United States Government Accountability Office

Testimony

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

For Release on Delivery
Expected at 12:00 p.m. ET
Thursday, November 20, 2025

# VA DISABILITY BENEFITS

# Implementing GAO's Recommendations Would Help Improve Quality of Contracted Exams for Veterans

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GAO-26-108783

GAO Highlights

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## What GAO Found

VA's Veterans Benefits Administration (VBA) may require veterans filing disability claims to undergo medical exams to help determine eligibility. VBA relies on contractors to provide medical professionals, called examiners, to conduct most of these exams. Conducting quality exams is important because errors can result in costly rework and delays in processing claims.

VBA's Medical Disability Examination Office (MDEO), which oversees these contractors, has refined its oversight since its establishment in 2016. GAO's 2024 and 2025 reports described MDEO's oversight, including quality control techniques for preventing errors from occurring during exams, detecting any exam errors that did occur, and correcting errors and providing accountability.

GAO's prior work also identified opportunities to strengthen MDEO's oversight of contracted exam quality. Specifically, GAO found (1) breakdowns in procedures for correcting the most frequent or complex problems with contracted exams, (2) incorrect financial incentive payments to contractors, and (3) a gap in feedback from examiners—a key stakeholder group. GAO made five recommendations across the following four areas. All five remain open as of November 2025. VA has partially addressed one and described plans to address the others.

**Contractor quality action plans** analyze the cause of the most frequent exam errors and specify contractors' corrective actions. GAO found that MDEO's procedures for reviewing these action plans lacked certain steps, including verifying that contractors completed the corrective actions and assessing whether these actions improved exam quality. GAO recommended that MDEO improve its procedures by including these steps. MDEO has partially addressed this recommendation.

**Special Focused Reviews** seek to identify and address exam quality issues in specific areas. GAO found that MDEO was behind schedule on reviews for the most complex issues, such as military sexual trauma. GAO recommended that MDEO adhere to the biennial schedule outlined in its procedures.

**Financial incentives** are based on contractor performance, including exam quality. GAO found that MDEO had no written procedures for checking the accuracy of its calculations for these incentives, resulting in almost $2.3 million in overpayments to contractors in fiscal year 2024. GAO recommended that MDEO develop and use such procedures. GAO also recommended that MDEO recalculate all financial incentives and correct any errors.

**Examiner feedback** provides a key perspective on issues affecting exam quality. GAO found that MDEO relied on contractors to relay examiner feedback. However, five of six examiners GAO interviewed said contractors did not always address their concerns, making it harder to provide high-quality exams. They said they would like to provide feedback directly to MDEO. GAO recommended that MDEO collect and address direct feedback from examiners.

Fully implementing GAO's five recommendations would help MDEO improve exam quality so veterans receive more accurate and timely benefits decisions.

## Why GAO Did This Study

Contracted disability examinations provide critical information for determining veterans' eligibility for benefits. In fiscal year 2024, contracted examiners conducted over 3 million disability exams, costing over $5 billion.

This statement summarizes 1) MDEO's processes for overseeing exam quality and 2) GAO recommendations for improving these processes.

This statement is based on two GAO reports: GAO-24-107730 and GAO-25-107483. For those reports, GAO analyzed MDEO financial incentive data from April 2023 through September 2024. Also, GAO reviewed MDEO documents and interviewed MDEO officials, contractors, and six examiners selected from a randomized list of all examiners for variation in characteristics such as specialty and experience. Finally, GAO interviewed MDEO officials on steps taken to address GAO's recommendations.

## What GAO Recommends

In September 2024 and August 2025, GAO made five recommendations to improve MDEO oversight. VA agreed or agreed in principle with all five and has taken steps toward implementing them. GAO continues to monitor VA's implementation of these recommendations, which can help MDEO ensure veterans receive high-quality disability exams.

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

I am pleased to be here today to discuss our work on the Department of Veterans Affairs (VA) oversight of the quality of contracted disability exams.

VA's Veterans Benefits Administration (VBA) may require medical exams for veterans filing disability claims to help determine their eligibility. VBA relies on contractors to provide the medical professionals, called examiners, to conduct most disability exams. In fiscal year 2024, examiners conducted over 3 million disability exams—representing 93 percent of all disability exams—at a cost of over $5 billion, according to VBA officials. Exam quality is important because exam errors can result in costly rework and processing delays.

In 2016, VBA established the Medical Disability Examination Office (MDEO) to manage and oversee the contractors who provide the examiners. Since then, MDEO has refined its oversight of contracted exams. However, as we found in our September 2024 testimony and our August 2025 report, opportunities remain for MDEO to enhance its oversight and help ensure veterans receive high-quality disability exams.[1]

My statement today—based primarily on these two reports—summarizes 1) MDEO's processes for overseeing exam quality and 2) the recommendations we made to improve these processes.

For both reports, we reviewed MDEO policies, procedures, and contract documentation and interviewed officials from MDEO and contractors. For our September 2024 testimony we compared MDEO's quality control techniques to MDEO's goals and federal standards for internal control.[2] For our August 2025 report, we reviewed the most recent MDEO data on financial incentive calculations (April 2023 through September 2024) and compared MDEO's efforts to MDEO procedures, GAO practices for evidence-based decision making, and federal standards for internal

[1]See GAO, *VA Disability Exams: Improvements Needed to Strengthen Oversight of Contractors' Corrective Actions*, GAO-24-107730 (Washington, D.C.: Sept. 18, 2024); and *VA Disability Benefits: Additional Oversight and Information Could Improve Quality of Contracted Exams for Veterans*, GAO-25-107483 (Washington, D.C.: Aug. 18, 2025).

[2]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: Sept. 2014), principles 10 and 17.

control.[3] Using a randomized list of all examiners, we selected six for variation in characteristics such as geography, the contractors they worked for, specialty, and years of experience. We then interviewed the selected examiners.

The work on which this statement is based was performed 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

VBA pays disability compensation to veterans with service-connected disabilities based on the severity of the disability. When a veteran submits a claim to VBA, claims processors help the veteran gather information to support the claim, which may include a VA disability exam. During a disability exam, the examiner documents the veteran's condition by filling out a Disability Benefits Questionnaire (DBQ) for each disability under evaluation. According to VBA guidance, DBQs are designed to collect the medical evidence that claims processors need to adjudicate a claim and rate the severity of a specific disability.

## MDEO Has an Oversight Process to Prevent, Detect, and Correct Exam Errors

MDEO's oversight of contractors has evolved over the years. For example, MDEO implemented 14 recommendations made by GAO and the VA Office of the Inspector General from 2018 through May 2024. The recommendations included changes to the oversight of contracted exams such as monitoring contractor performance, correcting errors, and training examiners.

In our previous work, we grouped MDEO's quality control techniques into three categories:

- **Prevention.** Techniques for preventing errors or low-quality work from occurring during exams, such as providing training for examiners.
- **Detection.** Techniques for identifying any exam errors that did occur, such as reviewing completed exam paperwork for errors.

[3]GAO, *Evidence-based Policymaking: Practices to Help Manage and Asses the Results of Federal Efforts*, GAO-23-105460 (Washington, D.C.: July 2023); and GAO-14-704G, principles 10 and 13.

- **Correction.** Techniques for correcting exam errors and providing accountability, such as financial rewards and penalties based on contractor performance.

## MDEO Has Not Taken Recommended Actions to Correct Identified Errors, Prevent Overpayments, and Obtain Examiner Feedback

In our September 2024 and August 2025 reports, we made five recommendations to strengthen MDEO's oversight of contracted exam quality. These recommendations focused on three areas: (1) breakdowns in procedures for identifying and correcting the most frequent or complex problems with contracted exams, (2) incorrect financial incentive payments to contractors, and (3) a gap in feedback from examiners—a key stakeholder group. VA agreed or agreed in principle with each recommendation and, in September 2025, MDEO officials provided us with updates on their efforts to address them.

### MDEO's Efforts to Address the Most Frequent Exam Errors Have Gaps

Two of our five recommendations focus on MDEO's efforts to correct the most frequent exam errors and address the most complex problems.

**Contractor quality action plans.** To help contractors improve exam quality, MDEO gives them a quarterly report listing the types of DBQs with the most common exam errors. Contractors submit quarterly quality action plans analyzing the causes of the errors and describing their corrective actions.

MDEO had developed procedures for reviewing contractor quality action plans in response to our preliminary findings. However, in September 2024, we found that the procedures did not provide clear and complete steps to guide this process. We recommended that VA improve the clarity and completeness of these procedures. This included adding steps for MDEO to routinely (a) verify that contractors complete the corrective actions in their plans and (b) determine the extent to which these actions improve exam quality. VA agreed in principle with the recommendation.

In December 2024, MDEO updated its procedures, adding provisions for MDEO to confirm that corrective actions are completed and evaluate action plan effectiveness. However, the update did not include details on how to identify and evaluate the effect of the actions on exam quality. As of November 2025, VA has partially addressed the recommendation.

Fully implementing this recommendation can help MDEO ensure that these action plans have their intended effect of improving exam quality.

**Special Focused Reviews.** MDEO conducts Special Focused Reviews (SFRs) to identify and address exam quality trends.[4] Some SFRs focus on exams for complex claims, including traumatic brain injury, mental health issues based on military sexual trauma, and Gulf War Illness. Because exams for complex claims are more challenging for examiners to perform, MDEO uses SFRs to analyze the quality of DBQs completed by examiners and recommend improvements to the exam process. In August 2025, we reported that MDEO procedures called for complex claim SFRs to be completed biennially so that each round of reviews can monitor changes in exam quality and assess the effects of corrective actions from the prior round of reviews.

However, we found that MDEO had completed the first round of SFRs but had fallen over one year behind schedule on the second round. We recommended that MDEO conduct complex claim SFRs biennially, in line with its procedures. VA concurred in principle.

In September 2025, MDEO officials told us they planned to revise the time frame in the procedures from a biennial to a triennial schedule due to resource constraints. The officials said the staff who conduct complex claim SFRs had been reduced by half. Given this reduction, a 3-year cycle may help MDEO conduct SFRs consistently, which is preferable to erratic reviews or halting them altogether. This recommendation remains open as of November 2025.

## MDEO Overpaid Performance-Based Financial Incentives to Contractors in Fiscal Year 2024

Our 2025 report included two recommendations related to MDEO's management of financial incentives for contractors. Each quarter, MDEO assigns financial incentives (rewards and penalties) to contractors based

[4]MDEO officials identified three types of SFRs related to exam quality: (1) provider SFRs that review the work of a specific examiner, (2) quality SFRs that review topics related to exam quality, and (3) complex claim SFRs.

on their performance, including exam quality.[5] Our report described MDEO's manual process for entering performance data and calculating these incentives. According to MDEO, an official conducted a quality check of these calculations. However, we found that MDEO had no procedures to guide this check or ensure consistent reviews.

We used MDEO's performance data and parameters to calculate the financial incentives from the third quarter of fiscal year 2023 through the fourth quarter of fiscal year 2024.[6] We identified five instances where MDEO's process identified and corrected calculation errors, preventing over $6 million in incorrect payments.

However, we found two errors that MDEO did not detect, resulting in almost $2.3 million in overpayments in the first quarter of fiscal year 2024. We recommended that MDEO 1) develop and use written procedures for validating the accuracy of its financial incentive calculations and 2) recalculate all financial incentives since they began in fiscal year 2022 and correct any inaccuracies. VA concurred with both recommendations.

In September 2025, MDEO officials told us they had drafted and piloted new procedures for the financial incentive calculation process. They said they had recalculated all financial incentives and were performing a quality check. Additionally, they had previously told us they were developing a process for validating their timeliness performance data because the contract for the prior validation was canceled.[7] Both recommendations remain open as of November 2025.

As we monitor implementation of these recommendations, we will verify whether the planned validation procedures are in place. Fully

[5]MDEO's financial incentives are based on five performance measures related to exam quality, customer satisfaction, and exam timeliness. For customer satisfaction, MDEO uses the percent of surveyed veterans who were satisfied overall with their examination. However, according to MDEO officials, the contract for administering the survey was canceled in February 2025, halting survey administration. Officials said they were working with other VA offices to administer the survey in the future. Until the survey resumes, MDEO is excluding the customer satisfaction measure from its financial incentive calculations.

[6]We chose these time frames because MDEO began using an updated methodology to calculate incentives in the third quarter of fiscal year 2023. We ended with the fourth quarter of fiscal year 2024 because it was the most recent data available at the time of our review.

[7]In February 2025, VA canceled MDEO's contract for validating the data for the three timeliness measures, according to MDEO officials.

implementing our recommendations can help MDEO prevent future incorrect payments and ensure effective incentives that facilitate high-quality exams.

## VBA Is Missing Examiner Feedback that Could Improve Exam Oversight and Quality

Our fifth recommendation pertains to collecting and using examiner feedback. In August 2025, we reported that MDEO collected feedback on the quality of contracted exams directly from several key stakeholders, but not examiners. For instance, MDEO surveyed veterans and, according to contractor representatives, held regular discussions with contractors to obtain feedback. However, MDEO did not collect examiner feedback on exam quality directly and instead relied on the contractors to collect this feedback and relay it to MDEO.

As we also reported in August 2025, contractor representatives said they are generally able to address examiner feedback and that they rarely elevate it to MDEO. However, five of the six selected examiners we interviewed said they would prefer to provide feedback directly to MDEO, rather than via contractors. These examiners described concerns, such as conflicting instructions and unhelpful responses from the contractors, that left their feedback unaddressed. All six examiners said unaddressed feedback can adversely affect exam quality.

To obtain this key perspective for identifying exam quality issues, we recommended that MDEO identify and use a mechanism to collect and address direct feedback from examiners. The agency concurred and stated that MDEO would develop a plan to add such a mechanism.

In September 2025, agency officials told us they intended to launch an online reporting platform with an option for anonymous feedback. They also described their plans for notifying examiners of this platform and tracking the feedback received. As of November 2025, this recommendation remains open. If fully implemented, the recommendation could help MDEO address challenges and improve the quality of contracted exams for veterans.

In summary, disability exams provide critical information for determining veterans' eligibility for benefits. Fully implementing our five recommendations would help MDEO improve exam quality, particularly by identifying and correcting the most frequent exam errors and tackling the most complex issues. Ultimately, improving the contracted exam process would help veterans receive benefits they are entitled to without delay.

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.

## 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. 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), MacKenzie Cooper (Analyst in Charge) and Brittni Milam. Also contributing to this testimony were Alex Galuten, Gina Hoover, Lisa Motley, Lorin Obler, Zachary Sivo, and Joy Solmonson. Other staff who made contributions to the reports cited in this testimony are identified in the source reports.

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