Testimony
Before the Subcommittee on Disability Assistance and Memorial Affairs, Committee on Veterans’ Affairs, House of Representatives

VETERANS’ DISABILITY BENEFITS

Claims Processing Challenges Persist, while VA Continues to Take Steps to Address Them

Statement of Daniel Bertoni, Director Education, Workforce, and Income Security
VETERANS’ DISABILITY BENEFITS

Claims Processing Challenges Persist, while VA Continues to Take Steps to Address Them

What GAO Found

Despite taking steps to improve its disability claims process, VA continues to face challenges, specifically in reducing the number of claims pending, speeding up the process of deciding claims, and improving accuracy and consistency of decisions across regional offices. For example, between fiscal years 2003 and 2007, the inventory of claims awaiting a decision by VA grew by more than 50 percent to a total of about 392,000, and the average number of days claims were pending increased by 3 weeks to 132 days. Further, GAO and VA’s Inspector General have identified concerns about the consistency of decisions across regional offices. Factors affecting VA’s claims-processing performance may include increases in the number and complexity of claims being filed and the potential impacts of laws and court decisions.

VA continues to take steps to help improve claims-processing performance, including requesting funding for additional staff. The President’s fiscal year 2009 budget request funds an increase of more than 2,600 additional full-time equivalent employees over fiscal year 2007 levels to process claims.

Rating-Related Claims Pending at End of Period, Fiscal Years 2000-2007

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Pending over 6 months</th>
<th>Total pending</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>57</td>
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</tr>
<tr>
<td>2001</td>
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<tr>
<td>2006</td>
<td>83</td>
<td>165</td>
</tr>
<tr>
<td>2007</td>
<td>101</td>
<td>213</td>
</tr>
</tbody>
</table>

Source: VA data.

Beyond the steps VA is taking to address its claims processing challenges, opportunities for significant performance improvement may lie in more fundamental reform of VA’s disability compensation program. Such reforms 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. Recent studies conducted by presidential and congressionally appointed commissions have recommended some fundamental changes, including updating VA’s rating schedule, which provides the basis for decisions about eligibility for benefits.

To view the full product, including the scope and methodology, click on GAO-08-473T. For more information, contact Daniel Bertoni at (202) 512-7215 or bertonid@gao.gov.
Mr. Chairman 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 $37.5 billion in cash disability benefits to more than 3.6 million veterans and their survivors in fiscal year 2007. For years, the claims process has been the subject of concern and attention by VA, Congress, and veterans service organizations, due in large part to long waits for decisions and large numbers of claims pending a decision.

Further, we and VA’s Inspector General have identified concerns about the consistency of decisions across regional offices. These concerns have continued and been magnified as veterans of the conflicts in Iraq and Afghanistan, and survivors of service members who have died in those conflicts face similar issues as they seek VA disability benefits. 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 has found that these programs are based on outmoded concepts from the past. More recently, the President and Congress established commissions to study VA’s disability compensation system.

You asked us to discuss our views on VA’s disability claims process. Specifically, my statement today addresses (1) claims processing challenges VA faces, (2) steps VA is taking to address these challenges and (3) opportunities for more fundamental reform. My statement draws on a number of prior GAO reports and testimonies that were conducted in accordance with generally accepted government auditing standards. (See related GAO products.) We updated information as appropriate to reflect the current status of VA claims processing workload and initiatives.

In summary, despite taking steps to improve its processing of disability claims, VA continues to face challenges, specifically in speeding up the process of deciding claims, reducing the number of claims pending, and improving the accuracy and consistency of decisions across regional offices. For example, between fiscal years 2003 and 2007, the inventory of claims awaiting a decision grew by more than 50 percent to a total of about 392,000, in part because of increased filing of claims, including those filed by veterans of the Iraq and Afghanistan conflicts and from VA’s
increased outreach to veterans. During the same period, the average number of days these claims were pending increased by 21 days, to an average of 132 days. Further, we and VA’s Inspector General have identified concerns about the consistency of decisions across regional offices. Some of the factors affecting VA’s claims processing performance may include increases in the number and complexity of claims being filed such as those for post-traumatic stress disorder (PTSD), reopening of existing claims, and the potential impacts of laws and court decisions. VA has taken a number of steps to help improve claims processing performance, including requesting funding for additional staff, establishing “tiger teams” to help process certain claims, and expediting the processing of claims filed by veterans of Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF). The President’s fiscal year 2009 budget request funds an increase of over 2,600 full-time equivalent employees from actual fiscal year 2007 levels to process compensation claims. While the infusion of a large number of staff has the potential of increasing VA’s claims processing capacity, quickly absorbing these many staff will likely present human capital challenges for VA such as how to develop, train, and deploy them.

Beyond the steps VA is taking, 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, after more than a decade of research, we have found that VA’s and other federal disability programs have not been updated to reflect the current state of science, medicine, technology, and labor market conditions. More specifically, VA’s rating schedule, upon which disability decisions are made, is 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. We and at least two recent commissions—the President’s Commission on Care for America’s Returning Wounded Warriors, commonly referred to as the Dole-Shalala Commission, and the Veterans’ Disability Benefits Commission—appointed to study VA’s disability compensation system, have recommended updating VA’s rating schedule, among other fundamental reforms.

1 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.
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 additional compensation for some dependents—spouses, children, and parents—of veterans. VA's pension program pays monthly benefits based on financial need to certain wartime veterans or their survivors.

When a veteran submits a claim to any of the Veterans Benefits Administration's (VBA) 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.

VA Continues to Face Challenges in Improving Its Claims Processing

VA continues to experience significant service delivery challenges—large pending workloads, lengthy processing times, and inaccurate and inconsistent decisions. A number of factors contribute to these challenges, such as an increase in the numbers and complexity of the claims veterans are filing and the effects of recent laws and court decisions. These factors have eroded some of the earlier gains VA made in reducing claims backlogs. For example, VA made progress in fiscal years 2002 and 2003 reducing the size and age of its pending claims inventory, but it has lost ground since then.

2 38 U.S.C. § 1115 provides for payment of additional benefits for qualifying dependents of veterans whose disability is rated not less than 30 percent.

3 Veterans qualify for pensions for non-service connected disability if they have low income, served in a period of war, and are permanently and totally disabled for reasons not service-connected (or are aged 65 or older). 38 U.S.C. § 1521 and 38 U.S.C. § 1513.

4 Appeals from the Board of Veterans Appeals go to the U.S. Court of Appeals for Veterans Claims, and finally to the U.S. Court of Appeals for the Federal Circuit, under certain circumstances.
VA’s inventory of claims awaiting a decision and their average time pending has increased significantly in the last 4 years, in part because of an increase in the number of claims received. The number of pending claims increased by more than 50 percent from the end of fiscal year 2003 to the end of fiscal year 2007 to about 392,000. During the same period, the number of claims pending longer than 6 months more than doubled from about 47,000 to about 101,000 (see fig. 1).

**Figure 1: Rating-Related Claims Pending at End of Period, Fiscal Years 2000-2007**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Pending</th>
<th>Pending over 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>57,000</td>
<td>57,000</td>
</tr>
<tr>
<td>2001</td>
<td>228,000</td>
<td>172,000</td>
</tr>
<tr>
<td>2002</td>
<td>346,000</td>
<td>122,000</td>
</tr>
<tr>
<td>2003</td>
<td>421,000</td>
<td>47,000</td>
</tr>
<tr>
<td>2004</td>
<td>321,000</td>
<td>67,000</td>
</tr>
<tr>
<td>2005</td>
<td>346,000</td>
<td>72,000</td>
</tr>
<tr>
<td>2006</td>
<td>378,000</td>
<td>83,000</td>
</tr>
<tr>
<td>2007</td>
<td>392,000</td>
<td>101,000</td>
</tr>
</tbody>
</table>

Source: VA data.

Similarly, while VA reduced the average number of days claims were pending from a high of 182 days at the end of fiscal year 2001 to 111 days at the end of fiscal year 2003, the average age of pending claims crept back up to 132 days by the end of fiscal year 2007, as shown in figure 2.
A number of factors are contributing to this increase in VA’s inventory of pending claims, and their average time pending. First, there has been a steady increase in the number of claims filed—including those filed by veterans of the Iraq and Afghanistan conflicts—from about 579,000 in fiscal year 2000 to about 838,000 in fiscal year 2007, an increase of about 45 percent. VA projects claims receipts to increase to about 872,000 in fiscal year 2009 and cautions that ongoing hostilities in Iraq and Afghanistan, and the Global War on Terrorism in general, may further increase its workload. VA also attributes increased claims receipts to its efforts to increase outreach to veterans and service members. For example, VA reports that in fiscal year 2006, it provided benefits briefings to about 393,000 separating service members, up from about 210,000 in fiscal year 2003. VA has also noted that the number of veterans receiving compensation has increased by about a half million from fiscal years 2000 to 2007. VA anticipates the number of reopened claims will increase as compensation recipients—many of whom suffer from chronic progressive disabilities such as diabetes, mental illness, and cardiovascular disabilities—reopen claims for increased benefits as they age and their conditions worsen.
Another factor affecting processing times is the complexity of cases, in both terms of numbers and types of disabilities veterans are claiming. According to VA, some veterans are citing more disabilities in their claims than in the past and these claims can take longer to complete because each disability needs to be evaluated separately. VA reported that the number of cases with eight or more disabilities claimed increased by 168 percent—from about 21,800 to about 58,500—from 2000 to 2007. Additionally, VA notes that it is receiving claims for new and complex disabilities related to combat and deployments overseas, including those based on environmental and infectious disease risks and traumatic brain injuries. Further, VA reports receiving increasing numbers of claims for compensation for PTSD, which is generally more difficult to evaluate, in part because of the evidence required to link the disorder to a particular event. According to VA, from 1999 through 2007, the number of veterans receiving compensation benefits for PTSD increased from 120,000 to nearly 300,000.

Further, a number of statutes and court decisions related to VA’s disability claims process have affected VA’s ability to process claims in a timely manner. For example, VA stated that the Veterans Claims Assistance Act of 2000 significantly increased the length and complexity of claims development by adding more steps to the process and lengthening the time it takes to develop and decide a claim. VA also notes that legislation and VA regulations have expanded benefit entitlement, adding to the volume of claims. In recent years, statutes have created new presumptions of service-connected disabilities for many Vietnam veterans and former prisoners of war. Also, VA expects additional claims receipts following enactment of legislation that allows certain military retirees to receive both military retirement pay and VA disability compensation.


6 See e.g., Moody v. Principi, 360 F.3d. 1306 (Fed. Cir. 2004); Szemraj v. Principi, 357 F.3d 1370 (Fed. Cir. 2004); Disabled American Veterans v. Secretary of Veterans Affairs, 327 F.3d 1339 (Fed. Cir. 2003).

7 For example, the Agent Orange Act of 1991, Pub. L. No. 102-4, broadens the presumption of exposure to herbicides in Vietnam. See also, 38 C.F.R. § 3.309 (diseases subject to a presumptive service connection).

VA Continues to Take Steps to Improve Claims Processing

VA is taking several steps to improve claims processing. Some near-term initiatives include the increased use of overtime and use of retired VA employees to provide training and to assist in processing claims. VA reported it currently employs 70 rehired annuitants. VA expects these annuitants to complete 23,000 rating decisions in 2008. VA has also used other initiatives such as brokering claims between offices to help manage its claims inventory and establishing special teams to assist in the processing of claims. For example, VA established teams to process disability claims for veterans 70 years and older and for expediting claims of OIF and OEF veterans. In 2007, VA announced an initiative to provide priority processing of disability claims for all OIF and OEF veterans', including active duty, National Guard, and reservists.

In VA’s fiscal year 2009 budget justification, an increase in claims processing staff was identified as essential to reducing the pending claims inventory and improving timeliness. The fiscal year 2009 request would fund 10,998 full-time equivalent employees working on compensation and pension claims, and represents an increase of about 2,600 positions, or 32 percent over fiscal year 2007. In keeping with our prior recommendation, 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 in fiscal year 2008 as new staff are trained and become more experienced, it expects productivity to increase in the longer term. VA is modifying its centralized training program to focus newly hired employees on processing burial and dependency claims. VA reports this will allow them to become productive more quickly, while enabling more experienced staff to focus on disability claims processing. However, incorporating the large number of new employees into the disability claims process will likely present human capital challenges for VA. For example, VA would have to adequately train them. For staff who decide claims, it is estimated that this could take 1 to 2 years. VA would also have to determine where these staff should be deployed.

Even as staffing levels increase, however, VA acknowledges that it still must take other actions to improve productivity. For example, VA added more locations where service members can initiate the VA disability claims process up to 180 days prior to separating from the service. VA

reports that these locations, known as Benefits Delivery at Discharge sites, now total 140. The goal of the program is to provide benefits within 60 days following discharge. In addition, VA also 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 this new process will reduce the time needed to gather evidence for deciding claims. GAO currently has work underway looking at the Benefits Delivery at Discharge program.

Another step to improve claims processing is a pilot program by VA and the Department of Defense (DOD) in which VA completes disability ratings for service members who have been found unfit for duty due to disability by the military services. The goal of the pilot program is to deliver faster and more consistent disability evaluations and compensation to service members and veterans. Because VA rates disabilities while the service member is still in the military service, disability benefits can be awarded soon after the service member is discharged. GAO is currently studying this pilot.

In addition to challenges with managing pending claims inventories and deciding claims in a timely manner, VA acknowledges that regional office decisional accuracy needs further improvement. VA reports that it improved the accuracy of decisions on rating-related compensation claims from 80 percent in fiscal year 2002 to 88 percent in fiscal year 2007. However, this figure remains short of its current strategic goal of 98 percent. In March 2007, VA stated it had established an aggressive quality assurance program to assess rating, authorization, and fiduciary program accuracy. Additionally, VA plans to begin routine quarterly monitoring of compensation and pension cases by diagnostic code and to expand quality review staff to complete additional reviews.

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 acceptable levels of variation. VA’s Inspector General has studied one indicator of possible inconsistency, which is a wide variation in average

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payments per veteran from state to state. In May 2005, the Inspector General reported that variation in rating decisions was more likely to occur for some disabilities like PTSD than for others, where much of the information needed to make a determination is susceptible to interpretation and judgment. To improve decision consistency, VA conducted a pilot project to monitor consistency of rating-related claims decisions. VA also conducted a consistency review of post-traumatic stress disorder claims. Finally, VA deployed 58 computerized exam templates for each type of compensation and pension exam to each Veterans Health Administration compensation and pension exam site to improve the quality of medical exams used to make rating decisions.

While VA is taking actions to address its claims processing challenges, there are opportunities for more fundamental program reform such as reexamining program design and the structure and division of labor among field offices.

After more than a decade of research, we have determined that federal disability programs, including VA's disability program, 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 (SSA) lag behind the scientific advances and economic and social changes that have redefined the relationship between impairments and work. For instance, 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. At the same time, impairments such as traumatic brain injury have become more prevalent. 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. We currently are assessing the challenges VA faces in providing vocational rehabilitation and employment services to current beneficiaries as well as

the large number of service members returning from the OIF and OEF conflicts in need of such services.

In prior work, 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.\textsuperscript{12} We also recommended that VA study and report to 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 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.

In its October 2007 report, the Veterans’ Disability Benefits Commission (VDBC)—established by Congress in 2003 to study the appropriateness of VA disability benefits\textsuperscript{13}—also pointed out that VA’s eligibility criteria were outdated and recommended that the VA Rating Schedule be reviewed and updated. The commission further recommended the schedule be reviewed and updated on a frequent basis and that first priority be given to revising the mental health and neurological body systems to expeditiously address post traumatic stress disorder, other mental disorders, and traumatic brain injury.

In its July 2007 report, the Dole-Shalala Commission also recommended updating VA’s rating schedule. The commission reported that VA’s rating schedule is outdated and does not include diagnostic criteria for injuries that are new or for which diagnostic criteria are changing rapidly, such as traumatic brain injury. Further, the commission pointed out that VA’s rating schedule fails to acknowledge the disabling impact of conditions such as PTSD, and the effect medical advances have on the prognosis for certain conditions such as serious burns and amputations.

VA is in the process of addressing some of our and the commission’s concerns. For example, VA is modifying the rating schedule to provide detailed and updated criteria for evaluating traumatic brain injury and the potential effect of medical advances on certain conditions. In January


2008, VA announced that it had contracted for a study of the appropriate level of compensation for any loss of earnings capacity caused by service-incurred or service aggravated conditions.

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 and save overhead costs. We noted in December 2005 that VA had made piecemeal changes to its claims-processing field structure. For example, VA consolidated decision making on certain claims—Benefits Delivery at Discharge claims, which are generally original claims for disability compensation—at two regional offices (Salt Lake City, Utah and Winston-Salem, North Carolina). VA also consolidated in-service dependency and indemnity compensation claims at the Philadelphia regional office. These claims are filed by survivors of service members who die while in military service. VA consolidated these claims as part of its efforts to provide expedited service to survivors, including service members who died in Operations Iraqi Freedom and Enduring Freedom. Despite these initiatives, VA has not changed its basic field structure for processing disability claims at 57 regional offices, which have large variations in performance. Unless more comprehensive and strategic changes are made to its field structure, VBA is likely to miss opportunities to substantially improve productivity, especially in the face of future workload increases. We have recommended that VA undertake a comprehensive review of its field structure for processing disability compensation and pension claims. Undertaking such a review is especially critical, since VA will need to determine how and where to deploy the 2,600 new staff that may be coming on board between fiscal years 2007 to 2009 to address its claims processing challenges.

In conclusion, reexamining claims-processing challenges and finding viable solutions are daunting tasks. While VA has taken a number of steps to improve its disability claims process, challenges persist. Opportunities may lie in more fundamental reform. A number of recent studies by commissions, GAO, and others have laid the groundwork and made many

14VBA also provides dependency and indemnity compensation to survivors of certain deceased disability compensation beneficiaries. 38 U.S.C. §§ 1541,1542.

recommendations for addressing current workload challenges and redesigning the current program to better align it with modern concepts of disability and support services. However, as we move forward, it is imperative that VA adequately assess its options for improving its disability compensation program and their potential effects. It is also important that VA continue to look for other fundamental reforms that may be needed to improve its disability program for the longer term.

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

For further information, please contact Daniel Bertoni at (202) 512-7215 or Bertonid@gao.gov. Also contributing to this statement were Shelia Drake, Martin Scire, Kate van Gelder, and Rachael Valliere.
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