



## VA DISABILITY BENEFITS:

# Progress Made but VA Decisions on Veterans' Claims Continue to Be Based, in Part, on Outdated Criteria

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## Testimony

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

For Release on Delivery Expected at 2:15 p.m. ET  
Wednesday, January 14, 2026

**GAO-26-108844**  
**United States Government Accountability Office**

Accessible Version

# GAO Highlights

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January 2026

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#### What GAO Found

In 2009, the Department of Veterans Affairs (VA) began a comprehensive effort to revise its disability rating schedule, which is criteria VA uses to determine veterans' eligibility for disability compensation. This effort involves updating two sets of information. The first set—medical information—includes disabilities veterans may have, organized into 15 body systems. The second set—earnings loss—is the average decrease in expected earnings caused by those disabilities.

- **Medical information.** As of December 2025, according to VA officials, VA has updated medical information for 11 of the 15 body systems and planned to complete updates for the remaining four systems in fiscal year 2026—10 years after its originally planned completion date.
- **Earnings loss information.** Since May 2023, VA has been testing how to produce data from its earnings loss studies and update the rating schedule with this information. Past VA and external studies have evaluated the average loss of earnings for veterans with service-connected disabilities and suggest that certain veterans were not being equitably compensated (e.g., those with mental health conditions may be undercompensated). However, as of January 2026, VA has not updated its rating schedule with earnings loss information from any of its studies. Consequently, ratings determinations for all earnings loss calculations remain based on information from 1945.

Since 2019, VA has taken steps to demonstrate progress on this high-risk area. For example, in 2024 VA issued an action plan that identified the root causes of the challenges it faces in updating the rating schedule, the actions it plans to take to address them, and metrics and milestones to monitor progress. VA has fully met three of the five criteria for disability rating schedule updates to be removed from GAO's High-Risk List: Leadership Commitment, Action Plan, and Monitoring.

To have this area removed from the list, VA must continue to meet these three criteria and fully meet two more: Capacity and Demonstrated Progress. VA has not fully defined the resources needed for, nor demonstrated adequate progress in, updating its medical and earnings loss information.

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#### Department of Veterans Affairs (VA) Progress Addressing Criteria for Removing Disability Rating Schedule Update from GAO High-Risk List

LEADERSHIP COMMITMENT



Met

CAPACITY



Partially met

ACTION PLAN



Met

MONITORING



Met

DEMONSTRATED PROGRESS



Partially met

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## Accessible Data for Department of Veterans Affairs (VA) Progress Addressing Criteria for Removing Disability Rating Schedule Update from GAO High-Risk List

- Leadership commitment: Met
- Capacity: Partially met
- Action Plan: Met
- Monitoring: Met
- Demonstrated Progress: Partially met

Source: GAO. | GAO-26-108844

VA must be able to accurately compensate veterans commensurately with the impact of their service-connected disabilities. Without a rating schedule that fully reflects present-day medicine and changes in the labor market since 1945, VA may overcompensate some veterans while undercompensating others.

### Why GAO Did This Study

Veterans with injuries or illnesses incurred or aggravated during their military service may receive monthly disability payments from VA.

VA administers one of the largest disability compensation programs in the nation. The department reported providing \$195 billion in compensation to over 6.9 million veterans and their families in fiscal year 2025. Yet determinations of veterans' eligibility for disability compensation are partially based on criteria that have not been updated in over 80 years.

Partly due to the need to update the disability compensation criteria comprehensively, VA's management of the disability compensation program has been on GAO's High-Risk List since 2003.

GAO was asked to testify on VA's efforts to update its eligibility criteria for disability compensation. This testimony summarizes the status of VA's efforts and steps VA must take for the disability compensation program to be removed from the High-Risk List.

This GAO testimony is based on findings from selected GAO reports issued from 2012 to 2025, particularly GAO's High-Risk List updates. Information about the scope and methodology is available in the underlying reports.

Chairman Luttrell, Ranking Member McGarvey, and Members of the Subcommittee:

I am pleased to be here today to discuss our work on the efforts by the Department of Veterans Affairs (VA) to update the VA Schedule for Rating Disabilities (VASRD), or rating schedule. The rating schedule is eligibility criteria used by VA claims processors to evaluate the severity of disabilities and assign disability ratings. VA's effort involves updating two sets of information. The first set—medical information—includes disabilities veterans may have, organized into 15 body systems. The second set—earnings loss—is the average decrease in expected earnings caused by those disabilities.

Veterans with service-connected disabilities (i.e., injuries or illnesses incurred or aggravated during military service) may receive monthly VA compensation payments according to the severity of their disability.<sup>1</sup> VA's disability compensation program is one of the largest federal disability benefit programs in the nation. In fiscal year 2025, it provided \$195 billion in compensation to over 6.9 million veterans and their families, according to VA. Given the size of and investment in the program, VA must be able to make accurate decisions about veterans' disability claims.

Our prior work has highlighted longstanding challenges VA has faced with managing large numbers of claims and modernizing the rating schedule with updated medical and earnings loss information.<sup>2</sup> These challenges can affect VA's efforts to provide veterans with accurate decisions and timely compensation. Some challenges may also limit VA's capacity to modernize to best meet veterans' needs in the 21st century.

As a result of these and other challenges, VA's management of disability compensation claims has been on GAO's High-Risk List since 2003.<sup>3</sup> VA has made some progress in addressing these high-risk issues. However, VA needs to take additional steps and demonstrate its long-term commitment to making needed changes to best serve veterans and their families. My statement today focuses on VA's progress updating the medical and earnings loss information in the rating schedule as well as remaining challenges.

This statement summarizes findings from selected reports on this high-risk area from 2012 to 2025, particularly our High-Risk List updates.<sup>4</sup> More information on the scope and methodology of our prior work can be found within the specific reports on which this statement is based. In addition, we reviewed information we received in August 2024 and January, February, and June 2025 from VA officials about steps they took to address the

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<sup>1</sup>See generally 38 U.S.C. Ch. 11.

<sup>2</sup>For example, see GAO, *Veterans Affairs: Addressing Longstanding Management Challenges Requires Sustained Leadership*, GAO-23-106636 (Washington, D.C.: Feb. 28, 2023) and VA *Disability Benefits: Agency Has Taken Steps, but Challenges Remain with Managing and Modernizing Its Program*, GAO-26-108789 (Washington, D.C.: Oct. 29, 2025).

<sup>3</sup>GAO's High-Risk List focuses attention on government operations that are vulnerable to fraud, waste, abuse, or mismanagement or are in need of transformation to address economy, efficiency, or effectiveness challenges. Our 2025 High-Risk update provides VA a road map for better managing its disability workloads and updating its rating schedule. See GAO, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, GAO-25-107743 (Washington, D.C.: Feb. 25, 2025).

<sup>4</sup>GAO-25-107743; GAO, *High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas*, GAO-23-106203 (Washington, D.C.: Apr. 20, 2023); GAO-23-106636; *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, GAO-21-119SP (Washington, D.C.: Mar. 2, 2021); and VA *Disability Compensation: Actions Needed to Address Hurdles Facing Program Modernization*, GAO-12-846 (Washington, D.C.: Sept. 10, 2012).

High Risk List removal criteria. 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.

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## Background

**VA disability compensation program and related services.** VA provides disability compensation based on the potential loss of civilian earnings veterans might experience because of their military service-connected disabilities. Veterans determined eligible for disability compensation are generally entitled to cash payments regardless of employment status or the amount of income earned. Under statute, compensation levels are generally based on the disability rating, which represents the average percentage loss in earning capacity associated with the severity of physical and mental conditions.<sup>5</sup> Thus, compensation is not based on the loss of individual earnings.

VA uses the rating schedule to assign veterans with service-connected conditions a disability rating from 0 to 100 percent.<sup>6</sup> The disability rating is then used to calculate a compensation level. VA organizes disabilities into 15 body systems, such as the musculoskeletal system (e.g., conditions affecting bones, joints, back pain) and mental disorders (e.g., post-traumatic stress disorder or PTSD, depression, anxiety disorders).

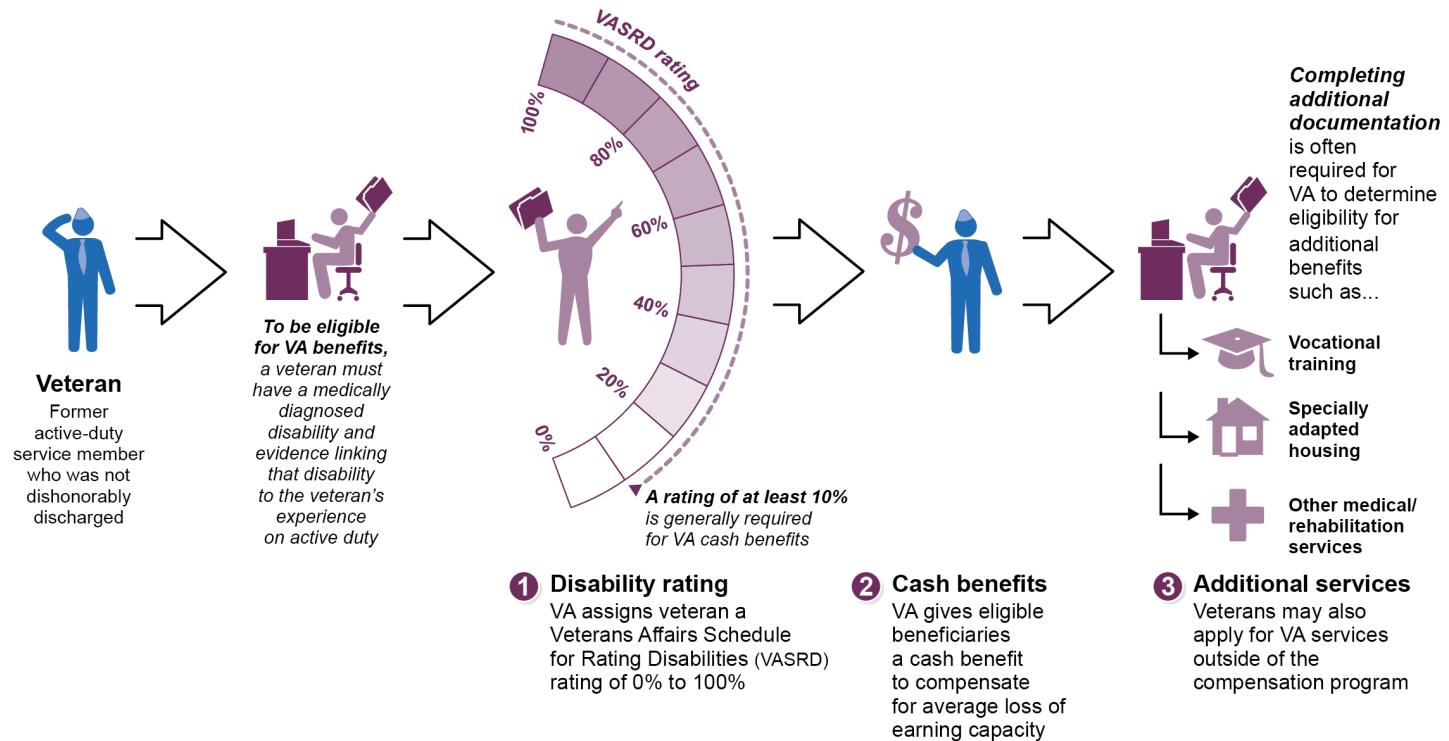
In many instances, a veteran first receives a disability rating from VA and then applies for other VA benefits and services. These benefits and services include health care, housing, vocational rehabilitation, and other employment-related services to eligible veterans. These services are provided through multiple administrations and programs within VA, such as the Veterans Health Administration (see fig. 1).

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<sup>5</sup>38 U.S.C. § 1155 provides that the “ratings shall be based, as far as practicable, upon the average impairments of earning capacity resulting from such injuries in civil occupations.”

<sup>6</sup>VA establishes numeric codes for each condition it has identified as being service-connected and catalogs these codes and conditions in the rating schedule.

Figure 1: Use of the Department of Veterans Affairs (VA) Schedule for Rating Disabilities (rating schedule) in the VA Disability Benefits Process



Source: Adapted from GAO-12-846. | GAO-26-108844

Accessible Data for Figure 1: Use of the Department of Veterans Affairs (VA) Schedule for Rating Disabilities (rating schedule) in the VA Disability Benefits Process

- Veteran:** Former active-duty service member who was not dishonorably discharged
- To be eligible for VA benefits**, a veteran must have a medically diagnosed disability and evidence linking that disability to the veteran's experience on active duty
- Disability rating:** VA assigns veteran a Veterans Affairs Schedule for Rating Disabilities (VASRD) rating of 0% to 100%  
A rating of at least 10% is generally required for VA cash benefits
- Cash benefits:** VA gives eligible beneficiaries a cash benefit to compensate for average loss of earning capacity
- Additional services:** Veterans may also apply for VA services outside of the compensation program  
**Completing additional documentation** is often required for VA to determine eligibility for additional benefits such as
  - Vocational training
  - Specially adapted housing
  - Other medical/rehabilitation services

Source: Adapted from GAO-12-846. | GAO-26-108844

**GAO's High-Risk List designation.** Our High-Risk List identifies government operations with serious vulnerabilities to fraud, waste, abuse, and mismanagement or in need of transformation. We determine

whether to remove agencies from the List based on whether agencies' actions are grounded in the five high-risk criteria:

- **Leadership Commitment.** Demonstrates strong commitment and top leadership support.
- **Capacity.** Agency has capacity (i.e., people, resources, and processes) to resolve the risk(s).
- **Action Plan.** A corrective action plan exists that defines the root cause and solutions and provides for substantially completing corrective measures, including steps necessary to implement solutions we recommended.
- **Monitoring.** A program has been instituted to monitor and independently validate the effectiveness and sustainability of corrective measures.
- **Demonstrated Progress.** Agency demonstrates progress in implementing corrective measures and resolving the high-risk area.

VA's disability compensation program has been on GAO's High-Risk List since 2003 for continuing challenges with managing its claims workloads and modernizing the rating schedule.<sup>7</sup>

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## VA Has Made Progress in Updating Parts of Its Rating Schedule but Faces Delays and Challenges in Key Areas

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### Progress on Updating the Rating Schedule

Since beginning its efforts in 2009, VA has made progress on its goal to comprehensively update the rating schedule. Specifically, the department has developed a process for updating medical information, updated this information for 11 of 15 body systems, and has been testing how to produce earnings loss data and update the rating schedule with this information. Moreover, it has made progress in addressing the criteria for removal from our High-Risk List.

However, while VA has made progress updating medical information, it has not finished updating all body systems and continues to rely on outdated earnings loss information. Specifically, according to VA, the rating schedule has been undergoing its first comprehensive update since 1945. Disability ratings in the rating schedule are primarily based on physicians' and lawyers' judgments made over 80 years ago about the effect service-connected conditions had on the average individual's ability to perform jobs requiring manual or physical labor. The current update is intended to reflect labor market changes, medical and technological advances, and their impacts on medical conditions that affect potential earnings on average, according to VA officials.

In our prior work, we have reported that past VA and external studies have evaluated the average loss of earnings for veterans with service-connected disabilities and found that not all veterans were equitably compensated.<sup>8</sup> For example, two studies, conducted by CNA and Economic Systems Inc., suggested that

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<sup>7</sup>GAO-25-107743.

<sup>8</sup>GAO-12-846. We made three recommendations, including that VA establish a formal policy, procedure, or mechanism to revise the rating schedule at regular intervals and develop an implementation strategy. As of 2014, VA had addressed the recommendations. However, VA did not implement its update to the rating schedule as outlined in its plans.

veterans with mental health impairments were being undercompensated.<sup>9</sup> In addition, these studies and others have reached different conclusions about whether the compensation provided to veterans with service-connected disabilities replaces average loss of earning capacity.<sup>10</sup> For example, a 2012 RAND Corporation study suggested that VA disability compensation for most veterans exceeded their average earnings loss. In contrast, a 2007 CNA Corporation study suggested that lost earnings were about equal to VA disability compensation, except for those with mental health conditions.

As we reported in September 2012, VA initiated an effort in 2009 to comprehensively revise all 15 body systems in its rating schedule.<sup>11</sup> For many years thereafter, VA did not demonstrate it had the capacity or robust plans to address the root causes of the challenges related to updating the rating schedule. For example, according to VA officials, VA published the final rule for the first body system revision of this comprehensive update in 2017—a year later than when VA had planned to complete all body systems.

Since 2019, we have provided guidance to VA on the use of effective planning processes to fulfill our five criteria for removal from the High-Risk List. In 2019, VA identified root causes of the challenges and in 2020 issued an action plan to address those root causes. For example, one root cause was that VA did not have data it needed from other organizations like the Social Security Administration (SSA) and Census Bureau. However, we determined in 2021 that the action plan did not provide enough detail on resources and time needed to complete key activities.<sup>12</sup> In 2024, VA continued to improve its action plan by including clearer metrics and descriptions of the department's efforts, such as establishing a program office dedicated to continually updating the rating schedule.

Since 2022, VA has monitored the effectiveness of corrective actions, as we reported in April 2023.<sup>13</sup> For example, VA has continued to use its project plan to monitor and evaluate variances between actual and expected time frames for updating medical information. VA has also continued to monitor efforts on whether earnings loss information can be used to update the rating schedule. Specifically, as we reported in February 2025, VA initiated a pilot, or “proof of concept,” in May 2023 to test how VA would use data from its own earnings loss studies.<sup>14</sup> VA implemented a process for tracking, evaluating, and reporting on progress toward determining if earnings loss data could be used to update the criteria.

These steps since 2019 have resulted in VA fully meeting three of five criteria needed for this area to be removed from GAO's High-Risk List (i.e., Leadership Commitment, Action Plan, and Monitoring) (see fig. 2).

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<sup>9</sup>CNA, *Compensation, Survey Results, and Selected Topics*, final report prepared for the Veterans' Disability Benefits Commission. August 2007; Economic Systems Inc., *A Study of Compensation Payments for Service-Connected Disabilities* (Falls Church, VA: September 2008).

<sup>10</sup>For example, see CNA, Final Report for the Veterans' Disability Benefits Commission; Richard Buddin and Bing Han, *Is Military Disability Compensation Adequate to Offset Civilian Earnings Losses from Service-Connected Disabilities?* (RAND Corporation, 2012); and Congressional Budget Office, *Income of Working-Age Veterans Receiving Disability Compensation* (December 2023).

<sup>11</sup>GAO-12-846. In 1989, VA took steps to conduct a comprehensive revision of the medical criteria, but it did not complete revisions for all body systems. Since then, VA has updated portions of its medical criteria.

<sup>12</sup>GAO-21-119SP.

<sup>13</sup>GAO-23-106203.

<sup>14</sup>GAO-25-107743.

**Figure 2: Department of Veterans Affairs (VA) Progress on Addressing Criteria for Removing VA Disability Benefit Eligibility Criteria Update from GAO's High-Risk List**

### Updating Disability Benefit Eligibility Criteria (VA)



Source: GAO. | GAO-26-108844

**Accessible Data for Figure 2: Department of Veterans Affairs (VA) Progress on Addressing Criteria for Removing VA Disability Benefit Eligibility Criteria Update from GAO's High-Risk List**

- Leadership commitment: Met
- Capacity: Partially met
- Action Plan: Met
- Monitoring: Met
- Demonstrated Progress: Partially met

Source: GAO. | GAO-26-108844

### Remaining Challenges in Updating the Rating Schedule

While VA has made progress in addressing this high-risk area, much work remains to be done. Specifically, VA has not fully defined the resources needed for, nor has VA demonstrated adequate progress in, updating its medical and earnings loss information.

To fully meet all five criteria for removal from this high-risk area, VA needs to continue building capacity and demonstrating progress. VA has continued to face delays in fully completing its comprehensive update of the rating schedule. VA extended the timeline to complete its first round of comprehensive updates to fiscal year 2026—10 years beyond VA's initial goal.

According to VA officials, four of the 15 body systems have yet to be updated: mental disorders, respiratory, auditory, and neurological conditions.<sup>15</sup> The mental disorders and neurological body systems contain conditions such as PTSD and traumatic brain injury (TBI), respectively, which are “signature wounds” of the

<sup>15</sup>In December 2025, VA officials told us that the department had approved plans to finalize the remaining three rating schedule rules for the four remaining body systems in fiscal year 2026. VA has proposed to address the respiratory and auditory body systems in a single rule. Within this proposed rule, VA also is proposing to designate a new body system as “Ear, Nose, Throat, and Audiology Disabilities,” among other changes. See 87 Fed. Reg. 8,474 (Feb. 15, 2022).

conflicts in Afghanistan and Iraq, according to the Department of Defense. Moreover, PTSD is among the most prevalent service-connected disabilities of all compensation recipients in fiscal year 2024.<sup>16</sup>

In addition, in June 2025, VA officials stated the criteria in the remaining body systems were still being updated, in part due to VA's lengthy internal and external review period. For example, internal reviews include those by VA's General Counsel, Office of Financial Management, Veterans Health Administration, and the Board of Veterans' Appeals. External reviews for proposed regulations involve public comment periods and Office of Management and Budget (OMB) review. VA proposed changes to the rating schedule dealing with mental disorders in February 2022 and neurological conditions in November 2024. As of December 2025, these changes have not been finalized. To help address unnecessary delays in the review period, VA officials told us they have a well-established review process and continue working to engage the right stakeholders and streamline the concurrence process. We continue to monitor VA's efforts to update the rating schedule for these four remaining body systems.

VA also lacks a proven process or the capacity to produce earnings loss information that could be used to update the rating schedule. VA has conducted several studies over the decades, but it has never adjusted the rating schedule based on the findings from those studies.<sup>17</sup> VA has recently embarked on a new effort to test how well it produces earnings loss information. According to VA, it continues to pursue data from other organizations like SSA that it needs to fully study earnings loss and to secure agreements for sharing personal health information. As of January 2026, VA has not updated the rating schedule with information from its latest effort. VA may still determine that its "proof of concept" failed, leaving questions about how VA will move forward. Moreover, once the earnings loss studies are completed, VA officials said they plan to engage a diverse group of stakeholders in the process of updating the rating schedule. Various experts and veteran groups have raised concerns about the changes being considered.<sup>18</sup>

It will also remain important for VA to continue its efforts to maintain and refine plans to regularly update its rating schedule. VA officials have said they plan to adjust the rating schedule every 10 years. In July 2024, they provided us with high-level, draft plans for this second iteration.

In summary, given the size of and investment in the disability compensation program, VA must be well positioned to accurately compensate veterans. VA is demonstrating its commitment to modernizing the rating schedule. However, VA continues to be at risk of not meeting its update goals. As of December 2025, the medical updates remain incomplete, and VA has yet to incorporate any updated earnings loss information. Without a rating schedule that fully reflects present-day changes in medicine and the labor market conditions, VA may overcompensate some veterans while undercompensating others.

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<sup>16</sup>A congressionally chartered commission studied the appropriateness of VA disability benefits, including the rating schedule, recommending that VA begin its update of the rating schedule with PTSD and TBI and then proceed to other revisions. See Veterans' Disability Benefits Commission, Honoring the Call to Duty: Veterans' Disability Benefits in the 21st Century (October 2007).

<sup>17</sup>For example, earnings loss studies include VA's Economic Validation of the Rating Schedule (ECVARS), published in the late 1960s; CNA's Final Report for the Veterans' Disability Benefits Commission: Compensation, Survey Results, and Selected Topics, published in 2007; and Economic Systems Inc.'s A Study of Compensation Payments for Service-Connected Disabilities, published in 2008.

<sup>18</sup>Under federal law, adjustments to the rating schedule generally cannot result in a reduction of a veteran's disability rating. 38 U.S.C. § 1155. Thus, if a recommended update would result in a decrease in rating levels and senior VA officials approve the change, veterans already in the system would not see a decrease in their compensation. Increases, if warranted, are allowable.

Chairman Luttrell, Ranking Member McGarvey, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have.

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## GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact Elizabeth H. Curda at [curdae@gao.gov](mailto:curdae@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are James Whitcomb (Assistant Director), Jessica L. Yutzy (Analyst in Charge) and Zoe Ziliak Michel. Also contributing to this testimony were Charlotte Cable, David Forgosh, Alex Galuten, Mark Glickman, Shirley Hwang, Jeff Miller, and Joy Solmonson.

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