

Additional Oversight and Information Could Improve
Quality of Contracted Exams for Veterans

GAO-25-107483

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A report to the Chairman, Committee on Veterans' Affairs, House of Representatives.

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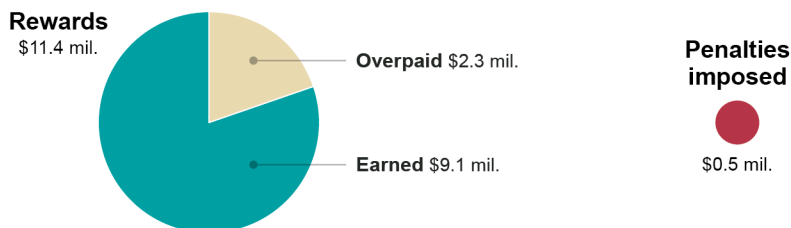
What GAO Found

The Department of Veterans Affairs (VA) relies on contracted examiners to provide most medical exams for veterans filing disability claims. VA's Medical Disability Examination Office (MDEO) oversees contracted exams. MDEO uses exam error data to identify quality concerns but miscalculated certain payments intended to incentivize high-quality exams.

Error data. Each quarter, MDEO uses data on contracted exam errors to identify trends and improve exam quality. For instance, MDEO provides contractors with information on the exam types more likely to lead to errors, which contractors use to develop an action plan to prevent these exam errors.

Financial incentives. MDEO also uses its exam error data to calculate financial incentives (rewards and penalties) based on contractor performance. However, it does not have written procedures for verifying the accuracy of these calculations. As a result, MDEO incorrectly paid over \$2 million in incentives in the first quarter of fiscal year 2024 (see figure). Until MDEO develops and uses procedures to validate these calculations, it risks wasting funds on incorrect payments.

Incentives Paid for Contracted Disability Exams, Fiscal Year 2024, Quarter 1



Source: GAO analysis of Medical Disability Examination Office data. | GAO-25-107483

MDEO uses other key information, such as Special Focused Review findings and stakeholder feedback, to improve exam quality—but its efforts are incomplete.

Special Focused Reviews. MDEO uses Special Focused Reviews to address exam quality issues. However, MDEO has not met its schedule for reviewing exams for complex claims (i.e., traumatic brain injury, military sexual trauma, and Gulf War Illness), which are more likely to result in errors. Reviews for each complex claim type are either overdue—by 9 months as of July 2025—or not yet scheduled, contrary to MDEO procedures that reviews happen every other year. This schedule helps MDEO monitor changes in exam quality and assess the effect of prior recommendations. Completing the reviews as scheduled would improve MDEO's ability to oversee the quality of these higher-risk exams.

Stakeholder feedback. MDEO collects feedback on exam quality directly from stakeholders, such as veterans and contractor officials, but not from examiners. MDEO relies on contractors to relay examiner feedback, but contractors said they rarely elevate this feedback to MDEO. Further, examiners said there are issues that they would prefer to raise directly to MDEO because of conflicting or unhelpful responses from the contractors. Collecting feedback directly from examiners could improve MDEO's awareness of potential quality challenges and help improve decisions on disability claims.

Why GAO Did This Study

Disability exams are a critical source of evidence for determining veterans' eligibility for compensation for service-connected disabilities. In fiscal year 2024, contractors conducted over 3 million disability exams at a cost of over \$5 billion, according to MDEO officials.

GAO was asked to review MDEO's oversight of contracted exams. This report examines the extent to which MDEO uses exam data and other key information to improve exam quality.

GAO reviewed MDEO documents, such as policies and reports, and the most recent MDEO data on financial incentive calculations (April 2023 through September 2024). GAO compared MDEO's efforts to MDEO procedures, GAO practices for evidence-based decision making, and federal standards for internal control. Additionally, GAO held two discussion groups with claims processors selected for variation in location and duties and grouped by years of experience. GAO also interviewed MDEO officials and six examiners selected for variation in the contractors they worked for, medical specialty, and years of experience.

What GAO Recommends

GAO is making four recommendations, including that MDEO develop and use written procedures for validating financial incentive calculations, complete Special Focused Reviews for complex claims biennially, and identify and use a mechanism to collect and address direct feedback on exam quality from examiners.

VA concurred with three recommendations and concurred in principle with the recommendation on completing Special Focused Reviews. GAO continues to believe this recommendation is warranted, as discussed in the report.