



Testimony

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Committee on Veterans' Affairs, House
of Representatives

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VA DISABILITY EXAMS

Opportunities Remain to Improve Oversight of Contracted Examiners

Statement of Elizabeth Curda, Director,
Education, Workforce and Income Security

Highlights of [GAO-19-715T](#), a testimony before the Subcommittee on Disability Assistance and Memorial Affairs, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

VBA has increased the use of contractors in conducting veterans' disability medical exams. From fiscal year 2012 through mid-September fiscal year 2019, VBA reported that the number of exams completed by contractors rose from about 178,000 to nearly 958,000, which is more than half of all exams completed to date in fiscal year 2019. The remaining exams were completed by medical providers from the Veterans Health Administration. According to VBA, its contracts are worth up to \$6.8 billion over 10 years.

In light of issues GAO identified with VBA's oversight of contracted examiners in its October 2018 report ([GAO-19-13](#)), this testimony provides updates on VA's efforts to 1) improve its oversight of contracted examiners to ensure quality and timely exams and proper invoicing, and 2) ensure that examiners are properly trained.

What GAO Recommends

GAO made four recommendations in 2018, including that VBA (1) develop a plan for using its new data system to monitor contractors' quality and timeliness performance, (2) analyze overall program performance, (3) verify that contracted examiners complete required training, and (4) collect information to assess the effectiveness of that training. VA agreed with and initiated actions on all of these recommendations but has not yet fully implemented them.

View [GAO-19-715T](#). For more information, contact Elizabeth Curda at (202) 512-7215 or curdae@gao.gov.

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What GAO Found

The Veterans Benefits Administration (VBA) has not fully resolved issues regarding how it oversees the quality and timeliness of and invoicing for disability compensation medical exams that are completed by contracted examiners. VBA uses medical exam reports from both VHA and contract examiners to help determine if a veteran should receive disability benefits. GAO reported in October 2018 that VBA was behind in completing quality reviews of contracted exams and did not have accurate information on contractor timeliness. VBA's lack of quality and timeliness data hindered its oversight of contractors' performance. In 2018, GAO made recommendations for VBA to address these issues. VBA has begun to implement GAO's recommendations, but continued action is needed to:

- Develop and implement a plan for using data from its new medical exam management system to (1) assess contractor timeliness, (2) monitor time spent correcting exams, and (3) verify proper exam invoicing. According to VBA, the agency has not fully implemented its plan for using this new system to resolve challenges with oversight of contractors' performance. For example, due to system issues, VBA has not been able to implement an automated invoicing system it planned to use to validate the accuracy of contractors' invoices. Further, VBA has not yet completed quarterly performance reviews of contracted exams under its new contracts, including any reports for fiscal year 2019. As a result, VBA still is unable to ensure that it is paying contractors the correct amounts based on its contract terms.
- Monitor and assess aggregate performance data and trends over time to identify higher-level trends and program-wide challenges. VBA officials stated that as the agency makes improvements to the exam management system data it will be able to implement this recommendation, but officials could not provide a target completion date.

VBA has taken steps to address issues GAO identified with its oversight of contracted examiner training requirements but has not yet fully addressed them. Having properly trained examiners who can provide high quality exam reports is critical to ensuring that claims processors can make timely and accurate disability determinations for veterans. In 2018, GAO recommended that VBA improve its training oversight by:

- Implementing a plan to verify that all contracted examiners have completed required training. In response, VBA began conducting random audits of training completed by contracted examiners, but it is still in the process of developing a centralized training system that will collect this information. Such a system could help ensure that contracted examiners complete training and, ultimately, conduct high-quality exams.
- Collecting information from contractors or examiners on training and use this information to assess training and make improvements. VBA has since developed a feedback tool for examiners to complete following training and plans to use it to improve the training, where needed.

Chair Luria, Ranking Member Bost, and Members of the Subcommittee:

I am pleased to be here today to provide an update since my testimony in November 2018 on the Veterans Benefits Administration's (VBA) oversight of disability medical exam contractors.¹ As you know, VBA relies on medical evidence to help determine a veteran's eligibility for disability compensation. To obtain such evidence, VBA staff may request that the veteran undergo a disability medical exam conducted by the Veterans Health Administration (VHA), and VBA also contracts with private firms to perform these exams. According to VBA, it has increased its reliance on contractors to help avoid delays in the disability claims process related to completion of these exams.

We previously reported that VBA needed to make improvements to its oversight of contracted examiners, particularly given its increasing reliance on them. For example, from fiscal year 2012 through mid-September 2019, the number of these exams completed by VBA contractors more than quadrupled—from roughly 178,000 to almost 958,000, according to VBA. To date, in fiscal year 2019, contracted examiners completed more than half of the 1.49 million disability medical exams.

In 2018, VBA awarded 12 new contracts to conduct exams, worth up to \$6.8 billion over 10 years, to four firms to replace contracts that it awarded in 2016 with updated provisions intended to help VBA improve oversight of contracted examiners, according to VBA.² According to its Request for Proposals, VA expected the new contracts to cover approximately 7.7 million exam requests in the United States over a 10-year period.³ VA reported that in fiscal year 2018 the agency spent over \$875 million on disability medical exams conducted by these VBA contractors.

¹GAO, *VA DISABILITY EXAMS: Improved Oversight of Contracted Examiners Needed*, [GAO-19-213T](#) (Washington D.C., Nov. 15, 2018).

²GAO has not reviewed these new contracts. As a result, any reference in this statement to provisions in VBA's contracts is a reference to the contracts that we reviewed for our 2018 report.

³ The Request for Proposals issued in May 2018 included domestic exams only. VBA did not award new contracts for exams conducted overseas.

My remarks today are based on our October 2018 report on VBA's oversight of disability medical exam contractors and updates that we have received from VA regarding the agency's progress implementing our recommendations for improving oversight of contracted examiners.⁴ This testimony provides an update on VBA's efforts to: (1) collect more timely and accurate information on contractor quality and timeliness to better evaluate contractors' performance, ensure proper invoicing, and identify program-wide challenges; and (2) ensure that all examiners have completed required training and that the training adequately prepares them to conduct high quality exams.

For our 2018 report, we reviewed and analyzed VBA data on the quality and timeliness of exam reports completed from January 2017 to February 2018. We also reviewed relevant federal laws, regulations, relevant provisions of selected versions of various contracts, and VA guidance. We interviewed VA, VHA, and VBA officials; each of the five contractors that performed exams under the 2016 contract; a private firm that performs audits of VBA contracted examiners' licenses; and three national veterans service organizations. For this testimony, we incorporated recent updates from VBA on the status of our recommendations and obtained some information on the new contracts, staffing levels, and exam management system updates in September 2019. More detailed information on our scope and methodology is available in our issued report.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

VA pays monthly disability compensation to veterans with service-connected disabilities according to the severity of the disability. VA's disability compensation claims process starts when a veteran submits a claim to VA. A claims processor then reviews the claim and helps the

⁴GAO, *VA DISABILITY EXAMS: Improved Performance Analysis and Training Oversight Needed for Contracted Exams*, [GAO-19-13](#) (Washington D.C., Oct. 12, 2018).

veteran gather the relevant evidence needed to evaluate the claim. Such evidence includes the veteran's military service records, medical exams, and treatment records from VHA medical facilities and private medical service providers. If necessary to provide support to substantiate a claim, VA will also provide a medical exam for the veteran, either through a provider at a VHA medical facility or through a VBA contractor. According to VBA officials, VBA monitors a VHA facility's capacity to conduct exams, and in instances when the facility may not have capacity to conduct a timely exam, VBA will send an exam request to one of its contractors instead.

Once the contractor accepts the exam request from VBA, it assigns a contracted examiner to conduct the exam and complete an exam report designed to capture essential medical information for purposes of determining entitlement to disability benefits. The contractors send the completed report to VBA, which uses the information as part of the evidence to evaluate the claim and determine whether the veteran is eligible for benefits.

In 2016, VBA established an exam program office to manage and oversee contractors, monitor their performance, and ensure that they meet contract requirements. For example, in 2018 we reported that the contracts require that contractors develop plans outlining how they will ensure examiners are adequately trained.⁵ We also reported that contractors are required to provide VBA with monthly exam status reports, which include the number of canceled, rescheduled, and completed exams, among other things. VBA also has an office dedicated to completing quality reviews of contractors' exam reports, which are used to assess contractor performance.

VBA awarded new contracts in 2018, in part, because it wanted to update performance measures for its contractors and to change how contractors were assigned to each region throughout the country, according to agency officials. For example, officials said that the agency restructured the service areas in its contracts from five U.S. geographic districts to four to balance the number of rural and urban areas contained in each region. In doing so, they said that VBA's goal was to distribute exams in rural

⁵We reported that, according to agency officials, VBA also requires that contracted examiners complete the same training that VHA providers must take before they can conduct any disability medical exams.

areas, where it can be more challenging to find examiners, more evenly across all contractors.

Incomplete Information on Quality and Timeliness Continues to Affect VBA's Oversight of Contractors' Performance

VBA has not fully resolved issues in collecting information on contractors' quality and timeliness, which continues to hinder its ability to oversee contractor performance. We previously reported that VBA's lack of complete and accurate information on the quality and timeliness of exams limited its oversight of contracted examiners and contributed to other challenges in managing the contracts. For example, VBA officials had told us that as of late June 2018, VBA was behind in completing quality reviews for contracted exams that were completed in 2017, in part, due to lack of staff to complete the quality reviews.⁶ Further, VBA officials had acknowledged that they did not have accurate information on whether contractors were completing veterans' exams in a timely manner as outlined in the contracts. We reported in 2018 that VBA measured timeliness as the number of days between the date the contractor accepts an exam request and the date the contractor initially sends the completed exam report to VBA.⁷ However, we previously found that the exam management system VBA used until spring 2018 did not retain the initial exam completion date when VBA sent an initial exam report back to a contractor for clarification or correction. In such cases, VBA's system maintained only the most recent date an exam report was sent back to VBA. In such a situation, according to agency officials, VBA would not always be able to accurately assess a contractor's timeliness as outlined in the contracts. Similar to our findings, the VA Office of Inspector General's June 2019 report on VBA's oversight of contracted exam

⁶For those reviews that VBA did complete, the agency reported that almost all contractors missed VBA's quality target of 92 percent in the first half of calendar year 2017, with scores ranging from 62 to 92 percent.

⁷The contracts awarded in 2016 included differing information regarding the start date of the timeliness measure. One provision of those contracts referred to the start date of the timeliness measure as the date VBA submits the exam request to the contractor. VBA later clarified that it uses the date the contractor accepts the exam request as the start date and revised its timeliness measure accordingly in contract modifications signed in December 2017 and January 2018.

cancellations also identified deficiencies due to staffing shortages and exam management system limitations, among other reasons.⁸

According to VBA officials in 2018, because VBA did not have complete and accurate information on contractor performance, it could not carry out key oversight activities. For example, VBA officials acknowledged that they were unable to track exams that needed corrections or clarifications, which we reported is needed to determine if VBA should reduce payment to a contractor. In 2018, we reported that the contracts required that contractors correct these exams within a certain number of days and bill VBA for these exams at half price. However, we found that VBA's lack of complete and reliable information on insufficient exams hindered its ability to ensure such requirements were met.

Further, in the absence of current and accurate quality and timeliness information, we reported in 2018 that VBA officials told us that they had not completed the quarterly reports that summarize how each contractor performed. VBA's delay in completing these reports meant that it had not administered other provisions of the contracts. For example, we reported in 2018 that the contracts stated that VBA could use performance data to help determine how to allocate exams within specified areas in the United States that have two contractors; in particular, VBA could decide to allocate more exams to the contractor with higher performance results. However, VBA did not have performance data on which it could base its allocation of exams. Rather, the agency based allocation on contractor workload.⁹ Further, we reported that the contracts outlined how VBA could use performance data to administer financial incentives linked to

⁸For example, VA's Office of Inspector General reported that even though VA's contracting officer indicated there should be at least one federally certified contracting officer's representative per contract, VBA had only three contracting officer's representatives to oversee 14 contracts. In addition, the report stated that VBA's exam management system at that time did not capture information such as contact notes or telephone logs that would allow VBA staff to monitor whether contractors followed contract requirements when cancelling exams. See VA Office of Inspector General, *Inadequate Oversight of Contracted Disability Exam Cancellations*, 18-04266-115 (Washington, D.C.: June 10, 2019).

⁹ We reported in 2018 that for exams performed in the United States, two contractors shared the workload within a given geographic area and VBA could determine how to allocate some exams based on a contractor's performance and capacity to conduct exams.

performance targets.¹⁰ However, due to the lack of performance information, VA had not yet administered these incentives at the time of our review in October 2018.

In our 2018 report, we recommended that VBA take steps to address the oversight issues we identified by developing and implementing a plan for using data from the new exam management system to accurately assess contractor timeliness, monitor time spent correcting exams, and verify proper exam invoicing.

VBA has taken steps to address issues with both the incomplete quality information and inaccurate timeliness data. For example, to help resolve the delays in completing quality reviews, VBA officials said in November 2018 that the agency had hired additional staff to assess quality of contract exam reports. As of September 2019, officials said they have 16 out of 17 full-time positions filled in the quality review office because one employee left and that they are in the hiring phase for the final position. With the addition of quality review staff, officials stated that VBA is up-to-date on completing initial quality reviews. However, they said the agency has not yet finalized any quality scores, or completed the quarterly performance reports, under the new contracts. As such, according to VBA, it has not yet administered financial incentives linked to performance.

To address the inaccurate timeliness data, VBA officials stated that the agency's new exam management system, implemented in spring 2018, was designed to capture information that would allow VBA to accurately calculate contractor timeliness. Officials also said that VBA revised its performance measures to help it more fully assess contractors' performance.¹¹ In its agency comment response to our draft report in September 2018, VBA had a target completion date of December 2018 for implementing our recommendation. However, as of September 2019, VBA reported that it has not been able to fully implement its plan for using the new system to improve oversight of contractors and did not provide a

¹⁰We reported that, as outlined in the contract, VA is to provide a bonus to a contractor who met or exceeded its 92 percent quality standard for a quarter, and met or exceeded its 20-day or 30-day timeliness standard.

¹¹ For example, according to VA's Request for Proposals the contracts would include new performance measures to track the percentage of requested exams that have been with a contractor for more than seven days and the percentage of exams that have been cancelled by a contractor.

target completion date for fully implementing our recommendation. In particular, VBA has not been able to implement an automated invoicing system that it plans to use to validate the accuracy of contractors' invoices nor can it reconcile historical data in the exam management system. As a result, according to VBA, it still cannot ensure that it is paying contractors the correct amounts based on the terms of the contracts. According to VBA, the delay in implementation is, in part, a result of having to fix technical issues with exam scheduling requests and an ongoing effort involving multiple VA offices to align VBA's systems with those of multiple contractors. To address these issues, VBA stated that it has completed testing of its invoice system with all of the contractors and anticipates completing analysis of the results of those tests by October 2019 and will provide an updated target completion date at that time.

We also recommended that VBA regularly monitor and assess aggregate performance data and trends over time to identify higher-level trends and program-wide challenges. Without plans to conduct comprehensive performance analyses, we stated that VBA is limited in its ability to determine if the contract exam program is achieving its quality and timeliness goals in a cost effective manner. VBA stated that as it makes improvements to its exam management system data it will be able to implement this recommendation, but did not provide a specific date. VBA also noted that information collected in the new exam management system has helped them to identify potential issues with the metrics that they use to assess contractor performance and that the agency is in the process of identifying the best way to analyze the data to make improvements to the program.

VBA Has Not Finalized System to Verify All Training Has Been Completed

We previously reported that VBA relies on contractors to verify that their examiners complete required VA training and that VBA did not have information on whether the training effectively prepares examiners to conduct high quality exams. Specifically, we noted that the contractors, rather than VBA, access the contractor training systems to verify that examiners have completed the required training before they are approved to conduct exams. Further, VBA did not review contractors' self-reported training reports for accuracy or request supporting documentation, such as training certificates, or solicit feedback from contracted examiners on the effectiveness of training or suggestions for improvement.

Since VBA was without plans to verify completion of training, we noted that VBA risked using contracted examiners who are unaware of the agency's process for conducting exams. This could lead to poor-quality

exams that need to be redone and, thus, delays for veterans. Similarly, without information on the effectiveness of training, VBA may not know whether additional training courses are needed. To address these concerns, we recommended that VBA document and implement a plan and processes to verify that contracted examiners have completed required training and that it collect feedback on training for the purpose of assessing its effectiveness and making improvements as needed.

As of July 2019, after VBA determined that none of its contractors were comprehensive in reporting all examiners' training, VBA reported that the agency started conducting random audits of contractor training records. Additionally, VBA said that contractors can submit feedback following the completion of each VBA-developed training course and that it will use this information to make improvements. However, VBA is still in the process of developing a centralized training system to collect information on all training completed by contracted examiners and to obtain participant feedback on each course. VBA stated that it expects the system updates that would allow it to verify that all examiners have completed required training will be fully implement by the end of fiscal year 2020 and that it will continue random audits until full implementation.

In conclusion, as VBA increasingly relies on contractors to perform veterans' disability compensation exams, it is important that the agency ensures proper oversight of these contractors. Specifically, VBA needs to ensure that (1) it has accurate and up-to-date information on individual contractor performance to ensure veterans receive quality and timely exams and that contractors are properly paid, as well as a mechanism to asses overall performance of the contract; and (2) examiners are trained to conduct these exams in a manner that results in accurate exam reports that claims processors can use to make a disability ratings decision. Without sustained oversight, VBA also runs the risk of causing undue harm to veterans through delayed or inadequate exams.

Chair Luria, Ranking Member Bost, and Members of the Subcommittee, this concludes my prepared statement. I would be happy to answer any questions you or other members of the subcommittee may have at this time.

GAO Contact and Staff Acknowledgments

For questions about this statement, please contact Elizabeth Curda, Director, Education Workforce, and Income Security Issues at (202) 512-7215 or curdae@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. In addition to the contact above, Nyree Ryder Tee (Assistant Director); Justin Gordinas (Analyst-in-Charge); Alex Galuten; and Jessica Orr made key contributions to this testimony. Other staff who made key contributions to the report cited in the testimony are identified in the source product.

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