

GAO

Report to Congressional Requesters



LM139141

VETERANS' BENEFITS

HOW TO GET A VA BENEFIT  
FOR A SERVICE-RELATED DISABILITY

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**Human Resources Division**

B-229398

June 22, 1989

The Honorable Alan Cranston  
Chairman, Committee on Veterans' Affairs  
United States Senate

The Honorable Don Edwards  
Committee on Veterans' Affairs  
House of Representatives

This report discusses the Department of Veterans Affairs processing of claims for compensation and pension disability benefits. As requested in your joint letter of November 23, 1987, we conducted this review to determine whether and to what extent claims-processing practices were violating veterans' due process rights or resulting in their being treated unfairly. This is the last in a series of three reports related to your request.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to appropriate congressional committees, the Secretary of Veterans Affairs, and other interested parties. We will also make copies available to others on request.

This report was prepared under the direction of Franklin Frazier, Director of Income Security Issues (Disability and Welfare). Other major contributors are listed in appendix IV.

A handwritten signature in cursive script that reads 'Lawrence H. Thompson'.

Lawrence H. Thompson  
Assistant Comptroller General

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# Executive Summary

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## Purpose

Each year, the Department of Veterans Affairs (VA) pays more than \$14 billion for disability benefits and processes more than 600,000 initial and reopened applications for these benefits. In congressional hearings, several VA employees, veterans, and a national veterans' association charged that widespread problems in VA's claims-processing procedures were denying veterans due process. The essence of these charges was that VA's emphasis on productivity was causing agency staff to take processing shortcuts, such as closing claims prematurely, failing to send notices, and denying hearings. The Chairman, Senate Veterans' Affairs Committee, and the Ranking Member, House Veterans' Affairs Committee, requested that GAO identify the extent of such processing problems and their impact. To do this, GAO reviewed certain aspects of VA's processing of compensation and pension claims decided in fiscal year 1987.

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## Background

Compensation and pension are the two major benefit programs administered by VA. Compensation benefits are provided to veterans who suffer from disabling injuries or diseases incurred or aggravated while in the military. Pension benefits are provided to totally disabled veterans whose disabilities were not incurred in the military and who meet certain service and financial criteria.

The compensation and pension programs are administered through 58 regional offices. In each office, adjudicators and rating specialists decide eligibility and degree of disability. Veterans are notified of decisions by letter.

Claims processing is designed to operate with a high degree of concern for the veteran. For example, when processing claims, VA is required to (1) assist the veteran in gathering necessary evidence and (2) give the veteran the benefit of all reasonable doubt.

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## Results in Brief

GAO investigated numerous allegations about VA's claims-processing practices and found that the rate of occurrence for most of them was very low or did not appear to adversely affect benefit decisions. GAO did find, however, significant problems in these areas: notices to veterans concerning VA decisions on disability claims did not provide veterans meaningful information; development of claims was sometimes inadequate; and claims were not always controlled promptly.

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Overall, GAO concluded that these problems resulted in adverse effects on veterans in about 13 percent of both the compensation and pension claims — mostly because of delays in processing claims. With the exception of notice problems, it was difficult to identify any single cause of these problems. Rather, they seemed to result from limitations of quality control systems, poorly designed and maintained manuals, and reduced levels of supervision.

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## Principal Findings

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### VA Notices Not Informative

VA's primary means of communicating its decisions on claims to veterans is through written notices. GAO found several shortcomings in VA notices. Most often they were not clear because they did not provide the veteran with information necessary to make a knowledgeable decision on whether or not to appeal. Sometimes, GAO found no evidence that notices were sent. In some other instances, notices lacked information about how to file an appeal. Finally, a significant number of veterans were not informed that their claims were closed because the veterans failed to provide information requested by VA or did not appear for a medical examination (see pp. 13-17).

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### Evidence Development Is Sometimes Inadequate

Development, a critical phase of claim processing, consists of gathering evidence needed to determine whether a veteran is eligible for benefits and the amount of any such benefits. VA did not properly develop about 10 percent of the claims GAO reviewed. Most often, VA underdeveloped the veteran's claim by not obtaining all available evidence. In other cases, VA (1) overdeveloped the claim by obtaining unnecessary evidence, (2) was unreasonably slow to initiate development, or (3) closed claims before allowing the veteran sufficient time to provide requested evidence (see pp. 17-20).

In addition, VA frequently did not send courtesy copies of development letters to veterans' representatives. This may have hindered them in assisting veterans in obtaining disability benefits.

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### Problems With Controlling Claims

VA controls (logs in) every claim for VA benefits to assure that they are placed in the agency's computer and that processing is not delayed. VA took an average of 9 days to control compensation and pension claims

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— 2 days more than its goal. About 6 percent of the claims required over 30 days to control, delaying processing of the claims (see p. 20).

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## Factors Causing Processing Problems

Unclear notices are largely attributable to VA's rigid automated notification system; the system provides little flexibility to add information that could explain the reasons for VA decisions.

Various administrative control weaknesses contribute to the occurrence and persistence of other processing problems. VA's quality control system does not measure how well regional offices process compensation and pension claims; noncompliance with sampling requirements and lack of independent reviewers also cause results to be unreliable. The procedural manual is not indexed or organized in a way that aids staff in finding processing rules, and the manual is not always updated in a timely manner. Lastly, staff reductions appear to have reduced the level of supervision over claims processing, increasing the risk that errors will not be caught (see pp. 21-23).

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## Recommendations

To improve the processing of veterans' claims for compensation and pension benefits at VA, GAO is making several recommendations to the Secretary:

- Build flexibility into the computer system that generates notices so that notices will more completely explain the reasons for decisions and allow regional office staff to examine and improve the notification.
- Update, simplify, and index the operating manual to make it a more useful reference tool.
- Evaluate whether the extent of supervision is sufficient to provide acceptable levels of quality in claims processing (see p. 24).

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## Agency Comments

VA concurred with all of GAO's recommendations and described its planned actions to improve notices and the operating manual as well as evaluate its level of supervision. If fully implemented, VA's planned actions address the intent of GAO's recommendations (see pp. 24-25).



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**Abbreviations**

BVA	Board of Veterans Appeals
VA	Department of Veterans Affairs
GAO	General Accounting Office
RPD	record purpose disallowance
SQC	Statistical Quality Control
SSA	Social Security Administration
VSO	Veterans Service Organization



# Introduction

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Senator Alan Cranston, Chairman, Senate Committee on Veterans' Affairs, and Congressman Don Edwards, Ranking Majority Member, House Veterans' Affairs Committee, requested an examination of the process the Department of Veterans Affairs (VA) uses to adjudicate claims for disability benefits.<sup>1</sup> Their concerns centered on four basic issues raised by certain veterans, VA employees, and a national veterans' association:

- failure of the Department to comply with discovery obligations (pretrial disclosure of records) in litigation relating to the administration of the compensation program;<sup>2</sup>
- alleged harassment and intimidation of Department employees in connection with this litigation;
- alleged flaws in the Department's claims quality control process; and
- alleged flaws in the Department's claims adjudication process that could affect veterans' due process rights or their fair treatment.

The results of our investigation of the discovery obligations and harassment concerns were presented in a briefing of the requesters' staffs and a subsequent summary letter to the requesters, sent on September 15, 1988. On April 13, 1989, we issued our report on problems in VA's Statistical Quality Control (SQC) system.<sup>3</sup> This report discusses the last concern—flaws in VA's adjudication process.

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## Compensation Program: Benefits for Service-Connected Disabilities

VA provides benefits to veterans who suffer from disabling injuries or diseases incurred or aggravated while in military service. Benefits are paid based on the Schedule for Rating Disabilities. Severity of the disability is determined by using this schedule, which lists medical conditions and criteria for assigning a percentage rating. This rating is intended to represent an average earnings loss the veteran would experience in civilian occupations because of the disability.

All veterans awarded compensation are assigned a single or combined (in cases of multiple disabilities) rating that ranges from 0 to 100 percent, in increments of 10 percent. Monetary benefits are not payable for

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<sup>1</sup>Public Law 100-527 (Oct. 25, 1988) redesignated the Veterans Administration as the Department of Veterans Affairs.

<sup>2</sup>*National Association of Radiation Survivors v. Turnage*, 115 F.R.D 543 (N.D. Cal. 1987).

<sup>3</sup>*Veterans' Benefits: Improvements Needed to Measure the Extent of Errors in VA Claims Processing* (HRD-89-9, Apr. 13, 1989)

0-percent ratings. A 0-percent rating, however, recognizes a service-connected disability and entitles a veteran to free medical treatment at a VA medical facility for matters related to the disability. All other ratings are compensable on a monthly basis. For a single veteran, monthly benefits range from \$73 for a 10-percent disability to \$1,468 for a 100-percent disability. These amounts can be increased if a veteran has dependents.

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### Pension Program: Benefits for Needy Veterans With Wartime Service

In the pension program, benefits are awarded to veterans who are permanently and totally disabled, have served during a designated wartime period, and meet income and net worth criteria. It is a needs-based program for veterans whose disabilities are not related to military service.

VA's determinations of permanent and total disability for the pension program are governed by law and regulations. Veterans who are at least 65 years of age are automatically considered permanently and totally disabled. In contrast, a veteran under 55 years of age must be rated 100-percent disabled and unable to engage in substantial gainful employment because of the disability. Veterans who are aged 60 through 64 and rated at least 50-percent disabled are defined as permanently and totally disabled. Likewise, veterans who are aged 55 through 59 and rated at least 60-percent disabled are defined as permanently and totally disabled.

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### How VA Processes Disability Claims

VA's disability programs are administered by its Veterans Benefits Administration through 58 regional offices. VA receives more than 600,000 applications for disability benefits each year. In fiscal year 1987, VA paid over \$14 billion to about 4 million veterans and their survivors.

Veterans file disability claims with a VA regional office. Assistance is available from Veterans Service Organizations (VSOs) such as the American Legion, Veterans of Foreign Wars, and other similar groups.

On receipt by VA, claims are stamped with a date and given to clerks who establish control over them in VA's automated computer system, Target, which serves a variety of operational and management needs beyond claims control. Through Target, VA can track claims processing by measuring timeliness of action; VA can also send (1) letters to develop (gather) evidence pertinent to the claims and (2) standard notices to veterans advising them of its decision on their claims.

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After necessary evidence is developed, VA rates the claim. Rating a compensation claim entails reviewing the evidence on hand to determine (1) whether an impairment is service connected and (2) the degree of disability caused by the impairment. The process is similar for pension claims except that service connection is not an issue.

A veteran has the right to appeal any VA decision. The appeal process has two stages (notice of disagreement and formal appeal) and works as follows. In the first stage, a veteran must file a notice of disagreement within 1 year of the date of VA's decision notice. If the disagreement is not resolved either by granting the benefit sought or through withdrawal of the notice of disagreement, VA must prepare a statement of the case and send it to the veteran. This statement (1) summarizes the evidence pertinent to the issue in the case; (2) cites or discusses pertinent laws, regulations, and provisions of the Schedule for Rating Disabilities; and (3) explains VA's decision and rationale.

In the second stage, a veteran has 60 days after the statement of the case is mailed or 1 year from the date of the original notification, whichever is longer, to file a formal appeal. A veteran may choose to have a hearing at a regional office or before the Board of Veterans Appeals (BVA) in Washington, D.C. Until recently, BVA was the veteran's last recourse for a claim. By law, veterans are precluded from seeking review of their claims in a federal court. The Congress recently enacted legislation, however, that provides veterans with limited judicial recourse.<sup>4</sup>

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## Programs Administered in a Paternalistic Manner

The Congress has established a nonadversarial system to administer veterans' benefit programs; in administering these programs, the government's relationship with veterans has been characterized as paternalistic. Since the nation's founding, the government has been concerned about injuries suffered by veterans of the armed services. After each war or conflict, the Congress has enacted laws that provided veterans with various benefits. These benefits are in recognition of the sacrifices made and the hardships incurred by veterans in providing for our national defense and security.

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<sup>4</sup>Public Law 100-687 (Nov. 18, 1988) established the U.S. Court of Veterans Appeals. The newly established court has exclusive jurisdiction to review veterans' appeals of BVA decisions, and the court may affirm, modify, reverse, or remand them.

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In carrying out its responsibilities, VA administers its programs with a high degree of concern for the claimants. For example, VA assists the claimant in gathering facts pertinent to the claim and considers all evidence offered by the claimant. VA staff are to read any evidence in the light most favorable to the claimant, and all reasonable doubts are to be decided in favor of the claimant. Further, there is no limit on the number of times VA will consider a claim; a veteran may resubmit a claim, and VA will reconsider its earlier decision so long as new facts are presented. A veteran also is entitled to a hearing at any time on any issue involved in the claim, and has up to 1 year after a decision on a claim to appeal it.

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## Objectives, Scope, and Methodology

During congressional hearings in 1987, a number of concerns and specific allegations were raised about VA's claims processing. A variety of improper practices were alleged to be taking place, and it was argued by some that veterans were being denied due process (see p. 29). The essence of these allegations was that VA was emphasizing productivity over quality in its claims processing.

The requesters asked that we examine VA's claims process to determine whether, and to what extent, the alleged practices were occurring. We were also asked to (1) analyze any effects of the alleged practices and (2) identify any underlying causes. Specific allegations covered by the request related to VA's control of claims, denial of hearings, and failure to provide appropriate notices to veterans.

We carried out our review in five VA regional offices: Baltimore, Maryland; Louisville, Kentucky; St. Petersburg, Florida; San Francisco, California; and Seattle, Washington. These offices were selected for several reasons, including their alleged involvement with issues raised in the previously cited litigation (see p. 8), the size of their operations, and our own staffing considerations. Our review was conducted from March to November 1988.

Our audit work in each region consisted of three phases. First, we obtained basic information on regional claims-processing practices and issues, such as staff training, experience, and performance appraisal. Second, we reviewed a random sample of claim files to determine whether the alleged improper practices were occurring. Finally, we interviewed regional managers and staff about (1) our determinations, (2) the causes of identified problems, and (3) issues of concern to the requesters. In addition, we interviewed various VSOS in each region

about their role in claims processing. To determine whether VA actions may have caused veterans to abandon their claims, we also attempted to interview all veterans in our sample who did not pursue their claims to completion.

We focused on claims-processing practices. We did not attempt to evaluate the quality of medical evidence gathered. Although some of the problems we identified did involve medical issues, our review was generally limited to other kinds of evidence-gathering problems.

Our evaluation primarily centered on a review of randomly sampled cases. It was agreed with the requesters that our sample should cover disability claims for compensation and pension benefits decided in fiscal year 1987. We also agreed to sample at least 150 compensation and 100 pension cases in each region visited. In total, we reviewed 1,462 claims. These consisted of 898 compensation claims and 564 pension claims. Further details on our sampling methodology and statistical analysis are discussed in appendix II.

This assignment was conducted in accordance with generally accepted government auditing standards.

# VA Can Improve Its Processing of Disability Claims

We examined a variety of allegations about VA's processing of disability claims. We found three aspects of VA's processing that should clearly be improved:<sup>1</sup> (1) standard notices sent to veterans do not provide meaningful information about decisions; (2) development of evidence needed to adjudicate claims is sometimes inadequate; and (3) claims are not always properly controlled (logged in) to avoid delays. For 13 percent of our sampled cases, at least one of these problems adversely affected veterans, usually by delaying the processing of their claims.

A variety of factors contribute to processing problems in compensation and pension programs:

- VA's SQC system (1) does not measure how well compensation and pension claims are processed and (2) produces unreliable results.
- VA's procedural manuals are not indexed or organized to aid staff in finding processing requirements.
- Staff reductions have decreased supervision of claims processing.

Although no process of complex nature and great magnitude is likely to be error free, certain actions can be taken to address these problems.

## Decision Notices Should Be Clear and Informative

VA's primary means of communicating its decisions to veterans and their representatives is through written notices. As the primary form of communication with veterans, it is important that decision notices be easily understood and include meaningful information about why an action was taken.

VA has recognized the importance of effective communication. A July 1986 VA policy letter stated:

"In all forms of communication but particularly in notices concerning adjudicative decisions and recoupment actions, the claimant is entitled to a clear and full explanation of the reason(s) for our action . . ." (Underscoring supplied for emphasis.)

The need for meaningful information about the reasons for a decision is further emphasized in the statement on procedural and appellate rights that accompanies each decision notice. This statement advises a claimant that an appeal can be made to BVA at any time within 1 year from

<sup>1</sup>The results of our findings about other alleged claims-processing problems are presented in appendix I.

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the date of the decision notice if the claimant believes the decision is “not in accordance with the law and facts now of record.”

We found that VA decision notices did not provide a clear and full explanation of the reason(s) for VA actions and decisions. Additionally, in some cases, there was no evidence VA sent required notices or provided veterans with information on their appeal rights and procedures (see p. 16). Lastly, we found that notices VA has recently begun to require for certain administrative closures were not always sent to veterans. Overall, in the regions we reviewed, these notification problems occurred in about 72 percent of the compensation and 39 percent of the pension claims.

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## Decision Notices Not Informative

Over 60 percent of the compensation notices and about 28 percent of the pension notices we reviewed provided insufficient information on the reason(s) for VA’s decisions. Denial notices for compensation claims were especially poor. They often stated only that the claims were denied because service connection was not found.

Simply telling a veteran that service connection was not found does not provide a clear and full explanation of the decision. It does not (1) explain why service connection was not found, (2) identify the evidence considered in adjudicating the claim, or (3) provide a veteran with any indication about how VA reached its decision. In the statement of procedural and appellate rights, VA tells a veteran to consider this kind of information when evaluating whether to appeal.

The importance of this information can be seen in the following: In June 1986, a veteran sought 100-percent compensation for a period of hospitalization related to a service-connected leg disability. The veteran advised VA of two private medical reports that VA attempted to obtain. On October 3, 1986, VA rated the claim on the basis of just the one medical report it had in the file.<sup>2</sup> This report did not address the claimed disability, and VA denied the claim. VA then notified the veteran that evidence did not warrant any change in its previous rating.

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<sup>2</sup>The other medical report arrived just before VA rated the claim and did not get filed in time to be considered by the rating board.

This notice did not advise the veteran that the records that documented his hospitalization for leg surgery had not been considered. In this particular case, the claim was ultimately awarded after the veteran's representative sent a copy of the hospital surgery records to VA and the claim was reopened. However, the award was delayed by about 4 months. It is likely that had the veteran or his representative known initially that the surgery records were not considered by the rating board, they could have supplied the records and received a quicker decision.

Although most of the problems we found related to denial notices, we also found that notices for partially awarded claims lacked meaningful information. Typically, a veteran is only informed of the award amount and the rating percentage assigned for the disability. No explanation is provided about how VA reached its decision, the evidence considered, whether the award represents the maximum rating possible for the medical condition, or the factors that might make the veteran eligible for the next higher rating. These are all important pieces of information for the veteran to consider in deciding whether to accept or appeal a VA decision.

Improvements in VA notices are possible. In 1980, the Congress required the Social Security Administration (SSA) to provide more information and "personalize" its denial notices to claimants seeking disability benefits. Although we did not carry out a comprehensive review of SSA's notices or examine them for consistency, we did look at several sent to veterans in our sample.

SSA's notices provided claimants a more complete explanation of the decisions than VA's did. The SSA notices provided brief summaries of the evidence used to reach decisions and explanations of how decisions were reached. We believe that it is equally important for veterans to know what evidence has been considered by VA and how the evidence was used in reaching a decision. Without such knowledge, veterans are not in a position to make an informed choice about whether to appeal claim decisions.

To make these improvements, one major area VA has to address is the limitations imposed by its Target system. This is a centralized computer system used to, among other things, produce a significant portion of decision notices. Target is, however, a rigid system. It is not designed to accommodate review and evaluation of correspondence, changes, additions to notices, or details of specific claim actions.



To generate a notice using Target, regional staff construct the response to the veteran by selecting from a limited number of standardized and general paragraphs available on the system. The notice being constructed does not appear on a screen for staff to review. Staff simply enter designated paragraph numbers into the system. Regional office staff are also limited in their ability to change or expand the content of Target notices. Any change to the notice must fit into an area no more than 25 spaces wide. Once the notice is complete, it is printed and mailed from one of VA's data processing centers without any review by VA staff.

If Target is to provide more meaningful information on VA decisions, it has to be made more flexible. Target should provide (1) staff the capability to review the actual correspondence before it goes out and (2) veterans more meaningful information about the decision.

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### Other Problems of Decision Notices

We identified several other problems with VA's decision notices. First, veterans' representatives were not sent copies of VA decision notices in about 9 percent of the compensation claims and about 8 percent of the pension claims. When representatives do not receive notices, it hampers their ability to provide timely and effective assistance to veterans. Second, in about 4 percent of the compensation claims and about 5 percent of the pension claims, we found no evidence in the file that a notice had been sent to the veteran. Some VA officials, however, asserted that notices had been sent, but speculated that they had been misfiled. We could not establish that veterans were adversely affected by the absence of these notices. Lastly, we also found that appeal information was sometimes not provided with decision notices. In about 3 percent of the compensation claims and 2 percent of the pension claims, we found no evidence that an explanation of appellate rights was provided. As a result, veterans may not know the correct procedures for filing an appeal.

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### Veterans Not Always Notified of Administrative Closures

Considerable concern surfaced in congressional hearings about VA's administrative closures of cases by means of record purpose disallowances (RPDs). These are used to close claims by removing them from Target whenever veterans fail to (1) provide requested evidence relative to their claims within a specified time period or (2) appear for scheduled medical examinations. The concerns expressed about RPDs were that VA was improperly closing claims with RPDs and not notifying veterans of these actions.

Until recently, VA did not notify veterans of RPDs. On February 5, 1987, VA changed its policy on sending notices in RPD situations. VA told its regional offices to notify veterans whenever they administratively closed a claim because the veteran did not provide requested evidence.

VA regions did not provide these notices for about 16 percent of the compensation RPDs and 11 percent of the pension RPDs closed after February 5, 1987. Most noncompliance is attributable to cases reviewed in two regions. Officials in these regions stated they had not received a copy of the VA notice requirement until March 1987. The noncompliance generally occurred during time periods that supported the officials' statement.

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## Evidence Development Sometimes Inadequate and Slow

Evidence development is a critical phase of claims processing because evidence is needed to determine (1) whether a veteran is eligible for benefits and (2) the amount of any such benefits.

In accordance with its regulations, VA plays an active role in gathering evidence. VA has to consider all obtainable evidence and assist the veteran in getting it. VA usually fulfills this obligation by asking veterans to provide certain documents (for example, marriage and birth certificates or income information); on the veteran's behalf, VA will request documents from other parties (private hospitals, doctors, and police departments) that possess various records pertinent to the claim. VA assumes primary responsibility for obtaining all government-maintained information. It will request records from SSA, VA medical centers, and military records centers. VA may also schedule medical examinations for veterans to have their claimed disabilities evaluated.

The specific type of evidence needed for a claim varies with the benefit being sought and the circumstances of each claim. At a minimum for all claims, VA needs to verify the veteran's military service and type of discharge. For pension claims, dates of service, age, income, and medical condition are important. For compensation claims, more extensive information is needed to address whether a condition is service connected and to what extent it is disabling; typically, this includes obtaining service medical records. If these records are not available, VA attempts to obtain further details from the veteran and reconstruct evidence from military unit records. Private medical records, a VA medical examination, and accident reports may also be important.

Developing evidence is not a precisely defined process. It is (1) governed by the general principle of getting all obtainable evidence and (2) dependent on the judgment and medical knowledge of VA staff. Two broad categories of development errors in the claims we reviewed are (1) problems in gathering evidence and (2) failure to inform veterans' representatives of development actions.

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### VA Sometimes Does Not Obtain Evidence Properly

In about 10 percent of the compensation and pension claims, VA did not properly gather necessary evidence. Generally, development problems fell into one of four types: underdeveloped, premature closure, overdeveloped, and slowly developed.

Underdeveloped claims were by far the most prevalent type of development problem. In underdeveloped claims, VA did not (1) obtain one or more pieces of evidence critical to the proper rating of the veteran's claim or (2) consider all issues in the claim.

For example, a veteran with a service-connected left leg disability filed a claim indicating that the right leg had also been disabled. VA ordered a medical examination. In conducting the examination, however, the doctor evaluated and X-rayed the claimant's left leg and reported his findings to the rating board. The rating board apparently did not catch the medical center's error and denied the claim. In this case, the rating board should have returned the veteran's case to the medical center to have the correct (right) leg evaluated.

In other underdeveloped claims, the veterans wished to be considered for both compensation and pension (whichever was most advantageous). VA did not develop the claims sufficiently to determine the veterans' eligibility for both programs. We also found several claims for which VA failed to obtain evidence, such as private medical records, VA medical examination, and information on income and dependents.

A second type of development problem relates to closing claims prematurely. In these claims, which occurred less frequently, VA improperly closed them before the time to supply requested evidence had elapsed. When VA requests information from veterans or third parties, claims must be kept open to provide time for the veteran to respond. Although a veteran has 1 year from the date of the letter to supply requested evidence, VA procedures allow the claim to be administratively closed after 60 days if the veteran does not respond. Administratively closed claims

can, however, be reopened when the veteran responds; there will be no loss of benefits if the response is provided within 1 year.

Premature closure (closing a claim in less than the allotted 60 days) creates the potential for processing problems. For example, in one claim, VA asked the veteran to provide information about his disability, but closed the claim in 27 days, before he replied. When the veteran supplied the information, VA lost track of it and did not reopen the claim and complete the processing. Had the veteran's claim not been closed, VA might not have lost track of the evidence requested and the fact that the claim had not been completely processed. As a result of our review, this claim was reopened. At the conclusion of our field work, a final decision had not yet been reached.

Overdeveloped claims and delays in development occurred with the least frequency. Overdevelopment resulted when VA asked a veteran or a third party to provide information that was not necessary to reach a decision on a claim or asked for information already in a veteran's claim file. We also found several slowly developed claims, those in which there were unreasonable delays in requesting evidence. Some claims in our sample seemed to have delays that could not be justified on the basis of normal processing practices. For example, in one case VA waited for over 10 months to obtain the veteran's service medical records.

Evidence development problems can adversely affect veterans. For the most part, the problems delayed claim decisions. These delays ranged from about 30 days to over 1 year. In three claims, however, we concluded that underdevelopment resulted in either an erroneous denial of benefits or failure by VA to make an appropriate award. For example, in one claim, VA did not promptly develop or obtain income information at the same time it took other development actions. The veteran was in the hospital in a coma for nearly 1 year after submitting his pension claim, but died before his claim was acted on. Because the veteran died before a decision on the claim was made, benefits were not paid.

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### Veterans' Representatives Often Not Informed of Evidence Needs

VA often did not keep veterans' representatives informed of its efforts to obtain evidence from veterans. In over 19 percent of the compensation claims and 29 percent of the pension claims, VA did not send veterans' representatives copies of requests that veterans provide evidence.

About 75 percent of the veterans in our sample had representatives (usually vsos but, in at least one claim, an attorney) who assisted veterans in applying for and getting benefits. VA procedures require that representatives be sent copies of its development requests. With this information, representatives are in a position to assist (1) the veteran in supplying requested evidence and (2) VA in obtaining necessary evidence.

It was not clear how VA's failure to send copies of development requests to representatives may have affected the veterans. At a minimum, it appears that not getting copies could hinder representatives' ability to assist the veterans.

## Problems in Claims Control

VA procedures require every claim for benefits to be logged in and computer controlled. The purpose of controlling claims is to assure claims are processed promptly. In addition, control allows VA to identify workload by type of claim and to measure timeliness and productivity.

Claims are placed under control by entering in Target identifying information such as a veteran's name, claim date, and file number. VA written procedures in effect during fiscal year 1987 state that claims should be logged in within 2 days. According to VA officials, however, a less stringent criterion (7 days) was considered acceptable. In commenting on the draft report (see app. III), VA officials noted that the procedural manual was officially changed in December 1987 to specify that after VA receives a claim, computer control of that claim should be established within 7 days. VA does not consider delays in establishing control as adversely affecting the veteran unless a claim is not logged in for 30 or more days.

On average, it took about 9 days for VA regional offices to control claims in our sample. A frequency distribution showing the time it took VA to control claims is presented in table 2.1:

**Table 2.1: Length of Time Taken to Control Claims**

Time to control	Claims	
	Compensaton	Pension
30 days or more	6	6
8 to 30 days	30	29
7 days or less	64	65

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## Several Factors Contribute to the Occurrence and Persistence of Processing Problems

Typically, various types of administrative and internal controls are established to govern the operation and management of programs. Indeed, effective controls become particularly important to management when programs are high cost, conducted from multiple locations, and involve complex and sometimes judgmental issues. These factors are characteristic of VA's disability programs, and VA has established standard controls for their operation. However, there are various weaknesses in these controls.

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## Quality Control Not Reliable

VA relies on its SQC system to determine the extent of errors in adjudicating compensation and pension claims. VA established the SQC system to assure continuing quality and to identify areas requiring corrective action. As we recently reported (see p. 8), however, the SQC system is not reliable.

First, SQC does not examine claims processing by program. Because SQC does not sample claims by program, it cannot determine error rates for each program. Rather, SQC examines the processing of benefit claims for all of its programs (compensation, pension, and burial) as well as certain nonclaim-processing actions, such as verifying income of people receiving pension benefits. Second, SQC examines work in process. As a work-in-process system, it cannot estimate an error rate for completed claims. Together, these characteristics mean that SQC provides a generalized look at the quality of work in process, but cannot measure how well regional offices processed compensation or pension claims.

We also reported that the SQC system was not reliable because (1) the system uses inadequate case sampling and review practices that do not assure accurate results; (2) regional quality control reviewers were not independent of regional management; and (3) VA Central Office oversight did not ensure regional compliance with SQC procedures.

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## VA Program Manuals and Procedures: Difficult to Use

VA has developed a procedural manual (M21-1, Adjudication Procedure) that describes claims processing. The manual does not, however, provide clear, simple, and easily identifiable guidance for claims processing. The lack of guidance can generate confusion and delay claims processing.

In most of the regions we visited, adjudication staff stated that the manual was poorly written, difficult to understand, and did not provide sufficient processing guidance. For example, although the manual is quite

detailed about how claim folders should be maintained, it does not provide any standards or guidance for how quickly claim development should be initiated.

In commenting on a draft of this report, VA stated that although no exact standard exists for development of evidence, standards do exist for overall time required to process a claim. VA believes these standards encourage prompt claim development. Clearly, the chances of meeting overall time-processing standards are reduced whenever development action is not timely. However, without intermediate standards for claim development, managers must wait until a claim is completely processed before information on timeliness is available.

Regional adjudication staff indicated that the manual was not indexed by subject matter, which makes it difficult to find claims-processing requirements and time-consuming to search out these requirements. In addition, the manual is not organized functionally: claims-processing requirements are found throughout the manual's more than 50 chapters. This organization makes it difficult for adjudication staff to formulate a complete picture of their claims-processing functions. For example, claim-development requirements are found in at least 21 different chapters.

The manual is not kept current on changes in processing requirements. Adjudication staff noted that recent circulars, training memoranda, as well as regulations and laws reflecting current changes, were not integrated into the manual on a timely basis. For example, as of January 1989, the manual had not been changed to reflect VA's January 21, 1988 circular on acquired immune deficiency syndrome. According to a regional rating specialist, because the manual has not been updated, staff must search through several sources of information to determine the current rule. Another rating specialist stated that this problem caused the staff to rely on an informal network of word-of-mouth answers to supplement the formal system.

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## Staffing Reductions Affected Supervision

Since 1985, VA regional offices have experienced reductions in staff responsible for processing compensation and pension claims. Among the regions we visited, staff reductions ranged from 3 to 21 percent of the total adjudication staff. Although these reductions affected all employee categories, adjudicators and supervisors were hit especially hard.

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Supervision in VA is important because of program complexity and the amount of judgment needed. Staff reductions, however, reduced the amount of supervision at VA regional offices. Four of the five regions reviewed had reduced the number of supervisors between 1985 and 1988. The ratio of supervisors to staff decreased from 1 for every 12 staff persons in 1985 to 1 for every 16 staff persons in 1988.

Although there is no generally recognized standard that defines what constitutes an adequate level of supervision, our review suggests that current levels of supervision may play a role in the problems we found. More careful supervisory review could have prevented some of the problems identified in this report.

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## Conclusions

VA compensation and pension programs are complex. They involve evaluations and judgments about the service connection of a disability, degree of impairment, current medical status, and ability to work. The programs have many levels of benefits, and processing procedures may require that both applicants and agency staff obtain records of earlier events, which can be difficult to find.

The adjudication process operates with a high degree of concern for veterans. It is designed to be nonadversarial, with most communication between the veteran and VA through letters, either requesting evidence or advising of VA decisions or actions. Given this operating framework, we believe that improvement in several areas would result in more effective service to veterans.

VA needs to (1) improve its decision notices to veterans by providing meaningful explanations of the reasons for VA's actions, (2) ensure these notices are sent to the veterans and their representatives, and (3) assure that notices include information on appellate rights and procedures so veterans know how and when to file appeals.

Concerning evidence gathering, VA sometimes did not obtain necessary information, obtained information that was not necessary to decide claims, closed claims without giving veterans time to provide requested information, and delayed development of the claims. Additionally, VA frequently did not send copies of development requests to veterans' representatives, potentially hindering them in fulfilling their responsibilities to assist veterans in processing their claims.



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Finally, VA did not properly log in all claims. VA took 30 or more days to log in over 6 percent of the claims in our sample. This resulted in processing delays.

VA's inflexible Target system contributes significantly to the inadequate notices sent to veterans. Weaknesses in quality control, a poorly designed and maintained operating manual, and reduced levels of supervision all contribute to the occurrence or persistence of the errors we found. These errors resulted in adverse effects on veterans (primarily through delays) in about one out of every eight compensation and pension claims processed in the five regions we reviewed.

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## Recommendations

To better serve the veteran, we recommend that the Secretary do the following:

- The Target system should be modified to provide greater flexibility in the preparation of decision notices, which should clearly state why a decision was made. At a minimum, notices should list the evidence considered and the basic rationale for decisions. Further, notices should be sent as VA regulations require.
- The procedures manual should be improved by simplifying the structure, indexing subjects to make guidance more accessible, and assuring that changes to the manual are printed and distributed promptly.
- The extent of supervision should be evaluated as to whether it is sufficient to provide acceptable quality in claims processing.

We believe that VA also needs to improve its quality control. Although VA generally agreed with the conclusions in our recent report on its SQC system, its proposed actions were not fully responsive (see Veterans Benefits (HRD 89-9) for a full discussion of this matter).

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## Agency Comments and Our Evaluation

VA commented on this report in a May 12, 1989, letter (see app. III). VA stated that it concurred with all of our recommendations and described its planned actions.

With regard to improving decision notices it sends to veterans, VA said it is exploring the possibility of adding expanded text manipulation and text development capabilities to its Target system. VA said it is testing the possibility of linking its Target system, which lacks capacity for use as a general word processor, with its Wang automation system. If the

tests are successful, the linkage will give VA part of the system flexibility needed to send more specific notices.

VA noted that some improvements have already been made in the capability to personalize certain types of notices: specifically, when it plans to reduce or suspend benefit payments. However, VA said that opportunities for further improvement are restricted by its current hardware and software systems. VA added that plans exist to acquire the hardware needed to fully implement our recommendation.

Concerning our recommendations for changes in the procedural manual and for an evaluation of supervision, VA said it has appointed a task force to rewrite the manual. The task force is expected to complete revisions to the manual by October 1990. VA also agreed to evaluate whether supervision is sufficient to provide acceptable quality in claims processing.

VA's comments describe corrective actions that it plans to implement over the next several years. Consequently, only time will tell if VA's planned actions result in claims-processing improvements. VA's plans do, however, appear to address the intent of our recommendations.

Other comments made by VA are discussed in the text of chapter 2 (see pp. 20 and 22).

# Alleged Claims-Processing Problems

In chapter 2, we discussed claims-processing problems that we found during our review of the allegations and issues of concern to the requesters. We reviewed additional allegations and issues, however, not discussed in that chapter. Generally, for these matters, either the rate of occurrence for the alleged practice was very low or we were unable to establish that the practice was adversely affecting benefit decisions. These alleged claims-processing problems are discussed below.

## Do Veterans Abandon Their Claims Because of VA Claims-Processing Actions?

It was alleged that as many as 90 percent of the veterans seeking disability benefits were abandoning their claims. According to the allegation, veterans abandoned claims because they were intimidated by VA's processing system and requirements or were too sick to get the missing evidence. We did not find sufficient evidence indicating that VA's claims-processing system or actions were causing veterans to abandon their claims.

To review this allegation, we defined claim abandonment as occurring when VA administratively closed a claim because (1) veterans failed to provide requested evidence, (2) veterans failed to appear for a scheduled medical examination, or (3) veterans who started the appeal process by filing a notice of disagreement did not complete the process by filing a formal appeal.

We found that veterans abandoned about 15 percent of the compensation and 10 percent of the pension claims reviewed. The rate of claim abandonment for each program and type of reason is shown in table I.1.

**Table I.1: Claim Abandonment for Programs by Reason**

Reason claim abandoned	Program	
	Compensation	Pension
Did not provide evidence	30	81
Did not show for medical exam	29	15
Did not file appeal	41	4

Note: Sampling errors for these estimates were no greater than 9 percent

To determine the reasons for veterans' actions, we attempted to interview every veteran who had abandoned a claim. We were, however, able to interview only 30 percent of these veterans. They provided a variety of reasons for not pursuing their claims, including (1) a belief they were not eligible, (2) a belief their claims were still open and being considered, (3) an understanding and acceptance of the reason for denial after

receiving a statement of the case, and (4) an indication that they were following the advice of their representatives.

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### Does VA “Churn” Claims to Improve Productivity Statistics?

It was alleged that VA regional offices “churn” claims to improve productivity statistics. We defined churning as VA actions to prematurely close and subsequently reopen claims. By showing two or more claims where only one exists, offices can improve their productivity and timeliness statistics.

Although we found that some claims were being churned, the rate of occurrence did not appear to be sufficient to significantly affect a regional office’s overall workload statistics. We found that 2.9 percent of the compensation and 3.5 percent of the pension claims were churned (sampling errors were less than 2 percent). Taking improper work credits distorts management information and is not permitted under VA claims-processing rules. Although churning is a type of processing error, in the few cases where it occurred, we found no evidence indicating that the practice had adversely affected veterans.

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### Do VA Offices Use Wrong End Product Codes?

It was alleged that regional office staff were using the wrong end product codes to improve their workload statistics. End product codes are assigned by staff when claims are controlled. They are used by VA to identify various types of workloads. For example, end product code 110 represents a first-time claim for compensation benefits and code 180, a first-time pension claim. Each end product code has its own time standard for processing. By incorrectly substituting a code that allows more processing time, staff could distort workload data.

The percentage of such occurrences in the regional offices we reviewed was small. We found that less than 1 percent of the compensation claims and about 2.9 percent of the pension claims had wrong end product codes (sampling errors for these estimates are less than 2 percent).

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### Do VA Offices Discourage Hearings?

VA regulations provide veterans with the right to a face-to-face hearing at any time during the adjudication process. It was alleged that some regional offices discouraged hearings either before or when appeals were filed. As shown in table 1.2, we found that there were few requests for preadjudication hearings. Those requests appeared to be processed promptly and properly by VA. We also found no evidence that VA discouraged requests for appeal hearings.

Table I.2: Hearing Requests for Programs by Type

Type of hearing	Program	
	Compensation	Pension
Preadjudication	0.3	0.6
Appeal	4.8	3.8

Note: Sampling errors for these estimates were less than 3 percent

## Is Productivity Overemphasized?

A fundamental theme related to many of the alleged processing problems was that systemic incentives emphasized productivity over quality in claims processing. To evaluate the allegation, we examined information about how VA evaluated the performance of its staff.

At VA, performance is assessed on the basis of three factors—quality, timeliness, and productivity. Timeliness and productivity are rated against standards set by VA. Quality is evaluated based on supervisory reviews. Our review of established performance standards and regional office appraisal criteria did not demonstrate that any one performance factor was emphasized over any other. In addition, discussions with regional management indicated that all the elements are emphasized and quality is a primary concern.

Regional office staff, however, presented a different view of the emphasis on productivity. A majority we spoke with believed that productivity is emphasized more than quality. Staff cited premature closures of claims as evidence of this emphasis. One supervisor stated that premature closures occurred because staff did not want to be accountable for the time it took a veteran to respond to a request. Regional staff also viewed the reduction of supervisory review over the daily claims process as a sign of emphasis on production. They noted that supervisors have become less involved in daily claims-processing activities, which provide an important source of information on the quality of work (see p. 22 for a discussion on reduction in supervisory staffing levels).

We did not find a specific problem that was clearly caused by emphasis on productivity nor could we document systemic pressures. Some staff, however, believed that such an emphasis exists. Such a perception by staff could contribute to processing errors.

## Is the Claims Success Rate Low?

There was concern that veterans experienced a low rate of success in being awarded benefits. There is no standard as to what constitutes an appropriate rate of benefit awards. The outcome of benefit claims reviewed in our sample is shown in table I.3.

Table I.3: Outcomes of Program Claims

Claim outcome	Program	
	Compensation	Pension
Awarded	42	47
Denied	48	41
Administratively closed	9	11

Note: Sampling errors for these estimates are less than 5 percent

## Are Veterans Given Due Process?

The Fifth Amendment to the Constitution provides that no person may be “deprived of life, liberty, or property without due process of law.” In its simplest form, due process guarantees individuals certain rights—to be notified of a proposed action and provided the opportunity to be heard. The claims-processing problems we found in our review do not indicate that the VA adjudication system violated veterans’ due process rights.

First, the courts have yet to establish that veterans applying for disability benefits have a protected due process interest. Courts have established that a veteran whose current benefits are discontinued or reduced has been deprived of a property interest and is entitled to due process. Courts have not established, however, that a veteran whose initial claim for benefits is denied has been deprived of a property interest. In its most recent comment on the matter, the Supreme Court noted that it had not yet decided whether applicants for government benefits possess a protected property interest.<sup>1</sup>

Regardless of whether due process protections are required for benefit applicants, VA has adopted administrative procedures to provide due process protections. Veterans receive notices of VA adjudication decisions, are entitled to a hearing at any time on their claims, and can appeal VA decisions. These are all traditional due process protections.

As a part of our review, we examined allegations that some of these due process protections adopted by VA were not being fully implemented.

<sup>1</sup>Walters v. National Association of Radiation Survivors, 473 U.S. 305, 320 n. 8 (1985).

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Our review indicates, however, that VA is generally complying with its due process procedures. For example, we found that VA provided decision notices to applicants in about 96 percent of the compensation and 95 percent of the pension claims reviewed. Although in chapter 2 we questioned the quality of the decision notices being sent, the notices did provide veterans with VA's decisions as required by law. Further, we found VA included information on appellate procedures and rights in all but about 3 percent of compensation claims and 2 percent of pension claims.

Additionally, we could not substantiate allegations that VA was routinely discouraging veterans from requesting hearings. We found only six requests for a preadjudication hearing in the 1,462 claims reviewed; in each instance, VA properly provided for the hearing. (See table I.2.)

The Supreme Court said that before the Court could conclude that claimants were being denied due process, the plaintiffs would have to make an extraordinarily strong showing that VA's present claims-processing practices were highly likely to cause "erroneous deprivations" (denials). The Court emphasized that the basic fairness of a particular procedure does not turn on the result obtained in any individual case, but should be judged by the majority of cases. Procedures do not have to be so comprehensive as to preclude the possibility of any erroneous deprivation.<sup>2</sup>

In our review of 1,462 claims, we did not find that the processing problems were likely to affect decisional outcomes in the vast majority of cases. Although we concluded that processing errors had a definite impact in about 13 percent of the compensation and pension cases we reviewed, almost all of these errors affected the timeliness of VA decisions rather than the outcomes. We were able to conclude that processing errors contributed to erroneous deprivations in only 4 of the 1,462 claims reviewed.

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<sup>2</sup>Walters, 473 U.S. at 305, 320-21, and 326.

# Sampling of Claims

The primary focus of our evaluation was the review of a randomly selected sample of VA compensation and pension claims closed during fiscal year 1987. This sample consisted of two independent probability samples, one for compensation and one for pension claims. The sampling objective was to estimate the percentages of claims with certain characteristics for all five regions. Sampling errors associated with the estimates are no greater than plus or minus 10 percent at the 95 percent confidence level. Confidence intervals are listed in tables II.1 and II.2.

Our sampling technique was the same in all regions but Louisville, Kentucky. In Louisville, we used a simple random sample because a complete list of all claims processed during the sample period was available. In other regions, no such lists were available. Consequently, in other regions, we had to use cluster sampling techniques based on a sample of all the cases in randomly selected file drawers.

For the most part, the variability among regions for the attributes we measured was not statistically significant. Statistical information for the issues we evaluated, associated confidence intervals, and an estimate of the affected population in the five regions is shown in tables II.1 and II.2:

**Table II.1: Sampling Errors for Key Estimates of Claim Characteristics**

Claim characteristic	Key estimates		
	Percent	Confidence interval at 95 percent	Population affected
<b>Notice problems</b>			
Compensation	72	69-75	29,085
Pension	39	35-44	6,978
Veteran not notified:			
Compensation	4	2-5	1,484
Pension	5	3-7	914
Notice not clear:			
Compensation	63	60-67	25,710
Pension	28	24-32	4,942
Notice not sent to representative:			
Compensation	9	7-12	3,750
Pension	8	6-11	1,463
Appeal rights missing:			
Compensation	3	2-4	1,157
Pension	2	1-3	319
RPDs closed without required notice:			
Compensation	16	6-25	268
Pension	11	4-18	104

(continued)



**Appendix II  
Sampling of Claims**

Claim characteristic	Key estimates		
	Percent	Confidence interval at 95 percent	Population affected
<b>Effect on veterans</b>			
Veterans definitely adversely affected.			
Compensation	13	11-16	5,036
Pension	13	10-17	2,171
<b>Development problems</b>			
Inadequate:	10	6-12	5,388
Underdeveloped	6	5-8	3,619
Premature closure	2	1-2	882
Overdeveloped	1	0-1	531
Delay	1	0-1	356
Veterans with representatives			
Compensation	75	72-78	27,818
Pension	79	75-82	13,122
Veteran representative not sent copy of development letter			
Compensation	19	13-25	1,779
Pension	29	22-37	1,727
<b>Control time</b>			
Controlled in 7 days or less:			
Compensation	64	60-68	18,894
Pension	65	61-70	9,410
Controlled in 30 or more days.			
Compensation	6	4-8	1,739
Pension	6	4-8	866
<b>Abandonment</b>			
Processing not completed.			
Compensation	15	12-17	6,070
Pension	10	7-12	1,717

**Table II.2: Sampling Errors for Key Estimates of Average Claim Time**

Average of days	Key estimates	
	Estimated days	Confidence interval at 95 percent
Control:		
Compensation	9	8-11
Pension	9	8-10
Process:		
Compensation	129	122-135
Pension	107	100-114

# Comments From the Department of Veterans Affairs

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

Office of the  
Administrator  
of Veterans Affairs

Washington DC 20420



MAY 12 1989

Mr. Lawrence H. Thompson  
Assistant Comptroller General  
Human Resources Division  
U. S. General Accounting Office  
Washington, DC 20548

Dear Mr. Thompson:

This responds to your request that the Department of Veterans Affairs (VA) review and comment on the General Accounting Office (GAO) March 22, 1989, draft report VETERANS' BENEFITS: Improvements Needed in Processing of Disability Claims.

High quality delivery of benefits to our Nation's veterans is a top priority in VA, as is providing due process to our veteran claimants. One of our major goals is the continual review and improvement of our system of delivery of benefits, to assure that we are making necessary improvements.

Independent of your review and recommendations, we had initiated several significant initiatives to improve the quality of our claims processing and to ensure that due process was provided in every case. Specifically, we have made improvements in our letter writing capability, appointed a task force to rewrite Veterans Benefits Administration (VBA) Manual M21-1, developed procedures to speed up the issuance of new processing instructions, and implemented a variety of management tools to increase supervisory effectiveness in ensuring quality benefits delivery.

We have independently initiated actions in all of these areas, therefore, we concur with your recommendations. The enclosure contains the Department's detailed comments on the report.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Edward J. Derwinski'.

Edward J. Derwinski  
Secretary

Enclosure

Enclosure

DEPARTMENT OF VETERANS AFFAIRS COMMENTS ON THE  
MARCH 22, 1989, GENERAL ACCOUNTING OFFICE DRAFT REPORT  
VETERANS' BENEFITS: IMPROVEMENTS NEEDED IN PROCESSING DISABILITY CLAIMS

GAO recommends that the Secretary take the following actions.

(1) **Modify the Target system to provide greater flexibility in the preparation of decision notices. Notices should be clear and better state why a decision was made. At a minimum, the notice should list the evidence considered and the basic rationale for the decision. Further, notices should be sent as required.**

We concur and continue to explore the possibility of adding expanded text manipulation and text development capabilities to Target. Our opportunities are restricted, however, by the constraints of our current hardware and software systems. The Veterans' Benefits Administration's (VBA) automated data processing modernization program plan is designed to acquire and implement the hardware and software we will need to fully achieve the correspondence flexibility and responsiveness called for by this recommendation. Our current funding provides for release of the first modernization request for proposals in Fiscal Year 1991 and award of the contract in Fiscal Year 1992. Prior to 1991 we will be developing comprehensive functional requirements, and we intend to conduct a special study related to correspondence requirements supporting all of our benefit programs.

We have already recognized the need for better correspondence to our claimants. In 1987, we began providing greater due process rights to a beneficiary to contest a proposed reduction or termination of benefits. We included notice of these rights in each letter proposing to reduce or suspend payments. Sample notices were sent to our field stations in DVB Circular 21-87-25. Their required use meant that we had to send a locally prepared or dictated letter. Recognizing this was not cost effective and that reliance on dictated letters could result in a beneficiary not receiving all of the required information, we had our Target system programmed to provide limited word processing capability to issue due process letters. This system was installed on August 1, 1988.

Since today's Target system lacks sufficient capacity for use as a generalized word processor, we are testing at our Philadelphia and Cleveland regional offices the possibility of mating the Target system with our Wang office automation system. If this can be effectively accomplished, it will give us part of the flexibility we need to send more specific notices to our claimants by permitting our adjudicators to easily modify form letters to fit the needs of an individual case.

2.

In addition, we have issued field stations an automated letter-writing package as an adjunct to our Wang automated office system to schedule hearings. This ensures a high degree of nationwide consistency and that notice is always given to service organization representatives.

Another important correspondence initiative we have been working on involves an ongoing review of field station-developed compensation and pension pattern letters, central office-issued form letters and Target-generated paragraphs. In connection with this review, we have decided to issue sample pattern letters to all of our field stations to ensure clarity, consistency, and accuracy.

All of these initiatives to improve the quality of our correspondence were begun before the GAO draft report was received.

**(2) Improve the procedures manual by simplifying the structure, indexing subjects to make guidance more accessible, and assuring that changes to the manual are printed and distributed promptly.**

We concur. Before receiving this draft report we appointed a task force to rewrite VBA Manual M21-1. The rewrite will include an index and will provide appropriate references to the controlling regulations. We committed to this project at our adjudication officer's conference last December. The rewrite has been divided into sections. The target date for completing the first section is August 1989; the target date for completing the entire rewrite is October 1990.

One of the reasons we have had to rely on media other than our Adjudication Procedures Manual to issue instructions is that it has been taking at least 3 months after approval to have manual changes printed. On the other hand, a circular can be issued within a day or two after approval because circulars are typed on our Wang office automation system and then electronically transmitted to our field stations over that same system. If we need to promptly issue instructions, we have no recourse but to use a circular.

It should be noted that we have made and are continuing to make a concerted effort to promptly incorporate circular material in the manual and keep it up to date. So far this fiscal year we have issued 13 manual changes.

At this time there are 35 active circulars pertaining to compensation and pension claims processing. Many of them apply only to special or short-term projects and do not need to be incorporated into M21-1. Others apply to specific job functions. For example, there are only five circulars relating to the rating board function. The rest of the procedural material needed by a rating specialist is in the manual.

3.

We expect considerable improvement soon in the time required to issue manual changes. We have installed an electronic publishing system which should reduce the time to 2 weeks. Using this new method requires that the Adjudication Procedures Manual be typed into our Wang system. A contractor is doing this now. We plan to use this efficient system to keep the manual current during the time it is being rewritten. The availability of this system will greatly decrease the need to issue instructions by circular.

**(3) Evaluate whether the extent of supervision is sufficient to provide acceptable levels of quality in claims processing.**

We agree to evaluate whether or not there is sufficient supervision to provide acceptable levels of quality in claims processing.

In our attempt to provide quality and timely service, we emphasize supervisory oversight at several levels, using many tools as described below.

a. Senior Adjudicators. Almost all award processing requires review and authorization by a senior adjudicator. The first review level is, therefore, immediately aware of errors in claims processing and can take quick action to prevent errors.

b. WIPP (Work-in-Process) Subsystem of Target. WIPP is a computer resource that assists supervisors in identifying claims processing areas that require attention and analysis. Adjudication divisions are required to devise a WIPP user plan defining the division responsibilities for monitoring work-in-process and maturing issues. The effectiveness of the WIPP user plan is regularly analyzed by VA Central Office during semiannual reviews and site surveys.

c. Performance Standards. Included in division employees' performance standards are factors relating to knowledge and skill in claims processing. The supervisor responsible for employee evaluation uses the performance standard indicators to measure quality, identify potential problems, and isolate training needs.

d. Quality Control. Both local and central office statistical quality control are valuable tools for supervisors in identifying processing errors. A review of the "exception sheets" that are prepared when errors are identified is useful as a training tool and also isolates specific problem areas.

e. Unit Chief. The unit chief is the first-level supervisor and has a strong background in claims processing. The unit chief has daily oversight of all levels of the adjudication operation.

4.

f. Systematic Analysis of Operations. SAO's are a management tool used to identify problem areas and recommend corrective actions. Supervisors are required to do SAO's specifically dealing with quality of operations. These are also reviewed at the VA Central Office level.

g. Field Station Surveys. Regional Offices are surveyed every 2 to 3 years by a team of survey specialists from Central Office. Survey teams provide a comprehensive and accurate assessment of program administration in the field, identify problem areas and make recommendations to ensure the qualitative delivery of benefits, and provide training and technical assistance to regional office staffs.

The GAO draft report correctly reflects the reduction in supervision that has taken place as we have met the challenge of staffing cuts. Our first priority has been to retain as many of the direct labor positions as possible to mitigate building backlogs and declining timeliness. In addition, we feel a certain amount of supervisory streamlining was appropriate and actually increased the flexibility of the organization. Definition of an adequate level of supervision varies depending on factors such as a station's ability to attract and keep highly motivated and qualified employees, so we have no rigidly mandated number of supervisors. An implicit element of our site visits is to ascertain that the number of supervisory positions is appropriate to a particular Adjudication Division.

We have several initiatives in process to further ensure that quality and timeliness do not suffer due to reductions in the number of supervisory employees.

a. Adjudication Management Advisory Committee. This committee will be composed of experienced adjudication officers who will regularly study adjudication operations from a national standpoint. They will help Central Office identify problem areas and recommend solutions to the Director of the Compensation and Pension Service.

b. Automated Medical Information Exchange. AMIE is being developed and installed to automate the exchange of data between the regional offices and VA medical centers. This will significantly enhance the quality and timeliness of claims processing and reduce the supervisory monitoring currently needed.

c. Adjudication Training Academy. In addition to producing better trained employees who will require less intensive supervision, a planned expansion will include refresher training and specialized training to enhance supervisors' skills.

d. Better Use of Management Tools. There are multiple sources of quality and timeliness information. Some of this information accrues at the level of the first-line supervisor and some at the section chief or adjudication officer level. We intend to assure that it is systematically assimilated and used for problem solving and as the basis

Appendix III  
Comments From the Department of  
Veterans Affairs

5.

of management decisions. In actual practice, the process of quality management has sometimes been lost amid the pressures of day-to-day operations. Knowledge about and responsibility for this information became fragmented. We intend to make a concerted effort to ensure that station and division management review the process by which they integrate and act on quality and timeliness information. As necessary, procedural changes will be adopted to provide decisionmakers not only with a comprehensive source of data, but also with a systematic process by which this information can be used.

Comments on the Report Text

Page 30, last paragraph: The timeliness procedure GAO addressed, specifying 2 days for establishing computer control of a claim, was changed. On December 30, 1987, Change 448 to VBA Manual M21-1 amended paragraph 1.21b to specify 7 workdays to establish computer control after a claim is received. It is VA policy that claims should be placed under computer control as soon as possible after receipt. The 7-day standard is intended to insure that workflow and local procedures in regional offices are such that claims are controlled within this period.

Page 28, last paragraph, and page 33, second paragraph: The issue raised regarding definitive time factors to begin and complete development action of a claim is misleading. While no exact standard exists for the development of evidence to determine entitlement to benefits, standards do exist for the overall time required to process a claim. Appendix D of VBA Manual M21-4, Manpower Control and Utilization in Adjudication Division - Productivity Measurement Quality Control, establishes timeliness standards for completing claims processing. For example, a regional office is required to complete 63 percent of original compensation claims within 180 days. If this standard is not met, the regional office must report the reason to VA Central Office.

Now on p. 20.

Now on p. 22.

See comment 1, p. 42.

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**Appendix III  
Comments From the Department of  
Veterans Affairs**

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The following are GAO's comments on VA's letter of May 12, 1989.

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**GAO Comments:**

1. To address VA's concern, the initial reference to the lack of a time standard for claim development was deleted.



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# Major Contributors to This Report

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William J. Staab, Assignment Manager  
Edward A. Pearson, Site Senior

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**San Francisco  
Regional Office**

Louis G. Roberts, Evaluator-in-Charge  
Elizabeth A. Olivarez, Site Senior

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**Atlanta Regional  
Office**

Cherie M. Starck, Site Senior

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**Cincinnati Regional  
Office**

Vernon F. Nieporte, Site Senior

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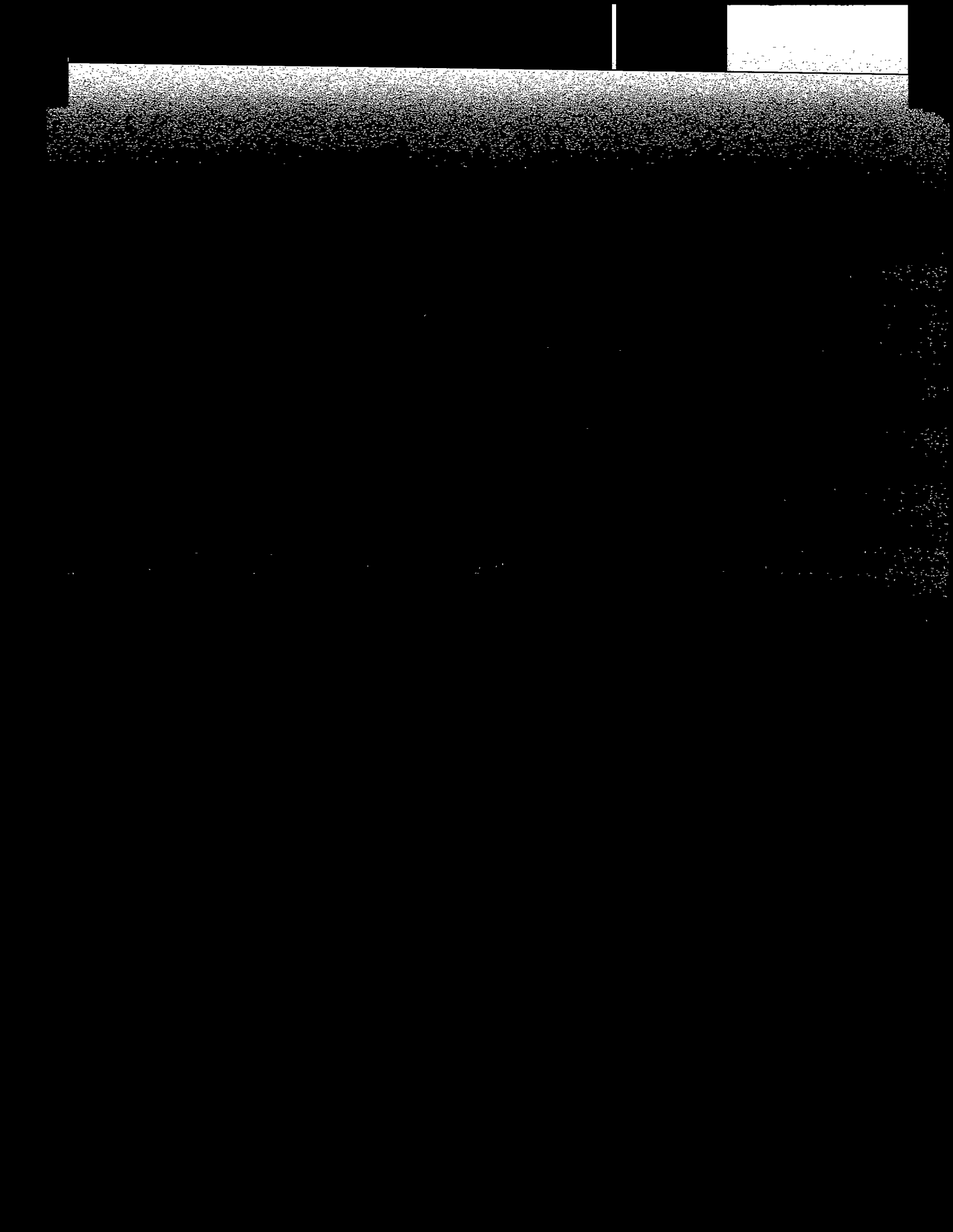
**Seattle Regional Office**

John E. Cass, Site Senior

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**Office of the General  
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Julian P. Klazkin, Attorney Advisor



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