

**GAO**

**Testimony**

Before the Subcommittee on Compensation,  
Pension, Insurance, and Memorial Affairs  
Committee on Veterans' Affairs  
House of Representatives

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For Release on Delivery  
Expected at  
9:00 a.m.  
Thursday,  
June 22, 1995

**VETERANS BENEFITS  
MODERNIZATION**

**Further Service Improvement  
Depends on Coordinated  
Approach**

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Health, Education, and Human Services  
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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to assist the Subcommittee in its assessment of the approach being taken by the Department of Veterans Affairs' (VA) Veterans Benefits Administration (VBA) to reengineer claims processing to improve service to veterans. Specifically, you asked us to outline and update past problems we have identified in VBA's approach toward systems modernization, as well as other initiatives to improve claims processing. In addition, we agreed to evaluate the findings and recommendations of a VBA-initiated study of its modernization effort recently completed by the Center for Naval Analyses (CNA) Corporation.

As my testimony this morning will detail, VA and VBA have taken some positive steps toward service improvement. However, VBA still needs to complete its reengineering efforts in order to ensure the success of the modernization effort. We are anxious to assist VBA by providing knowledge we have gained--both of reengineering in general and of VBA as an institution in particular. At the request of this Subcommittee, we are currently working with VBA to help it identify how to deliver the best service possible at the least cost.

Over the last several years, we have raised serious questions about VBA's overall approach to modernization, as well as its implementation of other initiatives, such as regional office restructuring. These questions point to the need for a comprehensive strategy to ensure the development of a well-designed system that is fully integrated with other initiatives, and to the need for a designated manager to coordinate and stand accountable for all initiatives intended to improve service.

## BACKGROUND

The lives of almost 27 million veterans and their dependents are touched by the Veterans Benefits Administration. One of VA's three major components,<sup>1</sup> VBA delivers nonmedical benefits including compensation and pension (the largest segment), insurance, education, vocational rehabilitation, loan guaranties, and burial services. In fiscal year 1994, benefits totalling more than \$19.4 billion were processed through VA's 58 regional offices nationwide.

In 1990, the Secretary of Veterans Affairs called for fundamental change in the way VBA provides its services to veterans, noting that VA needed to change its business processes and use of information technology. He likewise charged VA's regional offices with implementing innovative changes aimed at speeding the traditionally slow claims-processing system.

To its credit, VBA has responded to the Secretary's call and has taken initial steps aimed at eventual change. For example, it has installed new computer equipment in each VA regional office, which has increased the ease with which information can be accessed. It also has set goals for improved processing times for several key types of claims. Further, it has begun

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<sup>1</sup>The other components are the Veterans Health Administration and the National Cemetery System.

implementing a package of over 40 recommendations submitted by a blue-ribbon panel that was tasked with identifying how claims-processing times and the backlog of disability claims could be reduced. Among other things, VBA has responded to these recommendations by developing four organizational models to guide regional offices in realigning claims processing duties. Finally, VBA's Reengineering Work Group has identified 18 projects to improve VBA's service in all benefit areas.

Although VBA has achieved some reductions in backlog and processing time, by VBA's own estimates, at the end of this fiscal year about 400,000 compensation and pension claims will await action and veterans will wait, on average, over 5 months for decisions about original compensation claims. We do not underestimate the difficulty VBA faces in gaining control over its claims-processing workload, yet such control is critical.

### QUESTIONS ABOUT VBA'S MODERNIZATION STRATEGY

For the past 3 years we have raised questions about VBA's modernization strategy. Key issues include that VBA was purchasing equipment before determining what its business processes should be--in essence putting the cart before the horse; establishing service goals that were not based on customer needs; and performing analyses that did not identify how the new system would improve service. In addition, VBA has been unable to determine what the overall cost and benefits of the new system will be. We have also noted that the role of the Department's chief information resources officer lacks the authority to resolve problems with the modernization effort and ensure that VBA's new system will deliver improved service.

In 1993, VBA established several service-improvement goals to be met by the end of fiscal year 1998. However, these goals were not based on customer expectations or expected process improvements. For example, VA set a goal that an initial compensation claim will be processed within 106 calendar days. However, surveys of veterans performed by both us and VA showed that veterans expect this service to be delivered much faster--within 68 days on average.<sup>2</sup> Currently, VBA is beginning to explore ways to deliver this service within 65 days; however, it has not changed its official service-improvement goal.

In conjunction with establishing service-improvement goals, a thorough analysis of business processes should be conducted. Such an analysis allows an organization to understand how long each step in their process takes and why, and promotes the basis for identifying new ways of doing business. In a May 1994 report, we outlined how leading public and private organizations

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<sup>2</sup>Veterans' Benefits: Lack of Timeliness, Poor Communication Cause Customer Dissatisfaction (GAO/HEHS-94-179, Sept. 20, 1994).

apply information technology to improve mission performance.<sup>3</sup> We concluded that accomplishing order-of-magnitude performance improvements nearly always requires streamlining or reengineering of critical work processes and that information systems projects that do not consider business process reengineering typically fail or reach only a fraction of their potential. VBA has not conducted such an analysis, but we are now beginning to work with them to do so. Further, VBA has not been able to specify overall systems development and life-cycle costs, and expected benefits remain unquantified even though it has conducted over 130 various studies ranging from feasibility and systems design to economic analyses.

In addition to these problems, our work on VBA's modernization effort has noted that the role of the Department's chief information resources officer (1) lacked the authority needed to resolve problems with VBA's modernization effort and (2) had no active role in ensuring that VBA's proposed acquisitions would deliver improved service. Instead, the chief information resources officer's involvement has largely been limited to reviewing procurement documentation for information technology resources. In 1993, in an effort to strengthen Department oversight over information resources management, VA established a senior Information Resources Management Council consisting of Administration heads and assistant secretaries (including the Department's chief information resources officer) to provide guidance and oversight in using technology to improve the quality and efficiency of service to veterans. To date, the Council has made no specific recommendations regarding VBA's modernization effort.

#### NEED FOR ROAD MAP TO IMPROVED SERVICE

We are concerned that VBA is implementing modernization in concert with numerous other initiatives without an overall implementation strategy or adequate approach to evaluate key initiatives, such as regional office restructuring.

VBA has not articulated how each of its key initiatives will work together to reach the overall goal of providing the best possible service to veterans. For example, it is not clear how ongoing changes in regional office alignments will be accommodated in the modernized system as it is being concurrently designed. In the summer of 1994, we discussed with the Department's chief information resources officer this lack of integration and the need for a designated manager to coordinate VBA's various initiatives. He agreed.

Also, VBA's planned approach to evaluating initiatives will need to be strengthened to provide the necessary information to guide continued improvement and ensure accountability. VBA currently plans to assess overall and individual regional office performance in the areas of timeliness, quality, and productivity. It is also developing a customer survey that should enable it to assess and track customer satisfaction as changes are implemented. This approach may

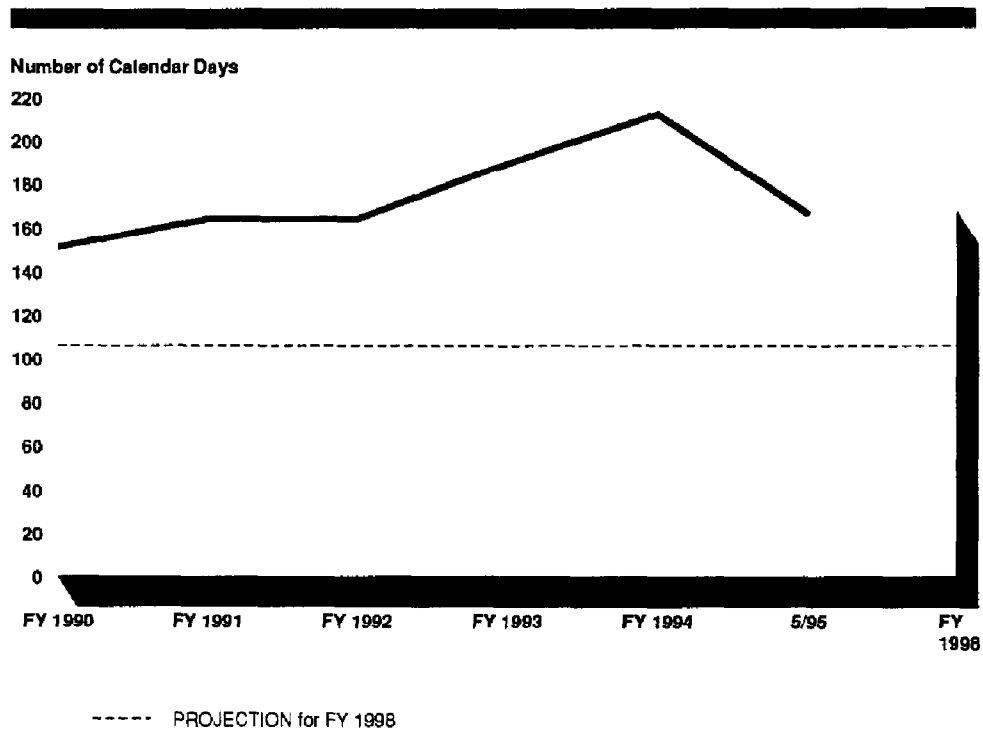
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<sup>3</sup>Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994).

provide VBA with some general knowledge of which offices are improving. However, without an implementation strategy and sound evaluation approach, VBA will not be able to monitor the progress and assess the success or failure of key initiatives, including modernization, or determine the impact of factors beyond its planned actions, such as changes in workload or staff turnover.

The challenges facing VBA can be illustrated by examining the history of VBA's handling of original compensation claims. Figure 1 shows that the number of calendar days it took, on average, to process these claims jumped from 151 days for fiscal year 1990 to 212 days for fiscal year 1994. But then something interesting happened: as of May 1995, the average number of days dropped to 166. Why did this reduction occur? VBA officials cite recent initiatives, including implementing recommendations from the blue-ribbon panel and modernization, as well as other actions--such as increasing the number of raters by 46 percent and instituting stopgap measures, such as overtime and shifting workloads among regional offices. However, VBA cannot determine which of these actions was most influential in helping it improve timeliness, or the cost of these actions. Knowing how such a reduction was attained increases the likelihood that it can be repeated. Additionally, VBA will be able to judge the relative merit and cost-effectiveness of each of its actions.

Figure 1: VA's Processing Time for Original Compensation Claims, 1990-1995



## OTHERS--INCLUDING CNA--VOICE COMMON CONCERNS

GSA and OMB have both expressed concerns with VBA's actions to procure new hardware and software while *concurrently* wrestling with the question of reengineering.<sup>4</sup> In late 1994, VBA tasked CNA with conducting a two-part assessment of its modernization in response to many of these outside concerns. CNA recently completed the first of its two assessments. We reviewed this assessment, which focused on VBA's organizational structures and processes used to plan, integrate, and manage its modernization and found it to be consistent with our prior conclusions. CNA concluded that VBA is trying to accommodate a rate of change that its operational management infrastructure cannot handle effectively. CNA sees VBA as having two choices: continue the current schedule of modernization, with the current level of risk and potentially greater risks ahead; or selectively constrain modernization in the near term while preparing a structure to effectively manage and integrate modernization on a longer term basis. CNA recommended the second option.

Figure 2 illustrates the commonality of concerns shared by us and other organizations that have studied VBA. For example, OMB, GSA, and CNA have all noted that life-cycle modernization costs were indeterminate, and that performance measures were lacking. In May 1994, GSA suspended VBA's delegation of procurement authority for additional computer equipment for a period of 4 months because of concerns with VBA's modernization approach. With this suspension, VBA was prohibited from purchasing this equipment without GSA approval.

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<sup>4</sup>Veterans Benefits: Redirected Modernization Shows Promise (GAO/AIMD-94-26, Dec. 9, 1993).

Figure 2: Concerns With VBA's Approach to Modernization, 1992-1995

	GAO	OMB	GSA	CNA
<b>Strategic Planning</b>	X			X
<b>Process Analysis</b>	X	X		
<b>Service Delivery Goals</b>	X	X	X	X
<b>Performance Measures and Evaluation</b>	X	X	X	X
<b>Acquisition of Information Resources</b>	X	X	X	X
<b>Overall Modernization Costs</b>	X	X	X	X
<b>Systems Development Approach</b>	X			X
<b>Management Infrastructure</b>	X	X		X
<b>Systems Integration</b>			X	X
<b>Overall Integration</b>	X		X	X



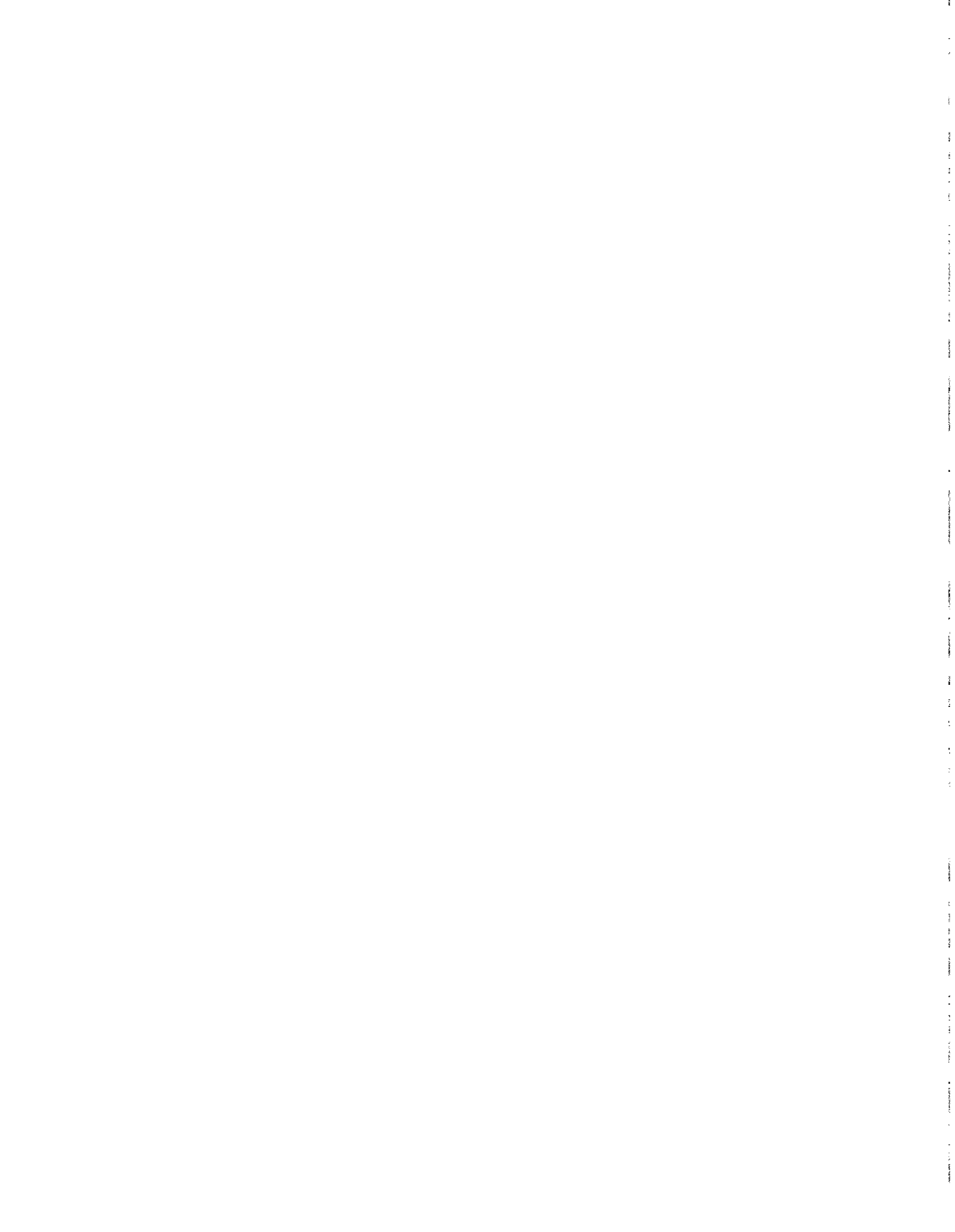
Historically, VA and VBA have generally not agreed with our conclusions and recommendations. However, VA and VBA have recently begun actions to address some of our long-standing concerns--exploring ways to complete initial compensation claims within 65 days, identifying reengineering opportunities throughout the organization, and strengthening the Department's oversight over the modernization, to name a few.

**CONCLUSION: PROCESS CHANGE A PREREQUISITE TO MEANINGFUL IMPROVEMENT**

Mr. Chairman, we appreciate the enormity of the challenge facing VBA. VBA has undertaken numerous actions to improve service to veterans. These actions, however, are not enough. Additional actions must be taken to ensure the probability of success of VBA's modernization effort, including designating a central point of authority charged with making the vision of significantly improved and cost-effective service to veterans a reality. If, after thorough analysis, an overall framework can be created into which individual initiatives can coalesce, the chances of a truly reengineered organization and modernized system making a difference to veterans will be markedly enhanced. We are prepared to support this Subcommittee and VBA in taking on this difficult challenge.

This completes my prepared statement. I would be happy to respond to any questions you or other members of the Subcommittee may have at this time.

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