs and other relevant VA programs and would identify any legislative actions needed to initiate and fund such changes.

Another area of program design that could be examined is the option of providing a lump sum payment in lieu of monthly disability compensation. In 1996, the Veterans' Claims Adjudication Commission noted that most disability compensation claims are repeat claims—such as claims for increased disability percentage—and most repeat claims were from veterans with less severe disabilities.<sup>7</sup> According to VA, about 65 percent of veterans who began receiving disability compensation in fiscal year 2003 had disabilities rated 30 percent or less. The commission questioned whether concentrating claims processing resources on these claims, rather than on claims by more severely disabled veterans, was consistent with program intent. The commission asked Congress to consider paying less severely disabled veterans compensation in a lump sum. According to the commission, the lump sum option could have a number of benefits for VA as well as veterans. Specifically, the lump sum option could reduce the number of claims submitted and allow VA to process claims more quickly—especially those of more seriously disabled veterans. Moreover, a lump sum option could be more useful to some veterans as they make the transition from military to civilian life. In December 2000, we reported that about one-third of newly compensated veterans could be interested in a lump sum option.

In addition to program design, VA's regional office claims processing structure may be disadvantageous to efficient operations. VBA and others who have studied claims processing have suggested that consolidating claims processing into fewer regional offices could help improve claims processing efficiency, save overhead costs, and improve decisional accuracy and consistency. We noted in December 2005 that VA had made piecemeal changes to its claims processing field structure. VA consolidated some of its pension income and eligibility verifications at three regional offices. Further, VA consolidated decision making on Benefits Delivery at Discharge claims, which are generally original claims for disability compensation, at the Salt Lake City and Winston-Salem regional offices. However, VA has not changed its basic field structure for processing compensation and pension claims at 57 regional offices, which

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<sup>7</sup> Veterans' Claims Adjudication Commission, *Report to Congress* (Washington D.C.: December 1996).

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experience large performance variations and questions about decision consistency. Unless more comprehensive and strategic changes are made to its field structure, VBA is likely to miss opportunities to substantially improve productivity, accuracy, and consistency, especially in the face of future workload increases. We have recommended that the VA undertake a comprehensive review of its field structure for processing disability compensation and pension claims.

While reexamining claims processing challenges may be daunting, there are mechanisms for undertaking such an effort, including the congressionally chartered commission currently studying veterans' disability benefits. In November 2003, the Congress established the Veterans' Disability Benefits Commission to study the appropriateness of VA disability benefits, including disability criteria and benefit levels. The commission is to examine and provide recommendations on (1) the appropriateness of the benefits, (2) the appropriateness of the benefit amounts, and (3) the appropriate standard or standards for determining whether a disability or death of a veteran should be compensated. The commission held its first public hearing in May 2005 and in October 2005, established 31 research questions for study. These questions address such issues as how well disability benefits meet the congressional intent of replacing average impairment in earnings capacity, whether lump sum payments should be made for certain disabilities or level of severity of disability, and how VA's claims processing operation compares to other disability programs, including the location and number of processing centers. These issues and others have been raised by previous studies of VBA's disability claims process. The commission is scheduled to report to the Congress by October 1, 2007.

Mr. Chairman, this concludes my remarks. I would be happy to answer any questions that you or other members of the committee may have.

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## GAO Contact and Acknowledgments

For further information, please contact Daniel Bertoni at (202) 512-7215 or [Bertonid@gao.gov](mailto:Bertonid@gao.gov). Also contributing to this statement were Shelia Drake, Martin Scire, Greg Whitney, and Charles Willson.

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# Related GAO Products

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High Risk Series: An Update. [GAO-07-310](#). Washington, D.C.: January 31, 2007.

Veterans' Disability Benefits: VA Can Improve Its Procedures for Obtaining Military Service Records. [GAO-07-98](#). Washington, D.C.: December 12, 2006.

Veterans' Benefits: Further Changes in VBA's Field Office Structure Could Help Improve Disability Claims Processing. [GAO-06-149](#). Washington, D.C.: December 9, 2005.

Veterans' Disability Benefits: Claims Processing Challenges and Opportunities for Improvements. [GAO-06-283T](#). Washington, D.C.: December 7, 2005.

Veterans' Disability Benefits: Improved Transparency Needed to Facilitate Oversight of VBA's Compensation and Pension Staffing Levels. [GAO-06-225T](#). Washington, D.C.: November 3, 2005.

VA Benefits: Other Programs May Provide Lessons for Improving Individual Unemployability Assessments. [GAO-06-207T](#). Washington, D.C.: October 27, 2005.

Veterans' Disability Benefits: Claims Processing Problems Persist and Major Performance Improvements May Be Difficult. [GAO-05-749T](#). Washington, DC.: May 26, 2005.

VA Disability Benefits: Board of Veterans' Appeals Has Made Improvements in Quality Assurance, but Challenges Remain for VA in Assuring Consistency. [GAO-05-655T](#). Washington, D.C.: May 5, 2005.

Veterans Benefits: VA Needs Plan for Assessing Consistency of Decisions. [GAO-05-99](#). Washington, D.C.: November 19, 2004.

Veterans' Benefits: More Transparency Needed to Improve Oversight of VBA's Compensation and Pension Staffing Levels. [GAO-05-47](#). Washington, D.C.: November 15, 2004.

Veterans' Benefits: Improvements Needed in the Reporting and Use of Data on the Accuracy of Disability Claims Decisions. [GAO-03-1045](#). Washington, D.C.: September 30, 2003.

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Department of Veterans Affairs: Key Management Challenges in Health and Disability Programs. [GAO-03-756T](#). Washington, D.C.: May 8, 2003.

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Veterans' Benefits: Claims Processing Timeliness Performance Measures Could Be Improved. [GAO-03-282](#). Washington, D.C.: December 19, 2002.

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Veterans' Benefits: VBA's Efforts to Implement the Veterans Claims Assistance Act Need Further Monitoring. [GAO-02-412](#). Washington, D.C.: July 1, 2002.

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Veterans Benefits Administration: Problems and Challenges Facing Disability Claims Processing. [GAO/T-HEHS/AIMD-00-146](#). Washington, D.C.: May 18, 2000.

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