

**GAO**

Briefing Report to the Chairman,  
Committee on Veterans' Affairs,  
U.S. Senate

---

June 1994

# VETERANS' BENEFITS

## Status of Claims Processing Initiative in VA's New York Regional Office



---

---



United States  
General Accounting Office  
Washington, D.C. 20548

Health, Education, and  
Human Services Division

B-257508

June 17, 1994

The Honorable John D. Rockefeller IV  
Chairman, Committee on Veterans' Affairs  
United State Senate

Dear Mr. Chairman:

The Department of Veterans Affairs (VA) has recognized slow claims processing and poor customer service as critical concerns. Claims processing times are increasing as are claims backlogs. In 1993, over 500,000 claims were pending in VA regional offices nationwide.

VA has begun a variety of initiatives designed to reduce claims processing times and improve service to veterans and their families<sup>1</sup>. One of the most highly publicized initiatives is the restructuring of the claims processing system in VA's New York Regional Office. In recognition of this effort, the Vice President presented the first National Performance Review Hammer Award for reinventing government to the regional office earlier this year.

In May 1993, the regional office began processing a quarter of its claims in a prototype unit.<sup>2</sup> This new unit differs substantially from the traditional "assembly line" organization used by the rest of the New York office and most other VA regional offices. You asked that we provide information concerning the status of the prototype unit. Specifically, you asked us to determine

- how the operation of the prototype unit differs from the traditional operation in New York,
- how VA is assessing the effectiveness of the prototype and how the prototype's performance compares to the rest of the New York office's, and
- what plans New York has for expanding the use of the prototype.

We briefed your staff on the results of our work on June 10, 1994. As requested by your staff, appendix I includes the briefing charts we used at that time along with some comments to help explain the charts.

<sup>1</sup>Hereafter, the word "veteran" will include both veterans and their families.

<sup>2</sup>In April 1994, the region established a second unit, including four more self-directed work teams responsible for an additional 25 percent of the claims.

---

We obtained information for this report primarily during a visit to the New York regional office where we interviewed officials as well as staff working in both the traditional and prototype units. We also reviewed available workload and performance data and 19 denied claims files. In addition, we interviewed representatives of two veterans service organizations—Disabled American Veterans and the New York State Division of Veterans Affairs. These representatives were familiar with the regional office's operations, and we interviewed them for their views on service to veterans under the traditional and prototype units. We also interviewed VA headquarters officials to determine how that office was assessing performance of the prototype unit.

---

## Background

Long processing times are a special problem for the more complicated disability compensation and pension benefits claims. In New York, an initial compensation claim took, on average, over 212 days to process in 1992. A backlog of over 21,000 claims existed, 8,200 of which were compensation and pension claims. Our review focused on five types of compensation and pension claims.

Many in VA blame the traditional, assembly line processing approach for at least part of the claims processing delay. Under the traditional approach, each claim passes through several individuals, each of whom performs a specific task. One person enters the claim into the computerized system and opens the claims file. Another then determines what information is needed and develops requests for that information. Another communicates with VA hospital staff if a physical exam is needed. These steps continue until an adjudicator determines the amount of the benefit and an "authorizer" approves the decision. Often, as in New York, files are centrally located and are sent back and forth from the central files to various claims processors many times before a claim is decided.

---

## Results in Brief

The prototype unit differs in several key aspects from the traditional unit. Most notably, staff roles and responsibilities are different, and interaction between veterans and claims processors is substantially altered.

Neither VA headquarters nor the regional office has a written plan for assessing the prototype's effectiveness, but they are tracking the information on timeliness and backlog traditionally used to monitor regional office performance. Our observations as well as comments by representatives of veterans service organizations and regional office staff

---

indicate that communication with veterans appears to have improved in the prototype. The backlog has also decreased, but the limited data that are available do not yet indicate improved timeliness.

The regional office plans to have all claims processing done using the new self-directed work team approach by the end of fiscal year 1994. But the office must complete several related initiatives, including developing and implementing (1) new job descriptions, (2) an employee rating system, and (3) an officewide performance assessment system that includes indicators, such as employee and customer satisfaction, not traditionally tracked by VA management.

---

## Prototype Operation Differs Substantially From the Traditional Operation

In contrast to the traditional claims processing approach, a self-directed work team—consisting of about 12 people—handles all aspects of a specific set of claims. The claim files are located with the team, rather than in a central file. The team performs all processing steps. Because teams are “self-directed,” each one can establish its own operating procedures.

One major operational difference is that the prototype is designed to have fewer people involved in processing an individual claim, 3 or 4 compared to about 10 in the traditional unit. Four clerical positions were combined into a new case technician position; four professional positions were combined into one case manager position; two supervisory positions were combined into a team coach position. Generally, a self-directed team consists of four case technicians, seven case managers, and one coach. With broader responsibilities that encompass multiple functions, team members can fill in for each other or direct more effort to specific functions if backlogs occur at certain points in the process.

In practice, however, after a year's experience, some staff in the prototype unit are not yet performing all tasks required of these broadened positions or are not performing them for all types of claims. At a minimum, a case technician and two case managers—one to adjudicate and one to authorize—handle each claim. A fourth person, a rating specialist who is a case manager on the team, also is involved if the claim requires a disability rating.<sup>3</sup>

---

<sup>3</sup>Ultimately, the regional office intends for those trained to determine disability ratings to perform a broad set of tasks, as do other case managers. Under those circumstances, most claims would have only three people involved. However, because the regional office now has a shortage of rating specialists, rating specialists, including those in the prototype, spend full time rating disability claims.

---

Regional office officials said that staff have received some formal training to help them develop the necessary broader skills but that much of the training is on the job, and to some extent individual staff initiative determines the extent to which staff develop added skills.

Another major difference in prototype operation is that veterans now can talk to the staff most directly responsible for processing their claims. Under the traditional approach, staff from the Veterans Services Division answer veterans' inquiries either by phone or in person. Those staff who actually process the claims, in the Adjudication Division, usually do not have direct contact with veterans.<sup>4</sup> In contrast, under the prototype, veterans talk to members of the team responsible for their claims; those team members can directly access the claim files.

---

## Prototype Evaluation and Performance

VA has not prepared a specific evaluation plan. VA headquarters is monitoring the regional office's overall performance on the basis of traditional measures, such as timeliness, backlog, and quality as assessed in the Department's ongoing quality reviews. The headquarters is also tracking timeliness and backlog data on the prototype unit. The regional office is also tracking data to compare the traditional and prototype units' performance on timeliness and backlogs. Anecdotal information is available about customer service in the prototype, and the regional office is also developing some additional measures.

---

## Timeliness and Backlog

The regional office has given the prototype unit 25 percent of the claims workload—assigned by terminal digits of the applicant's Social Security Number (SSN)—and about 26 percent of the claims processing staff. When the unit was established in May 1993, its workload included all pending claims and new claims for those with the assigned SSNs.

In the first 10 months of operation, the backlog of compensation and pension claims decreased from 2,366 to 1,872. The data on timeliness are inconclusive, however. Average processing times fluctuated widely from month to month for both the traditional and the prototype units. Further, comparisons are clouded because some claims included in calculating the processing time for the prototype were processed, in part, under the traditional method before the prototype began.

---

<sup>4</sup>Organizationally, the traditional VA regional office consists of seven divisions, but the Adjudication and the Veterans Services Divisions combined staff to create the prototype unit.

---

You asked specifically that we determine whether the prototype unit was prematurely closing claims—if applicants failed to provide requested data—without giving notification and due process. If this were true, the average processing time for the prototype would be reduced inappropriately in comparison to the traditional unit. Both the traditional unit and the prototype unit appear to be following the VA claims manual in denying claims: if an applicant does not respond to VA within 60 days after VA requests information, the claim can be closed. Neither our review of a small sample of denied claims files nor our discussions with representatives of veterans service organizations indicated that the regional office was not following VA policy in this regard.

---

### Customer Service

Regional office officials and veterans service organization representatives unanimously pointed to improvements in aspects of customer service in addition to timeliness. They said veterans received quicker, more complete information when they called or visited VA if their claim was being processed in the prototype unit. Regional office officials noted, for example, that the prototype is receiving proportionally fewer calls than the traditional unit. They believe that is primarily because fewer veterans have to call more than once for the information they need. We also observed shorter waiting lines in the prototype than in the traditional unit.

---

### Other Measures

The regional office has calculated the per claim cost for the traditional and prototype units and found the prototype unit's overall cost to be 20 percent less than the traditional unit's. This is a rough analysis, however, that allocates overhead proportionally, rather than on an actual cost basis. For example, the analysis did not consider different costs for training, which may have been higher in the prototype, or space, which also may have been higher because some remodeling was done for the prototype unit.

The regional office is also attempting to use the results of VA's ongoing quality review program to compare the accuracy of decisions under the two units. Under this system, the regional office draws a representative sample of claims and reviews them to check the accuracy of decisions and other aspects of claims processing. The comparison, however, is invalid because the quality review samples are selected to represent the regional office as a whole and do not represent the prototype and traditional units

---

separately.<sup>5</sup> However, VA headquarters pointed out that this system can be readily modified to draw statistically valid samples for comparison.

---

## New York Region Plans to Expand Initiative to Entire Office

Ultimately, successful implementation of the claims processing initiative will depend on successful completion of potentially sensitive personnel and assessment actions. Currently, many of the initiative's efforts in realigning staff and changing job descriptions have occurred under waivers of personnel rules and regulations. The regional office intends to implement the prototype approach regionwide by the end of fiscal year 1994. As the regional office moves forward with this initiative, it is developing personnel and evaluation systems to sustain the new approach.

The regional office must develop new job descriptions for the new combined positions. Promotions will be allowed on a noncompetitive basis within the grade span of each position for all staff who master the skills necessary. The regional office must also develop a new employee evaluation system that focuses more on team than individual performance and that can recognize individuals for their contribution to the team. Officials see these revisions as a necessary underpinning for the team concept. They expect to complete development of job descriptions and the evaluation system by July 1994.

The regional office is also developing a new officewide performance assessment system that will be used to assess and guide changes in overall operations. It plans to include several major types of indicators, including customer satisfaction and employee satisfaction, in addition to more traditional performance data. This effort is aligned with governmentwide initiatives to be more customer driven and should allow the regional office to track its success over time. This system is not, however, being designed to allow comparison of the prototype to the traditional unit in New York, since the entire office will be using the self-directed work team approach before the new evaluation is implemented.

---

We did our work during April and May 1994 in accordance with generally accepted government auditing standards. We did not obtain agency comments on this briefing report but discussed its contents with officials in the New York Regional Office and in the Veterans Benefits

---

<sup>5</sup>In the most recent quality assurance review conducted by VA headquarters—in November 1993—the regional office, overall, failed VA standards in correctness of claims decisions and notifying claimants of those decisions.



---

Administration and made changes, as appropriate, based on their comments.

We are sending copies of this report to the Ranking Minority Member, Senate Committee on Veterans' Affairs, the Secretary of Veterans Affairs, and other interested parties. This work was performed under the direction of Flora Milans. Appendix II lists other major contributors to this report. Please contact me on (202) 512-7124 if you have questions.

Sincerely,

*Flora H. Milans for*

David P. Baine  
Director, Federal Health Care  
Delivery Issues

---

# Contents

---

Letter	1
Appendix I VA New York Regional Office (NYRO) Efforts to Improve Claims Processing Timeliness	10
Appendix II Major Contributors to This Briefing Report	28

---

---

## Abbreviations

NYRO	VA's New York Regional Office
OJT	on-the-job training
SSN	Social Security Number
VA	Department of Veterans Affairs
VACO	Department of Veterans Affairs Central Office
VSO	veterans service organization



# VA New York Regional Office (NYRO) Efforts to Improve Claims Processing Timeliness

---

GAO Health, Education, and Human  
Services Division

---

VA New York Regional Office  
(NYRO) Efforts to Improve  
Claims Processing  
Timeliness

Briefing: June 10, 1994  
Staff of Senate Veterans' Affairs  
Committee

---

---

## GAO Background

---

- NYRO workload increased:
    - Backlog grew from 2,588 in FY 1988 to over 21,000 in FY 1993.
    - Processing time increased—e.g., in 1993, original disability compensation claims reached 212 days (average).
- 

The term “workload” refers to all work products completed by the regional office’s adjudication division. It includes major work products, such as disability compensation claims and minor work products, such as annual eligibility verification reports.

Data on average processing times are not available for periods prior to October 1992. VA used other criteria, such as percent of claims processed in fewer than 30, 60, and 180 days to monitor claims processing timeliness before that date.

---

## GAO Background

---

- NYRO established a prototype unit on 5/17/93:
  - Received proportional staff and workload.
  - Included four self-directed work teams.
  - Team members were volunteers.
- 

The prototype unit received 26 percent of the regional office's total claims backlog, and was assigned 25 percent of all new claims for processing. The prototype unit did not receive all phone calls for veterans with Social Security numbers assigned to it due to problems with the regional office's phone system. Regional office officials said this problem was corrected in October 1993, and the prototype now receives all calls for its assigned claims. The prototype received about 26 percent of the regional office's staff responsible for processing claims and assisting veterans.

Fifty team members work in the prototype unit. Three of the four self-directed work teams have 12 members, and the fourth team has 14 members.

Team members were selected from a group of volunteers. According to regional office officials, individual staff preferences were not considered

when staff were assigned to a second prototype unit in April 1994. Officials added that staff preferences will not be considered in subsequent assignments to the prototype.

---

**GAO Key Questions**

---

- How do prototype and traditional units differ in operations?
  - How is VA evaluating the prototype's performance?
  - What are the plans for expanding the prototype?
-

---

GAO Methodology/Scope

---

- Compared traditional unit to prototype, 6/1/93 - 3/28/94.
  - Visited NYRO and VACO.
  - Interviewed VACO, VSO officials, and NYRO officials and staff.
  - Reviewed data for 5 types of claims.
  - Reviewed small sample (19) of denied claim files.
- 

We reviewed data for the five types of claims that require substantial time to process: (1) original disability compensation, (2) original dependency and indemnity compensation, (3) original disability pension, (4) original death pension, and (5) reopened disability compensation and pension claims.

We reviewed 19 judgmentally selected partially or fully denied claims, some from the traditional and some from the prototype unit. The claims were selected from a group of claims recently decided that were awaiting authorization or entry into VA's computer system.



---

GAO Results in Brief

---

- Units differ, especially in organization, staff roles, and contact with veterans.
  
  - No formal evaluation plan.
    - Timeliness data inconclusive.
    - Service appears better.
    - Backlog reduced.
  
  - Key personnel and assessment systems not yet developed and implemented.
-

---

GAO Principal Findings—  
Operations

---

- Staff per claim reduced from 10 to 3 or 4.
  - Four clerical positions into one case technician position.
  - Four professional positions into one case manager position.
  - Two supervisory positions into one coach position.
- 

The four clerical positions were (1) file clerk, (2) claims control clerk, (3) development clerk, and (4) correspondence clerk, and/or clerk typist. The four professional positions were (1) veterans' benefits counselor, (2) claims adjudicator, (3) authorizer, and (4) rating specialist. The two supervisory positions combined were unit chief and section chief.

Because of a shortage of rating specialists, these team members are not performing the other functions of the case manager position. Claims that do not require a rating are typically processed by three staff members.

Staff filling prototype positions volunteered. Therefore, they can be expected to have more interest and enthusiasm for the initiative. Regional office officials said prototype staff are representative of regional office staff in training and experience.

---

GAO Principal Findings—  
Operations

---

- Staff roles broadened for flexibility.
  - Training increased—much OJT.
  - However—
    - More training remains to be done.
    - Some still performing limited tasks.
- 

Most of the technical training to help staff develop the knowledge and skills necessary to perform the tasks in the broader job descriptions is on-the-job training (OJT) within the prototype. For example, only a few staff that transferred to the prototype from the Veterans Services Division received formal training in adjudication procedures.

Much of the classroom training the regional office provided to prototype team members concerned group dynamics and team building. The regional office manager stressed the need for this type of training because of the importance interpersonal relations holds for success of the team approach. Also, adjudicators were given some training in interviewing skills.

To increase the number of rating specialists regionwide, staff selected from both the traditional and prototype units are receiving 1 hour of

---

training each day to develop the skills to be rating specialists. These team members in the prototype unit are then expected to help train other team members.

According to regional office officials, self-directed work teams will ultimately consist of only case managers, each capable of processing a claim from beginning to end.

---

**GAO Principal Findings—**  
**Operations**

---

- Claims folders are colocated with claims processors.
  - Veterans can visit or phone claims processors directly.
  - Prototype space renovated, equipment improved.
- 

Each team member in the prototype has ready access to a telephone for communicating with the veterans. This is not true in the traditional unit.

---

GAO Principal Findings—  
Evaluation/Performance

---

- To date, only key comparisons are timeliness and backlog.
  - Cost per claim calculated, but analysis weak.
  - Quality comparison not valid.
- 

VA headquarters is formally evaluating the New York Regional Office's overall performance during semiannual reviews using traditional measures such as timeliness, backlog, and results of quality assurance reviews. Headquarters staff are also tracking timeliness and backlog for the prototype and for the traditional unit separately.

The regional office noted that if data from the region's May 1994 quality review—covering October 1993 to March 1994—are separated for the traditional and prototype units, they show the prototype's claims processing error rate was less than the traditional unit's error rate. The comparison is statistically flawed, however; the sample used to conduct the review is generalizable to the regional office as a whole, but not to the two units individually.

About 73 percent of the costs included in the prototype's costs calculation was direct personnel and facilities costs. The remaining 27 percent of costs, such as training, travel and management salaries, was allocated proportionally between the traditional and prototype units. It is not clear whether directly allocating all costs for these items for each unit would make the prototype more or less costly comparatively.

---

GAO Principal Findings—  
Evaluation/Performance

---

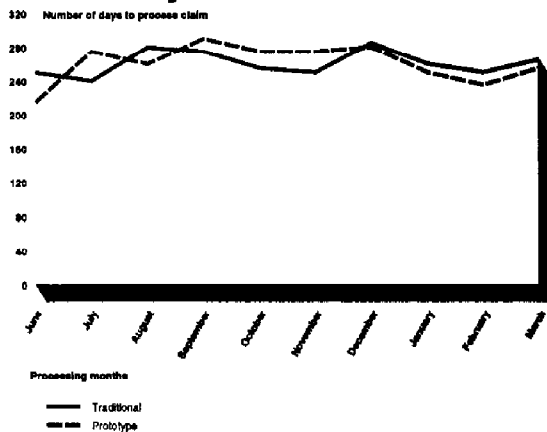
- Timeliness data inconclusive.
  - Some prototype claims partially processed under traditional system.
  - Processing times in both units fluctuated widely.
-

---

GAO Principal Findings—  
Evaluation/Performance

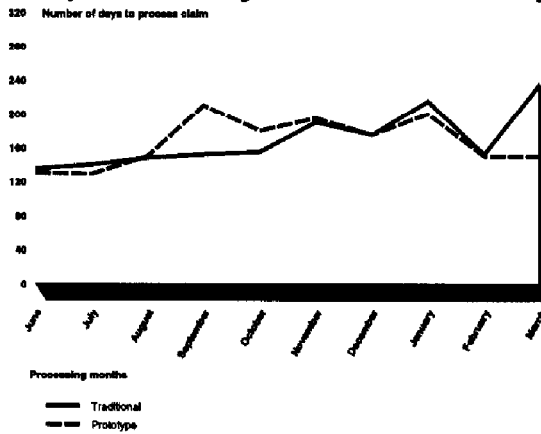
---

Average Processing Times—Original  
Disability Claims



GAO Principal Findings—  
Evaluation/Performance

Average Processing Times—Original  
Dependency and Indemnity Claims





---

**GAO Principal Findings—  
Evaluation/Performance**

---

- Denial practices do not appear to differ between units.
  - Both follow VA manual. Claims denied if evidence not provided in 60 days.
  - Actual close may be longer than 60 days.
  - VSOs saw no difference between units.
- 

VA's claims processing manual instructs regional offices to disallow claims if requested information is not provided on time.

In practice, it may be well past the stated time frame when the regional office acts on a claim for failure to respond to a request for information. The representatives of the two veterans service organizations we spoke with, who were familiar with operation of the prototype and traditional units, told us they did not see any difference between the two in this regard. Our review of records did not allow an assessment of how quickly denials were made for failure to provide evidence.

---

**GAO Principal Findings—  
Evaluation/Performance**

---

- Prototype backlog decreased for four of five claim types.
    - Down 28 percent in the prototype; up 6 percent in the traditional unit.
  - Original compensation claim backlog increased in both.
    - Up 7 percent in the prototype; up 22 percent in the traditional unit.
-

---

**GAO Principal Findings—  
Evaluation/Performance**

---

- Regional officials point to improved services through direct contact with veterans.
  - VSOs cite better service.
  - We observed fewer claimants waiting to be served.
-

---

GAO Principal Findings—  
Future Plans

---

- 100 percent of claims will be under prototype by end of FY 1994.
  - NYRO needs to develop
    - new job descriptions,
    - employee rating and promotion system, and
    - officewide assessment.
-

---

GAO Principal Findings—  
Future Plans

---

- Officewide assessment will include
    - customer and employee satisfaction measures,
    - timeliness indicators,
    - costs per claim analysis, and
    - quality measures.
-

---

# Major Contributors to This Briefing Report

---

Ruth Ann Heck, Assistant Director (202-512-7007)  
Richard Wade, Evaluator-in-Charge  
Steve Morris, Evaluator  
Pamela Scott, Reports Analyst  
Charles Taylor, Senior Evaluator

---

**Ordering Information**

**The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.**

**Orders by mail:**

**U.S. General Accounting Office  
P.O. Box 6015  
Gaithersburg, MD 20884-6015**

**or visit:**

**Room 1000  
700 4th St. NW (corner of 4th and G Sts. NW)  
U.S. General Accounting Office  
Washington, DC**

**Orders may also be placed by calling (202) 512-6000  
or by using fax number (301) 258-4066.**

**United States  
General Accounting Office  
Washington, D.C. 20548-0001**

**Bulk Mail  
Postage & Fees Paid  
GAO  
Permit No. G100**

**Official Business  
Penalty for Private Use \$300**

**Address Correction Requested**

---

