

Critical Issue 2

Completing the Transformation of VA's Benefits Claims-Processing System

Although there is measurable progress in reducing the backlog of veterans' claims, the Veterans Benefits Administration must increase its openness, transparency, cooperation, and collaboration with Congress and veterans service organizations to successfully complete this transformation.

Three years ago the Veterans Benefits Administration (VBA) committed to completely overhauling its claims-processing system to finally create a modern, paperless system that would eliminate the backlog of pending claims once and for all. Department of Veterans Affairs Secretary Eric Shinseki established an ambitious goal: by 2015 the VBA would process all claims within 125 days and would do so with 98 percent accuracy. To accomplish this, the VBA would develop entirely new information technology (IT) systems, organizational structures, and adjudication procedures, all the while continuing to process a million claims or more every year. Today there are measureable signs of progress resulting from the VBA's transformation efforts; however, there are also troubling questions about whether this progress can be sustained two, five or ten years from now.

The backlog of claims for veterans' benefits peaked at the beginning of 2013 with about 870,000 total pending, of which almost 70 percent (602,000) had been pending for more than 125 days, the VBA's official target for measuring the backlog. Since that time, the VBA has reduced that number to 752,000 as of the beginning of September, a decrease of 118,000. During the past eight months, the number of backlogged claims pending more than 125 days fell by 142,000 to 460,000, a 23.6 percent reduction; the backlog dropped almost 20 percent in only the past four months.

There is also progress on the average days pending for rating claims, which went from 274.6 days in January to 226.3 in August. This decrease can probably be attributed to the VBA provisional claims initiative designed to rapidly complete all claims pending more than two years, even if provisional ratings had to be awarded. Having finished processing virtually all two-year old claims, the VBA is now focusing on reducing and eliminating one-year old claims, which will further lower the average days pending. However, as Under Secretary Alison Hickey stated at the outset of the provisional claims initiative, while the average days pending would fall, the average days to complete claims would rise commensurately due to the fact that a greater percentage of older claims were recently completed. True to Hickey's prediction, the average processing time rose from 272.5 days in January to 341.2 days in August.

Perhaps more encouraging, the VBA official claims accuracy rate has increased every month over the past seven months, steadily rising from 86.3 percent to 88.3 percent based on the VBA's Systematic Technical Accuracy Assessment measurement. This quality increase is even more dramatic looking at the three-month rolling average, which rose from 85.7 percent at the beginning of the year to 90.8 percent in August. Part of this improvement may be attributable to VBA's creation and deployment of Quality Review Teams, whose only function is to monitor

quality and provide training in every VA regional office (VARO). In addition, part of the progress may be due to the influx of new, better-trained employees over the past few years. The use of automated rating tools may also be helping to eliminate administrative and technical errors. Perhaps one of the most important measures won't be known for several years, when claims denied at the VARO level are considered by the Board of Veterans' Appeals.

Overall, *The Independent Budget* veterans service organizations believe significant progress has been made; however, based only on the currently available data and information from the VBA, it is not certain whether this level of progress will be sufficient to meet the Secretary's ambitious 2015 goals. Despite repeated requests from Congress and veterans service organization stakeholders, the VBA has yet to produce detailed plans, interim goals and other milestones with which to assess the progress and ultimate success of its transformation initiatives. Without such information, we find it difficult to determine whether the documented progress is short-term progress that will stall, or whether it can be sustained and accelerated to finally eliminate the backlog.

The IBVSOs are growing more concerned about a recent trend toward less openness and transparency from the VBA over the past year that could hinder its ability to successfully complete the transformation, particularly with regard to the new Transformational Organizational Model and the Veterans Benefits Management System (VBMS), both recently deployed to all VAROs. It is essential that the VBA work in an open, transparent and collaborative manner with both Congress and veterans service organization stakeholders in order to continue receiving the support and assistance needed to complete this transformation. Just as important, without proper and transparent data and metrics, neither Congress nor veterans organization stakeholders will gain the information necessary to provide constructive feedback that could help improve the VBA claims-processing system.

Although the VBA has increased its productivity in 2013—the number of claims completed each month rose 22 percent from an average of about 89,000 during the first four months of the year to more than 108,000 over the past three months—the cause is unclear. Earlier this year, the VBA finished the roll out of both VBMS and the new Transformation Organizational Model, but it is probably still too soon to attribute much of the productivity gains at this early stage of implementation. In addition, there is always a learning curve for both employees and management with new systems before they reach their full potential. The more likely explanation for the boost in productivity is probably a combination of the increased focus on fully developed claims (FDCs), a national policy of mandatory overtime for claims processors and the seasoning of VBA's new employees hired over the past few years.

Some observers have expressed concerns that the VBA might be distorting its resource allocations in order to achieve short-term reductions in the pending backlog in response to the intense media and Congressional attention focused on this longstanding problem. Because the new processing system divides claims between three "lanes"—express, core, and special ops, depending on the complexity of the claims—careful monitoring of resource allocation is required to ensure that veterans' claims move equitably through each of the lanes. For example, if VAROs were to overstaff their express lanes, they could complete a larger number of these simpler claims and thus reduce the backlog, at least momentarily. Unfortunately, there would

also be a disproportionately large number of complex and time-consuming claims awaiting decisions, eventually clogging the system, particularly as the average number of issues per claim continues to reach unprecedented levels.

The IBVSOs continue to actively support the FDC program and the VBA goal of channeling an increasing share of all claims through the FDC program. This will not only lower the burden on VBA employees, it will also result in faster and more accurate claims decisions for veterans. However, when veterans submit additional evidence after an FDC is formally filed, by rule that claim is removed from the FDC program and put back into the regular claims track, even when the supplemental evidence submitted required no additional development actions by the VBA. We believe that in those instances the VBA should allow the claim to remain in the FDC program, benefiting both the veteran and the VBA. To help incentivize veterans to gather the private medical evidence needed to properly complete an FDC claim, the IBVSOs continue to call for Congress to approve legislation to require that the VBA provide due deference to private medical evidence as embodied by VBA's Acceptable Clinical Evidence initiative. Furthermore, the VBA should allow private treating physicians to complete and submit disability benefit questionnaires (DBQs) for medical opinions (i.e., "nexus") and for diagnosing post-traumatic stress disorder. Currently those DBQs are only made available internally for VA examining doctors and VA contract examiners.

Probably the most important elements of the VBA transformation are its IT components, particularly the Veterans Lifetime Electronic Record and the VBMS. VA and the DOD must finally come to an agreement, develop an implementation plan and execute it to create a single interoperable medical record. The impasse between the DOD and VA has already cost the country more than \$1 billion over five years and less palatable alternatives to a single integrated electronic health record do not satisfy Congress's 2008 directive to VA. The seamless integration of VA and DOD medical information is one of the keys to truly achieving automated, electronic processing.

While the VBA was able to complete implementation of VBMS ahead of schedule in June, a number of significant development challenges remain to be overcome before the system can operate at its full capacity. The coding and embedding of rating calculators inside VBMS remains a labor-intensive, time-consuming process, but it is an essential component of the future automated claims-processing system. The VBA must devote sufficient resources to completing this coding, but must thoroughly test new rating calculators and other tools for accuracy before embedding them into VBMS. In addition, service officers at some VAROs are not being provided the customary 48 hours to review claims decisions made in VBMS before they are made final. The VBA must ensure that neither the VBMS nor other new technologies override veterans' rights or the ability of veterans service organizations to fully represent veterans in this new electronic claims-processing environment.

The IBVSOs have related concerns about the content of rating decisions issued through the Simplified Notification Letter program. While we do not oppose the use of automated technology to generate rating decisions and notification letters, the VBA must include sufficient information that allows veterans and their representatives to fully understand the decisions, including all the evidence considered and all the reasons and bases used to reach them.

To sustain any progress made with the new IT systems and organizational models, the VBA must continue to make the changes to its work culture so that quality and accuracy are the cornerstones of all their activities. The VBA's creation of Quality Review Teams was a powerful statement of its commitment to quality; however, the VBA must ensure that VAROs do not use quality review specialists to increase productivity by assigning them to claims work, as was done in the past with decision review officers. The VBA must also continue to evaluate and improve its training, testing, and quality control programs. These elements are key to truly reforming the claims system over the long term.

Finally, in order to complete the transformation and end the backlog, the VBA must develop and instill a new work culture based on quality and accountability. At a time when so much national attention has been focused on reducing the number of claims pending in the backlog, the VBA must continue to place at least equal emphasis on quality and accuracy, rather than just speed and production. In order to hold the VBA accountable for developing a system that decides each claim right the first time, the VBA must develop new and realistic metrics and performance measures at every level in the process—from claims processors to regional office management to central office leadership. The VBA must develop a scientific methodology for measuring the resources (primarily personnel) required to accurately and timely process the current and future anticipated workload, as well as a new model for allocating those resources among VA regional offices.

Recommendations:

The VBA must increase its openness, transparency, cooperation, and collaboration with Congress and veterans service organization stakeholders as it implements its new transformation initiatives.

The VBA must provide comprehensive and detailed plans, including benchmarks, milestones, and interim goals for its claims transformation initiatives.

The VBA must ensure that VA regional offices equitably allocate their resources among the newly designed claims-processing lanes so that all claims are processed accurately and in a timely manner.

The VBA should revise its policies so that they do not exclude claims from the fully developed claims process when a veteran submits additional evidence, provided that evidence requires no further development actions.

Congress should pass legislation to require that private medical evidence be given due deference when it is competent, credible, probative, and otherwise adequate for rating purposes.

The VBA should allow private treating physicians to complete and submit disability benefit questionnaires for medical opinions and for diagnosing post-traumatic stress disorder.

VA and the DOD must agree upon, develop, and implement a single, interoperable electronic medical record that will facilitate automated processing of veterans' medical records for benefits applications.

The VBA must ensure that automated rating or decision notification tools accurately reflect current law and regulations and fully protect veterans' rights before being implemented.

The VBA must develop new metrics and assessment tools to measure performance at every level of the claims-processing system, based upon a scientific methodology of projecting workload, resource requirements, and allocations.