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VETERANS' DISABILITY BENEFITS

Processing of Claims Continues to Present Challenges

Statement of Daniel Bertoni, Acting Director
Education, Workforce, and Income Security Issues





Highlights of [GAO-07-562T](#), a testimony before the Subcommittee on Disability Assistance and Memorial Affairs, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

The Subcommittee on Disability Assistance and Memorial Affairs, House Veterans' Affairs Committee, asked GAO to discuss its recent work related to the Department of Veterans Affairs' (VA) disability claims and appeals processing.

GAO has reported and testified on this subject on numerous occasions. GAO's work has addressed VA's efforts to improve the timeliness of decisions on claims and appeals and VA's efforts to reduce backlogs.

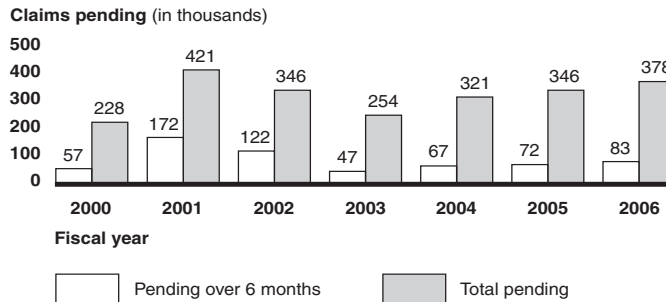
VETERANS' DISABILITY BENEFITS

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What GAO Found

VA continues to face challenges in improving service delivery to veterans, specifically speeding up the process of adjudication and appeal, and reducing the existing backlog of claims. For example, as of the end of fiscal year 2006, rating-related compensation claims were pending an average of 127 days, 16 days more than at the end of fiscal year 2003. During the same period, the inventory of rating-related claims grew by almost half, in part because of increased filing of claims, including those filed by veterans of the Iraq and Afghanistan conflicts. Meanwhile, appeals resolution remains a lengthy process, taking an average of 657 days in fiscal year 2006. However, several factors may limit VA's ability to make and sustain significant improvements in its claims-processing performance, including the potential impacts of laws and court decisions, continued increases in the number and complexity of claims being filed, and difficulties in obtaining the evidence needed to decide claims in a timely manner, such as military service records. VA is taking steps to address these problems. For example, the President's fiscal year 2008 budget requests an increase of over 450 full-time equivalent employees to process compensation claims. VA is also working to improve appeals timeliness by reducing appeals remanded for further work.

Rating-Related Claims Pending at End of Period, Fiscal Years 2000-2006



Source: VA data.

While VA is taking actions to address its claims-processing challenges, opportunities for significant performance improvement may lie in more fundamental reform of VA's disability compensation program. This could include reexamining program design such as updating the disability criteria to reflect the current state of science, medicine, technology, and labor market conditions. It could also include examining the structure and division of labor among field offices.

www.gao.gov/cgi-bin/getrpt?GAO-07-562T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Daniel Bertoni at (202) 512-7215 or bertonid@gao.gov.

Mr. Chairman and Members of the Subcommittee:

I am pleased to have the opportunity to comment on the claims-processing challenges and opportunities facing the Department of Veterans Affairs' (VA) disability compensation and pension programs. Through these programs, VA provided about \$34.5 billion in cash disability benefits to more than 3.5 million veterans and their survivors in fiscal year 2006. For years, the claims process has been the subject of concern and attention by VA, the Congress, and veterans service organizations, due in large part because of long waits for decisions and large claims backlogs. Veterans of the conflicts in Iraq and Afghanistan, and survivors of servicemembers who have died in those conflicts, are facing these same issues as they seek VA disability benefits. In January 2003, we designated modernizing VA and other federal disability programs as a high-risk area, because of these service delivery challenges, and because our work over the past decade has found that these programs are based on outmoded concepts from the past.

You asked us to discuss VA's disability claims process, in light of the ongoing conflicts in Iraq and Afghanistan. My statement draws on a number of prior GAO reports and testimonies, (see related GAO products), and information we have updated to reflect the current status of VA claims processing and initiatives.

In summary, VA continues to face challenges in improving service delivery to veterans. Between fiscal years 2003 and 2006, the inventory of rating-related claims grew by almost half to a total of about 378,000, in part because of increased filing of claims, including those filed by veterans of the Iraq and Afghanistan conflicts.¹ During the same period, the average number of days these claims were pending increased by 16 days, to an average of 127 days. Meanwhile, appeals resolution remains a lengthy process. In fiscal year 2006, it took an average of 657 days to resolve appeals. Several factors may be affecting VA's claims-processing performance. These include the potential impacts of laws and court decisions, continued increases in the number and complexity of claims being filed, and difficulties in obtaining the evidence needed to adjudicate claims in a timely manner, such as military service records. To help

¹ Rating-related claims are primarily original claims for disability compensation and pension benefits, and reopened claims. For example, veterans may file reopened claims if they believe their service-connected conditions have worsened.

improve claims-processing performance, VA has taken a number of steps, including requesting funding for additional staff and undertaking initiatives to reduce appeal remands. The President's fiscal year 2008 budget requests an increase of over 450 full-time equivalent employees to process compensation claims. Through training and information sharing, VA is also working to reduce appeals processing times by decreasing the number of cases sent back from the appeals level for further development.

Despite the steps VA is taking, opportunities for significant performance improvement may lie in more fundamental reform of VA's disability compensation program. This would include reexamining program design as well as the structure and division of labor among field offices. For example, we found that VA's and other federal disability programs have not been updated to reflect the current state of science, medicine, technology, and labor market conditions. For example, the criteria for disability decisions are based primarily on estimates made in 1945 about the effect of service-connected impairments on the average individual's ability to perform jobs requiring manual labor. In addition, VA and other organizations have identified potential changes to field operations that could enhance productivity in processing disability claims. While major reexamination may be daunting, there are mechanisms for undertaking such an effort. For example, the congressionally chartered commission on veterans' disability benefits has been studying a number of program design issues and will report to the Congress later this year.

Background

VA pays monthly disability compensation benefits to veterans with service-connected disabilities (injuries or diseases incurred or aggravated while on active military duty) according to the severity of the disability. VA also pays compensation to some spouses, children, and parents of deceased veterans and servicemembers. VA's pension program pays monthly benefits based on financial need to certain wartime veterans or their survivors.²

When a veteran submits a claim to any of the Veterans Benefits Administration's (VBA) 57 regional offices, a veterans service representative is responsible for obtaining the relevant evidence to evaluate the claim. Such evidence includes veterans' military service records, medical examinations, and treatment records from VA medical

² Veterans qualify for pensions if they have low income, served in a period of war, and are permanently and totally disabled for reasons not service-connected (or are age 65 or older).

facilities and private medical service providers. Once a claim has all the necessary evidence, a rating specialist evaluates the claim and determines whether the claimant is eligible for benefits. If the veteran is eligible for disability compensation, the rating specialist assigns a percentage rating based on degree of disability. A veteran who disagrees with the regional office's decision can appeal to VA's Board of Veterans' Appeals, and then to U.S. federal courts. If the Board finds that a case needs additional work, such as obtaining additional evidence or contains procedural errors, it is sent back to the Veterans Benefits Administration, which is responsible for initial decisions on disability claims.

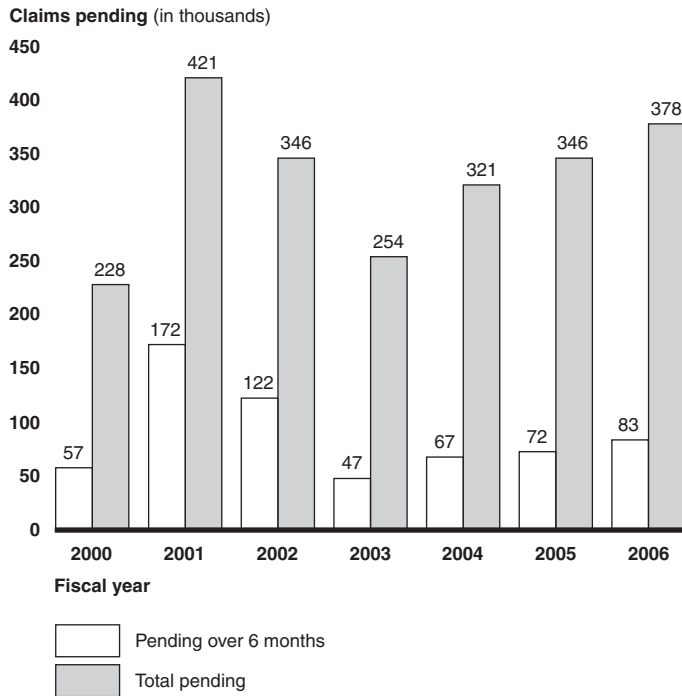
In November 2003, the Congress established the Veterans' Disability Benefits Commission to study the appropriateness of VA disability benefits, including disability criteria and benefit levels. The commission is scheduled to report the results of its study to the Congress in October 2007.

VA Continues to Face Challenges in Improving Its Claims Processing

Several factors are continuing to create challenges for VA's claims processing, despite its steps to improve performance. While VA made progress in fiscal years 2002 and 2003 reducing the size and age of its pending claims inventory, it has lost ground since then. This is due in part to increased filing of claims, including those filed by veterans of the Iraq and Afghanistan conflicts. Other factors include increases in claims complexity, the effects of recent laws and court decisions, and challenges in acquiring needed evidence in a timely manner. VA's steps to improve performance include requesting funding for additional staff and undertaking initiatives to reduce appeal remands.

VA's inventory of pending claims and their average time pending has increased significantly in the last 3 years, in part because of an increase in the number of claims. The number of pending claims increased by almost one-half from the end of fiscal year 2003 to the end of fiscal year 2006, from about 254,000 to about 378,000. During the same period, the number of claims pending longer than 6 months increased by more than three-fourths, from about 47,000 to about 83,000 (see fig. 1).

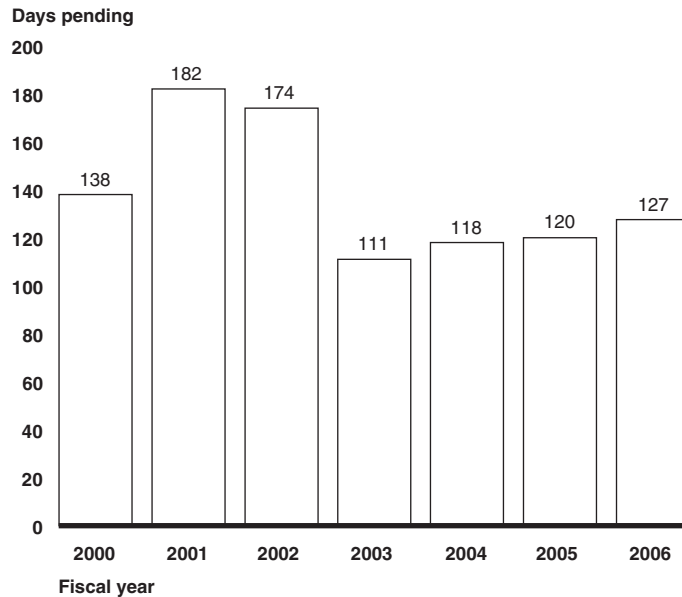
Figure 1: Rating-Related Claims Pending at End of Period, Fiscal Years 2000-2006



Source: VA data.

Similarly, as shown in figure 2, VA reduced the average age of its pending claims from 182 days at the end of fiscal year 2001 to 111 days at the end of fiscal year 2003. However, by the end of fiscal year 2006, average days pending had increased to 127 days. Meanwhile, the time required to resolve appeals remains too long. The average time to resolve an appeal rose from 529 days in fiscal year 2004 to 657 days in fiscal year 2006.

Figure 2: Average Days Pending for VA Compensation and Pension Rating-Related Claims, Fiscal Years 2000-2006



Source: VA data.

The increase in VA's inventory of pending claims, and their average time pending is due in part to an increase in claims receipts. Rating-related claims, including those filed by veterans of the Iraq and Afghanistan conflicts, increased steadily from about 579,000 in fiscal year 2000 to about 806,000 in fiscal year 2006, an increase of about 39 percent. While VA projects relatively flat claim receipts in fiscal years 2007 and 2008, it cautions that ongoing hostilities in Iraq and Afghanistan, and the Global War on Terrorism in general, may increase the workload beyond current levels. VA also attributes increased claims to its efforts to increase outreach to veterans and servicemembers. For example, VA reports that in fiscal year 2006, it provided benefits briefings to about 393,000 separating servicemembers, up from about 210,000 in fiscal year 2003, leading to the filing of more original compensation claims. VA has also noted that claims have increased in part because older veterans are filing disability claims for the first time.

Moreover, according to VA, the complexity of claims is also increasing. For example, some veterans are citing more disabilities in their claims than in the past. Because each disability needs to be evaluated separately, these claims can take longer to complete. Additionally, VA notes that it is receiving claims for new and complex disabilities related to combat and

deployments overseas, including those based on environmental and infectious disease risks and traumatic brain injuries. Further, VA is receiving increasing numbers of claims for compensation for post-traumatic stress disorder, which are generally harder to evaluate, in part because of the evidentiary requirements to substantiate the event causing the stress disorder.

Since 1999, several court decisions and laws related to VA's responsibilities to assist veterans in developing their benefit claims have significantly affected VA's ability to process claims in a timely manner. VA attributes some of the increase in the number of claims pending and the average days pending to a September 2003 court decision that required over 62,000 claims to be deferred, many for 90 days or longer. Also, VA notes that legislation and VA regulations have expanded benefit entitlement and added to the volume of claims. For example, in recent years, laws and regulations have created new presumptions of service-connected disabilities for many Vietnam veterans and former prisoners of war. Also, VA expects additional claims receipts based on the enactment of legislation allowing certain military retirees to receive both military retirement pay and VA disability compensation.

Additionally, claims-processing timeliness can be hampered if VA cannot obtain the evidence it needs in a timely manner. For example, to obtain information needed to fully develop some post-traumatic stress disorder claims, VBA must obtain records from the U.S. Army and Joint Services Records Research Center (JSRRC), whose average response time to VBA regional office requests is about 1 year. This can significantly increase the time it takes to decide a claim. In December 2006, we recommended that VBA assess whether it could systematically utilize an electronic library of historical military records rather than submitting all research requests to JSRRC. VBA agreed to determine the feasibility of regional offices using an alternative resource prior to sending some requests to JSRRC.

VA has recently taken several steps to improve claims-processing. In its fiscal year 2008 budget justification, VA identified an increase in claims-processing staff as essential to reducing the pending claims inventory and improving timeliness. According to VA, with a workforce that is sufficiently large and correctly balanced, it can successfully meet the veterans' needs while ensuring good stewardship of taxpayer funds. The fiscal year 2008 request would fund 8,320 full-time equivalent employees working on compensation and pension, which would represent an increase of about 6 percent over fiscal year 2006. In addition, the budget justification cites near-term initiatives to increase the number of claims

completed, such as using retired VA employees to provide training and the increased use of overtime.

Even as staffing levels increase, however, VA acknowledges that it still must take other actions to improve productivity.³ VA's budget justification provides information on actual and planned productivity, in terms of claims decided per full-time equivalent employee. While VA expects a temporary decline in productivity as new staff are trained and become more experienced, it expects productivity to increase in the longer term. Also, VA has identified additional initiatives to help improve productivity. For example, VA plans to pilot paperless Benefits Delivery at Discharge, where servicemembers' disability claim applications, service medical records, and other evidence would be captured electronically prior to discharge. VA expects that this new process will reduce the time needed to obtain the evidence needed to decide claims.

To resolve appeals faster, VA has been working to reduce the number of appeals sent back by the Board of Veterans' Appeals for further work such as obtaining additional evidence and correcting procedural errors. To do so, VA has established joint training and information sharing between field staff and the Board. VA reports that it has reduced the percentage of decisions remanded from about 57 percent in fiscal year 2004 to about 32 percent in fiscal year 2006, and expects its efforts to lead to further reductions. Also, VA reports that it has improved the productivity of the Board's judges from an average of 604 appeals decided in fiscal year 2003 to 698 in fiscal year 2006. The Board attributes this improvement to training and mentoring programs and expects productivity to improve to 752 decisions in fiscal year 2008.

Opportunities for Improvement May Lie in More Fundamental Reform

While VA is taking actions to address its claims-processing challenges, there are opportunities for more fundamental reform that could dramatically improve decision making and processing. These include reexamining program design, as well as the structure and division of labor among field offices.

After more than a decade of research, we have determined that federal disability programs are in urgent need of attention and transformation, and

³See GAO, *Veterans' Benefits: More Transparency Needed to Improve Oversight of VBA's Compensation and Pension Staffing Levels*, [GAO-05-47](#) (Washington, D.C.: Nov. 15, 2004).

we placed modernizing federal disability programs on our high-risk list in January 2003. Specifically, our research showed that the disability programs administered by VA and the Social Security Administration (SSA) lagged behind the scientific advances and economic and social changes that have redefined the relationship between impairments and work. For example, advances in medicine and technology have reduced the severity of some medical conditions and have allowed individuals to live with greater independence and function in work settings. Moreover, the nature of work has changed in recent decades as the national economy has moved away from manufacturing-based jobs to service- and knowledge-based employment. Yet VA's and SSA's disability programs remain mired in concepts from the past, particularly the concept that impairment equates to an inability to work. Because of this, and because of continuing program administration problems, such as lengthy claims-processing times, we found that these programs are poorly positioned to provide meaningful and timely support for Americans with disabilities.

In August 2002, we recommended that VA use its annual performance plan to delineate strategies for and progress in periodically updating labor market data used in its disability determination process. We also recommended that VA study and report to the Congress on the effects that a comprehensive consideration of medical treatment and assistive technologies would have on its disability programs' eligibility criteria and benefits package. This study would include estimates of the effects on the size, cost, and management of VA's disability programs and other relevant VA programs and would identify any legislative actions needed to initiate and fund such changes.

In addition to program design, VA's regional office claims processing structure may be disadvantageous to efficient operations. VBA and others who have studied claims processing have suggested that consolidating claims processing into fewer regional offices could help improve claims-processing efficiency and save overhead costs. We noted in December 2005 that VA had made piecemeal changes to its claims-processing field structure. VA consolidated decisionmaking on Benefits Delivery at Discharge claims, which are generally original claims for disability compensation, at the Salt Lake City and Winston-Salem regional offices. VA also consolidated in-service dependency and indemnity compensation claims at the Philadelphia regional office. These claims are filed by

survivors of servicemembers who die while in military service.⁴ VA consolidated these claims as part of its efforts to provide expedited service to these survivors, including servicemembers who died in Operations Iraqi Freedom and Enduring Freedom. However, VA has not changed its basic field structure for processing compensation and pension claims at 57 regional offices, which experience large performance variations. Unless more comprehensive and strategic changes are made to its field structure, VBA is likely to miss opportunities to substantially improve productivity, especially in the face of future workload increases. We have recommended that VA undertake a comprehensive review of its field structure for processing disability compensation and pension claims.

While reexamining claims-processing challenges may be daunting, there are mechanisms for undertaking such an effort, including the congressionally chartered commission currently studying veterans' disability benefits. In November 2003, the Congress established the Veterans' Disability Benefits Commission to study the appropriateness of VA disability benefits, including disability criteria and benefit levels. The commission is to examine and provide recommendations on (1) the appropriateness of the benefits, (2) the appropriateness of the benefit amounts, and (3) the appropriate standard or standards for determining whether a disability or death of a veteran should be compensated. The commission held its first public hearing in May 2005, and in October 2005, the commission established 31 research questions for study. These questions address such issues as how well disability benefits meet the congressional intent of replacing average impairment in earnings capacity, and how VA's claims-processing operation compares to other disability programs, including the location and number of processing centers. These issues and others have been raised by previous studies of VBA's disability claims process. The commission is scheduled to report to the Congress by October 1, 2007.

Mr. Chairman, this concludes my remarks. I would be happy to answer any questions that you or other members of the subcommittee may have.

⁴VBA also provides dependency and indemnity compensation to survivors of certain deceased disability compensation beneficiaries.

Contact and Acknowledgments

For further information, please contact Daniel Bertoni at (202) 512-7215. Also contributing to this statement were Shelia Drake, Martin Scire, Greg Whitney, and Charles Willson.

Related GAO Products

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