

PATRICK W. DUNNE, UNDER SECRETARY FOR BENEFITS, VETERANS BENEFITS  
ADMINISTRATION, DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF PATRICK W. DUNNE  
UNDER SECRETARY FOR BENEFITS  
VETERANS BENEFITS ADMINISTRATION  
U.S. DEPARTMENT OF VETERANS AFFAIRS  
BEFORE THE  
SENATE COMMITTEE ON VETERANS' AFFAIRS  
REVIEW OF VETERANS' DISABILITY COMPENSATION:  
FORGING A PATH FORWARD  
JULY 29, 2009

Chairman Akaka, Ranking Member Burr, and members of the Committee:

Thank you for providing me the opportunity to appear before you today to discuss the direction of the Veterans Benefits Administration's (VBA) disability compensation program.

Accompanying me today is Mr. Tom Pamperin, VBA's Deputy Director of Compensation and Pension Service, Policy and Procedures. My testimony will focus on the challenges VBA faces processing claims and what we are doing to overcome those challenges. I will also discuss the status and future of the Disability Evaluation System (DES) Pilot.

#### Addressing Backlog

I fully share the concerns of this Committee, Veterans Service Organizations, and the Veteran community regarding the timeliness of disability benefit claims processing. Our mission at VA is to deliver to Veterans - our clients - first rate care and services. Where we do not meet high standards, as is case with timeliness of benefit adjudication, we will find the root causes and address the issue. Our leadership team is deeply committed to changing the paradigm of today's lengthy and paper-bound disability claims processing.

VBA is completing more claims than ever before. The number of claims completed this fiscal year is 10 percent greater than the same period in fiscal year 2008. We currently have approximately 406,000 disability claims pending in our inventory, which includes all disability claims received, whether pending only a few hours or significantly longer. This entire inventory of pending disability claims is frequently – and incorrectly – referred to as the “claims backlog.” The inventory is dynamic rather than static. Completed claims are continuously removed from the inventory while new claims are added.

VBA's pending inventory of claims is bundled into two categories: rating workload and non-rating workload. The rating workload is composed of original and reopened claims for disability compensation and/or pension. This workload is how VBA traditionally measures its claims inventory. We consider these claims the core of our claims processing activity because they represent Veterans awaiting an entitlement decision for service-connected disability compensation or non-service connected pension benefits. At the end of June 2009, VBA's rating-related inventory was 406,056 claims. Of these, 270,863, or 66.7 percent, were reopened claims,

which include claims for increased benefits, newly claimed disabilities for Veterans who have previously filed claims, or additional evidence submitted to reopen a previously denied claim.

Non-rating workload includes dependency adjustments on active compensation awards, income adjustments on pension awards, and eligibility determinations for ancillary benefits like automobile grants, clothing allowances, and special housing grants. At the end of June 2009, the non-rating inventory was 219,124 claims. This portion of VBA's workload varies during the year due to the cyclical nature of the income and eligibility verification processes associated with pension workload. During the second and third quarter of the fiscal year, inventory typically fluctuates by as much as 50,000 claims.

The steady and sizeable increase in workload is a significant challenge in improving service delivery of compensation and pension benefits. During fiscal year 2008, VBA received 888,000 rating claims and 755,000 non-rating claims for a total of more than 1.6 million. In the third quarter ending June 30, we completed over a quarter of a million rating-related claims and nearly 210,000 non-rating claims. We currently average over 80,000 new rating-related claims added to the inventory each month, and we project we will receive nearly one million new disability claims this year. Rating-related claims received are up 14.5 percent compared to the same period in fiscal year 2008. Despite a 10.3 percent increase in claims completed, the rating-related inventory has increased from 379,842 at the end of fiscal year 2008 to 406,056 at the end of June 2009.

Although the inventory of rating claims has increased by approximately 26,000 this year, we have made progress in improving the timeliness of our decisions. VBA has improved average days to complete on rating claims from 178.9 days at the end of fiscal year 2008 to 161.3 days at the end of June 2009. We have made similar progress in improving non-rating timeliness from 109.4 days at the end of fiscal year 2008 to 88.9 days at the end of June 2009. The combined fiscal year 2009 timeliness for all rating and non-rating claims completed through June 2009 is 129 days.

VBA's strategic goal for completing disability claims is 125 days. We therefore consider all disability claims pending for more than 125 days to be our "claims backlog." At the end of June 2009, 144,652 rating claims, or 35.6 percent of the inventory, were pending for more than 125 days.

We acknowledge that our disability claims workload is increasing, which we believe is largely due to VBA's many outreach efforts. Our disability claims receipts this year are up 13 percent over the same period last year. We have conducted thousands of transition briefings, including pre- and post-deployment briefings for Reserve and National Guard members and briefings for military personnel stationed overseas. All separating servicemembers are encouraged to attend Transition Assistance Program (TAP) briefings to learn about the benefits available to them and receive assistance in applying for their benefits. We project we will brief over 300,000 new Veterans this year.

Serving our seriously injured servicemembers returning from the current conflicts remains our top priority. The average time to complete these claims is 45 days. All of these efforts are a part

of a dynamic shift to an organization that advocates and reaches out to Veterans to inform them of their benefits and to assist them in applying for them.

#### Improvement Initiatives

VBA is aggressively hiring across the nation, and we have hired nearly 4,200 new employees since January 2007. Because it takes at least 2 years for a new employee to become fully trained in all aspects of claims processing, we are only now beginning to see the full impact of those employees hired at the outset of our hiring initiative. We completed 10.3 percent more claims through June 2009 than we completed in the same period during 2008, and 19.6 percent more than the same period in 2007. Our newly hired workforce will continue to progress in delivering more decisions to Veterans.

In order to leverage the knowledge and experience of recently retired claims processors, VBA hired more than 100 recent retirees as rehired annuitants. Rehired annuitants assist in completing rating decisions and train and mentor new employees.

In September 2008, VBA partnered with Booz Allen Hamilton (BAH) to conduct a review of the rating-related claim development process to provide recommendations to improve the process with an emphasis on cycle time reduction. During its study, BAH interviewed VBA leadership, conducted site visits to regional offices, and met with front-line employees. At the conclusion of its review, BAH recommended VBA apply Lean Six Sigma production practices to claims processing to facilitate claims movement, thereby reducing processing time. On July 20, we began a pilot to implement BAH's recommendations.

#### Information Technology Modernization

VBA is taking additional initiatives to improve claims processing. We are modernizing our information technology by investing in the migration of compensation and pension claims processing to a paperless environment. We have successfully used imaging technology and computable data to support claims processing in our Insurance, Education, and Loan Guaranty programs for many years.

Our core information technology modernization strategy includes implementing a business model for compensation and pension claims processing that is less reliant on the acquisition and storage of paper documents. Our comprehensive plan, the Paperless Delivery of Veterans Benefits Initiative, will employ a variety of enhanced technologies to support end-to-end claims processing.

In addition to imaging and computable data, we will incorporate enhanced electronic workflow capabilities, enterprise content and correspondence management services, and integration with our modernized payment system. We are also exploring the utility of business-rules-engine software for both workflow management and improved decision-making by claims processing personnel.

#### Business Transformation Efforts

While the use of advanced technologies is critical to our service-delivery strategy, we must also address our business processes. To that end, VBA developed strategic partnerships with two recognized experts in the field of organizational transformation. MITRE Corporation, a manager

of Federally Funded Research and Development Centers, has been supporting VBA on the VETSNET project since 2006. MITRE is now actively providing strategic program management support, as well as support for the overall Paperless Initiative, addressing multiple areas of focus.

Additionally, BAH was recently engaged by VBA to provide business transformation services. BAH assists VBA in business process re-engineering, organizational change management, workforce planning, and organizational learning strategies to ensure that VBA positions itself to take best advantage of the technology solutions being developed.

Our comprehensive transformation strategy also includes designating the VA Regional Office in Providence, Rhode Island, to serve as our Business Transformation Lab. The Business Transformation Lab will serve as the focal point for convergence of process re-engineering and technology. This designation assures that VBA will optimize service delivery and then develop and deploy best practices throughout the organization.

We recognize that technology is not the sole solution for our claims-processing concerns; however, it is the hallmark of a forward-looking organization. Our paperless strategy combines a business-focused transformation and re-engineering effort with enhanced technologies, to provide an overarching vision for improving service delivery to our nation's Veterans.

#### Disability Evaluation System (DES) Pilot

The Departments of Veterans Affairs and Defense continue to work collaboratively to enhance the transition of servicemembers to successful civilian lives. We work together through the Benefit Delivery at Discharge (BDD) and Quick Start programs for servicemembers separating or demobilizing from the active force, the joint DES pilot, and the development of the combat-related catastrophically disabled Expedited DES process.

Since March 2007, the two Departments have engaged in unprecedented joint efforts to resolve concerns about the process through which servicemembers are released from active duty due to disability. Following detailed collaborative analysis, the two Departments deployed a revised DES process in November 2007 at the three Military Treatment Facilities (MTFs) in the National Capital Region. VA believes the revised pilot is a better process for servicemembers and our respective Departments.

VA is involved at the earliest stages of the process by interviewing servicemembers and taking claims for both the potentially unfitting and other potentially qualifying disabilities. Examinations are conducted in accordance with established VA protocols for all potentially unfitting and claimed conditions. If the Military Department's Physical Evaluation Board (PEB) determines the member to be unfit, VA prepares a single rating that is binding on both Departments.

The revised pilot process has been faster and more transparent than the traditional process and has reduced appellate activity. Based on findings to date, the two Departments are expanding the pilot. The pilot is now the standard process at 21 MTFs, accounting for almost 30 percent of all servicemembers going through the DES process.

As of July 12, 2009, over 3,000 servicemembers enrolled in the pilot, and 560 servicemembers completed the process. The servicemembers who completed the process includes 179 retained by the Services, 230 retired, and 57 separated with severance pay. Separated and retired servicemembers are informed of entitlements from both Departments when they are notified of the PEB's decision.

#### Conclusion

VA's goal is to transform to a 21st century organization that is Veteran-centric, results-driven, and forward-looking. We have initiated a plan to address this issue in a more aggressive fashion, which includes development of a paperless benefits delivery system that will integrate the latest technologies with redesigned business processes. We are examining automated decision-support programs to enhance decision-making and evidence gathering, as well as streamline the claims workflow. We look forward to working with Congress, the Department of Defense, and the Department of Homeland Security in the continuing transformation of the DES to meet the needs of 21st century Veterans and their families.

Mr. Chairman, this concludes my testimony. I will be happy to respond to any questions that you or other members of the Committee have.