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Testimony

of

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Mr. Chairman, Ranking Member Burr, and members of the Committee, I appreciate the opportunity to testify today on behalf of the National Academy of Public Administration as to the Academy's perspective on the efforts of the Department of Veterans Affairs to transform its claims process. This is an important topic to our nation, to the veteran community and to me personally. I am a former career employee of the Department of Veterans Affairs who was honored to serve as the Undersecretary for Benefits from 1997 to 2001. As a Vietnam veteran, I was fortunate to have the programs our Nation provides to help returning service members available to me. Without hesitation, I can say these programs have served our Nation well and transformed the lives of countless veterans and their families. I am one of those whose life was made immeasurably better because of the help I received from VA. Since retiring, I have had the opportunity to work with leaders in a number of Federal agencies on business process improvements, primarily as a senior advisor at the National Academy. It is in that capacity that I am here today.

Established in 1967 and chartered by Congress, the Academy is an independent, non-profit, and non-partisan organization dedicated to helping leaders address today's most critical and complex challenges. The Academy has a strong organizational assessment capacity; a thorough grasp of cutting-edge needs and solutions across the federal government; and unmatched independence, credibility and expertise. Our organization consists of nearly 800 Fellows—including former cabinet officers, Members of Congress, governors, mayors, and state legislators, as well as distinguished scholars, business executives, and public administrators. The Academy has a proven record of improving the quality, performance, and accountability of government at all levels.

The Academy has had the great privilege of working with VA on a number of critical issues. From 2007 to 2011, the Academy provided advice on how VA can improve its service to veterans and sustain a process of continual improvement; strengthen its Fee Care Program; and develop effective national strategies to recruit and retain a high-performing, diverse workforce. Specifically, the Academy established independent Panels to help VA in the following areas:

- **Analysis of the Veterans Health Administration Non-VA (FEE) Care Program**. The Academy conducted an independent study to analyze the current organizational model supporting the Non-VA Care (FEE) Program, with the objective of providing the Veterans Health Administration with options on the most efficient model for the future. This assessment evaluated other federal and commercial health care programs, compared these programmatic structures with the current structure, and assessed how other models might improve outcomes. The Panel issued a number of practical recommendations for how VHA could improve the management of this program.

- **After Yellow Ribbons: Providing Veteran Centered Services**. As part of a broader effort to help VA improve its service to the new and preceding generations of veterans, in 2008, Congress asked the Academy to study the management and organizational challenges facing VA. The Academy conducted research and developed extensive knowledge of VA, which was applied to assess the effectiveness of VA's organizational structure, management, and coordination processes, including seamless transition, used by VA to provide health care and benefits to active duty personnel and veterans, including returning Iraq and Afghan war veterans. The Academy Panel focused on the need to ensure coordinated and effective services for those who return to civilian life after having been severely injured while in combat. The Academy Panel's

report recommended actions to improve service to veterans and sustain a process of continual improvement.

- ***Recruiting and Retaining a Diverse High-Performing Workforce***. In September 2007, VA sought the Academy's assistance to help address its national and local-level diversity disparities, as well as diversity among its Senior Executive Service leadership. VA sought an independent and objective analysis of its current practices to ensure that the agency is able to acquire and retain the talent vital to achieving its current and future core missions. The Academy Panel identified an opportunity for VA to reshape the workforce; improve diversity; and strengthen the healthcare, administrative, and leadership pipelines needed to ensure the right competencies are in place for the future. A specific area of emphasis involved identifying recruitment and retention challenges that confront VA for its mission-critical occupations as it seeks to improve the diversity profile and strengthen the performance of its leaders and workforce. The Panel developed a barrier analysis methodology, tools, and strategies to assist VA in identifying structural, personnel availability, and attitudinal barriers.

The Veterans Benefits Administration (VBA) has embarked on an important change to automate and improve its claims processing and has identified ambitious processing goals to achieve by 2015. The Agency has taken some positive steps in designing and implementing a dramatic transformation of its claims processing system, but its ability to deliver will depend on its successful adoption of change management practices, as well as continuing support from veterans service organizations, Congress and the Administration.

As part of my testimony today, I will examine some the challenges facing VBA's claims processing; discuss key principles of strategic planning and change management, including effective practices elsewhere in the federal government; and offer advice on how VA, the Administration, and the Congress can best move forward in this critical area. The Academy's Congressional charter precludes the organization itself from taking an official position on legislation, and my testimony does not represent an official position of the Academy.

### *"TO CARE FOR HIM WHO SHALL HAVE BORNE THE BATTLE..."*

The Obama Administration has stated, "[w]e have a sacred trust with those who wear the uniform of the United States of America. For their dedicated service defending the United States, veterans receive an array of benefits and services."[1] It is important to ensure that we have a claims processing system that honors this trust. In essence, VA is charged by the American people with fulfilling the social contract that arises when a young enlistee raises his or her hand and swears an oath to "support and defend the Constitution of the United States against all enemies….". Whether debilitating wounds suffered in combat or injuries suffering in furthering the mission of the United States military, disabled veterans have earned their benefits through their service.

Deciding veterans' disability claims has always been a complex and time-consuming task. New laws, court cases, and new program requirements each add to the difficulty and length of the process. In the post-9/11 world, VBA faces major claims processing challenges driven by several factors: *a surge in claims* both from newly separated Iraq and Afghanistan veterans as well as claims from older veterans, including many thousands of dioxin exposure-related claims from Vietnam veterans; *increasing*

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[1] http://www.whitehouse.gov/omb/factsheet_department_veterans

complexity of claims such as traumatic brain injury, as well as a significant increase in the number of claimed disabilities to be decided in each claim; *new laws and precedential court cases* which have driven claims volume increases and processing delays; and difficulties in implementation new technologies.

These challenges threaten VBA's ability to meet its obligations to process veterans' claims in a timely manner. Figure 1 shows the downward trend in the veteran population from 2000 to 2036, a decline which began over three decades ago. With a declining slope, the normal expectation would be for a commensurate decline in VBA's workload. The opposite is true. Driven by the increase in claims and the growing complexity of the claims processing environment, VBA's workload is actually increasing, and has been doing so for many years.

Projected Veteran Population 17 Years and Older: 2000 to 2036

22.7 million
(as of 9/30/2010)
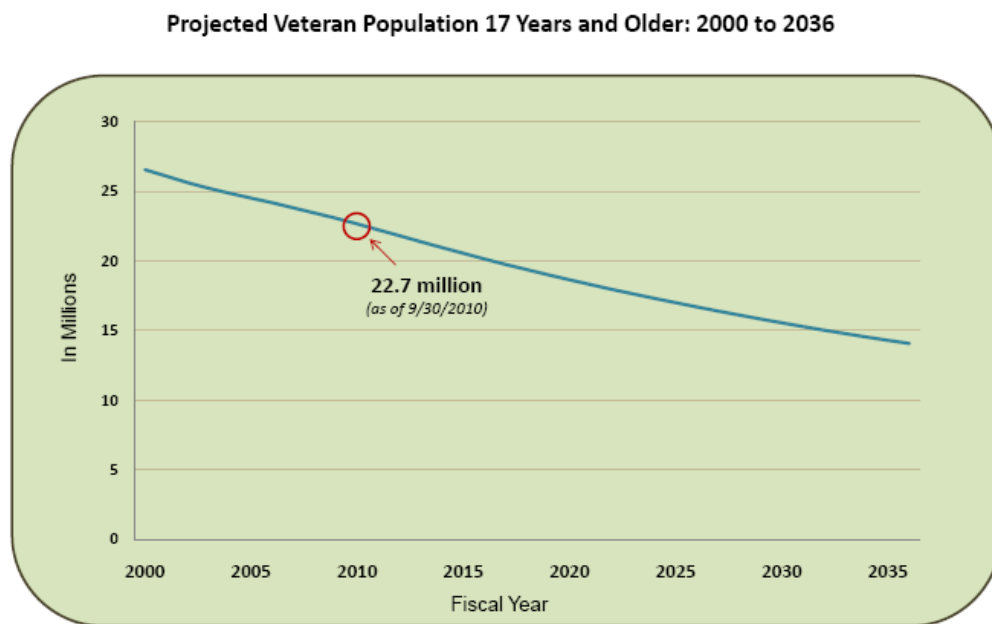
Source: Department of Veterans Affairs, Office of the Actuary, Veteran Population Projections Model (VetPop), 2007, Table 5L.

Figure 1. Projected Veteran Population (2000 to 2036)

VBA's total claims processing capabilities have grown significantly over the last decade. Unfortunately, the claims work has grown even faster. Overcoming this daunting complex of challenges facing VBA will require transformation—an integrated set of changes in organization, process, workflow, people/skills, technology, and culture.

VBA'S PLAN TO ELIMINATE THE BACKLOG

In January 2013, VBA released a plan, *Department of Veterans Affairs Strategic Plan to Eliminate the Compensation Claims Backlog* that outlines the efforts to eliminate the claims backlog and improving decision accuracy to 98 percent in 2015. Those are very ambitious goals and to achieve them, not only is a robust and thoroughgoing plan necessary, everything will have to go exactly according to that plan or the organization will have to be extremely agile in dealing with the exigencies.

VBA's plan identifies strategies in three major areas—people, process, and technology—that are the key levers of organizational change. This is a fundamentally sound approach. Not only are these areas essential to any large-scale organizational change process, they all have a symbiotic relationship with each other:

✓ The "people" approach has four cornerstones: improved training; case management of claims; cross-functional teams to handle the claims work; and triaging claims into those which can be done quickly, those that require special handling, and everything else. Each of these areas has been used successfully in many organizations and I believe can be helpful to VBA in getting its work done:

- Training is a key lever because of the wholesale change VBA is undergoing. Keeping up with process and technology changes alone will be take considerable work but is absolutely essential to organizational progress.

- Case management and cross functional teams are, in my opinion, the best way to handle anything as complicated as a veteran's disability claim. The ability to have "end-to-end ownership" of a claim as well as a having a VA advocate to help the veteran through this complicated process are both extremely worthwhile efforts that should fundamentally improve service to veterans and their families

- Triaging can also be very helpful to increase productivity and reduce cycle times. The dangers in its use is that it can lead to "cherry-picking" the easiest claims and sometimes results in employees being pigeonholed in single purpose jobs over extended periods of time.

✓ The "process" approach is concerned with improving fundamental business processes. The initiatives described include:

- Disability Benefits Questionnaires (DBQs), which are forms that physicians complete during an exam that contain explicit medical information needed to decide a disability compensation claim. This is a good idea that should improve productivity and reduce processing times provided there is widespread utilization. This is a good first step but in order to provide the basis for transformational change, the data on the form could automatically populate VBA's claims processing system and generate a prospective award that a claims processor can approve or amend, as necessary. This would reduce an enormous amount of time required to re-key the data when it is received from the physician and significantly shorten the ratings process.

- Simplified Notification Letters initiative, which automatically generates the text for veterans' claims decision letters, is also on the right track in terms of saving time and effort. A suggested metric VBA might want to use to evaluate this new process would be to track the percent of veterans receiving the letter who have follow-up inquiries or appeal their claims, i.e., are they more or less satisfied with the information they receive through this new process as opposed to those veterans serviced under the old process?

- Fully Developed Claims are also a good step to reducing cycle times but the volumes are disappointing. VBA's look to incentivizing the process is a good step to take because every claim that comes in under this process is not only a time and resource saver for VBA but is also a significant improvement in the service provided to veterans.

- Data exchanges with other federal entities is absolutely necessary and is an area which the Congress and the Administration can play a key role in helping to convince some of these other agencies to cooperate with VBA in building these new systems. It has to be extraordinarily

frustrating in the year 2013 for VBA field staff to have to use fax machines and search for unlisted phone numbers to secure information to help veterans.

✓ The "technology" approach centers on the development and implementation of the Veterans Benefits Management System (VBMS), which is a web-based, electronic claims processing system. This centerpiece of VBA's technology approach has enormous potential to improve claims processing but is not meeting its initial milestones. This will likely prove to be the single most important change VBA is currently undertaking.

A second technology effort involves the Veterans Claims Intake Program (VCIP), which is an effort to scan claims folder documents into an electronic environment. Having these scanned claims images will provide VBA with flexibility in terms deciding how and where work gets done and should reduce the amount of lost or misplaced documents but it probably will not help improve productivity significantly. Looking at a scanned image instead of a piece of paper does not necessarily make a claims examiner's job any faster. The true productivity boost for "electronic documents" will come when their data automatically populates VBA's claims records.

KEY STRATEGIC PLANNING AND CHANGE MANAGEMENT PRACTICES

The transformation of VA claims processing is an important and ambitious undertaking. VA has engaged in large-scale transformations before—most notably, during the 1990s when VHA transformed the veteran healthcare system into a high-quality healthcare benchmark for the nation. At that time, both internal and external stakeholders realized that the status quo would not get the job done and that fundamental change was necessary. While creating new organizational structures, such as VISNs, the Undersecretary for Health decentralized power to the field and established robust performance measures to ensure accountability. The external environment, the leadership, and the organizational design were all positive contributors to the transformation.

In order for the promise of the claims processing transformation to be fully realized, VA will need to adopt effective strategic planning and change management practices. Both OMB and GAO have produced guidance for the development and content of strategic plans.[2] The Government Performance and Results Act of 1993 mandated that every major federal agency develop a mission statement, set goals, measure performance, and report accomplishments. The practice of requiring strategic plans for components within agencies was a natural outgrowth of this requirement since component strategic plans are the key to ensuring the achievement of agency-wide objectives.

In its *Executive Guide,* GAO cites the following practices as critical to successful strategic planning:

- Stakeholder involvement, including Congress and the Administration, state and local governments, third-party providers, interest groups, agency employees, fee-paying customers, and the public;
- Assessment of the internal and external environment continuously and systematically to anticipate future challenges and make future adjustments so that potential problems do not become crises; and
- Alignment of activities, core processes, and resources to support mission-related outcomes.

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[2] See OMB Circular No. A-11, Part 2 and GAO, Executive Guide: Effectively Implementing the Government Performance and Results Act, GAO/GGD-96-119, June 1996.

Successful strategic planning practices:

- Present a comp**r**ehensive mission statement.
- Establish long-term goals for all major functions and operations.
- Identify approaches and strategies to achieve the goals and objectives and obtain the various resources needed.
- Document the relationship between long-term goals/objectives and annual performance goals.
- Identify key factors external to the agency and beyond its control that could significantly affect achievement of the strategic goals.
- Describe how program evaluations have been used to establish or revise strategic goals, and a schedule of future program evaluations.

Strategic plans are important, but it is necessary for departments and agencies to be able to make ongoing adjustments. As a military strategist once noted: "No battle plan survives contact with the enemy." It is important for planning to be fluid and flexible enough to respond to an evolving environment and given the history of veterans programs, it would be surprising if there wasn't some important development that fundamentally impacted the veterans claims processing world.

Leadership plays an even more important role in bringing about fundamental change than the strategic plan. There are some well established principles for leading change management including:

- *Ensuring top leadership drives the transformation.* Strong and inspirational leaders are indispensible in any organization, especially those organizations undergoing large-scale transformations.
- *Establishing a clear vision and integrated strategic transformation goals.* Successful transformations depend on developing and continuously communicating the overarching vision and strategic goals of the future state organization.
- *Redesigning organizational structures, if necessary, to enable the vision.* Wholesale change requires a careful examination of organizational structure and processes to determine if these need to be revised to facilitate this transformation.
- *Creating a sense of urgency, implement a timeline, and show progress from Day One.* Change management thought leaders agree that a primary driver of a successful transformation effort is identifying a high-level of urgency throughout the organization.
- *Charting the course with a clearly-defined timeline and details of the progress* are essential for supporting the change initiative and instilling buy-in throughout the affected stakeholder community.
- *Communicating frequently through multiple channels to multiple stakeholders.* Successful change initiatives are driven by a comprehensive, consistent communication strategy that strives for both understanding and buy-in.
- *Dedicating a powerful implementation guidance team to manage the transformation process.* Large-scale change does not happen without a powerful guiding force and a fragmented management team cannot do the job.
- *Engaging employees to seek their improvement ideas, build momentum, and gain ownership for the transformation.* Successful transformations involve employees from the beginning to gain their ownership for the changes occurring in the organization.

- *Sustaining the effort.* A successful organizational transformation requires the adoption of a new culture and changes will be permanent only if employees are able and willing to embrace a new set of values and norms.

While the Academy has not systematically reviewed VBA's current change management efforts, a review of the literature produced by the Agency as well as reports and studies suggest that the leadership is well-versed in these concepts and is, in fact, following many of the principles noted above. It is also apparent that VBA leaders both in Headquarters and in the field are working hard to bring about the transformation. The breadth and scope of what is underway is massive. There are, however, a number of cautionary notes that are offered for consideration regarding the transformation process underway:

➢ The Agency does not appear to have much, if any, surge capacity—that is, the ability to bring additional resources to bear if an exigent circumstance arises that impacts workloads. This can be discerned from reviewing GAO and VAOIG studies as well as looking at VBA's published performance reports. It is not clear what will happen if there is some "seismic shock" to the workload akin to what happened with the Veterans Claims Assistance Act of 2000 or the "Nehmer" cases VBA recently completed or even small but significant shocks.

➢ Technological advances are the key to VBA's future. It is likely that VBA's future, in terms of the increasing complexity of claims, is likely to resemble its past. In these times of budget austerity, the only way to ensure that you have the capability to deal with growing or changing workload will be to have the electronic tools that not only make the work faster and more accurate but also allow for more organizational agility in terms or adapting to the ever-evolving environment. Having digital claims records, using rule-based claims development and processing tools and communicating and exchanging information with key claims information providers will transform the operation.

➢ Technological changes being implemented not only have enormous potential to make claims processing better in the long run, but also have an even greater chance of making claims processing more difficult in the short run. This is practically a truism for large-scale information technology initiatives, and VBA would hardly be the first federal agency to face this situation. Whether due to staff downtime to learn new processes, insufficiently tested software, poor interfacing between the new technology and the old processes or any number of other "glitches," there is always an excellent chance that the new systems do not, in the short run, live up to expectations. Some of the development difficulties with VBMS are testimony to that.

➢ Implementing large-scale change during periods of high workload volumes is always a careful dance involving moving ahead with planned changes while simultaneously trying to not seriously disrupt workflow. This can be a dilemma for any leader but given the extreme amount of work in the pipeline and the comprehensiveness of their planned changes, it is particularly challenging for VBA. It is important during such times to have good communications with the people implementing these changes—the field staff in regional offices, both leaders as well as rank and file staff. It is also important to take the time to assess and reassess the actual impacts of the changes in real time and to also determine the cumulative impacts of the changes.

➢ Keeping the focus on the quality of the claims decision-making process is critical. When workloads remain high and major new processing changes are implemented, the emphasis often moves to meeting production goals, sometimes at the sacrifice of quality. VBA leaders have high goals set for quality but as workload continues to remain high, they will have to be vigilant to make sure this does not lead to declines in quality.

➢ The performance targets set for 2015—elimination of the 700,000 claims backlog and making decisions at a 98% accuracy rate—are indeed stretch goals. In order to accomplish them, every initiative will have to have worked precisely as planned. To make this happen, VBA will have to work extremely hard, avoid any serious changes to the claims processing environment and have the support of all the stakeholders in this room today – Congress, the Administration, VSOs, and other elements of VA.

VBA's greatest strengths are its people and its mission. The benefits programs VBA administers were signed into law by presidents Washington, Madison, Lincoln, Wilson and Franklin Roosevelt. For over two centuries, these programs have succeeded in transitioning generations of warriors successfully back into civilian society and VA leaders should take every opportunity to remind employees of the Agency's rich history. They also need to remind staff that people who come to VBA for help are dealing with some of the most significant events in life: disability, illness, death, buying a home and going to school. The actions of VBA employees make a critical difference in the lives of these veterans and their families. This is no less true today than it was 200 years ago. An ongoing and consistent message to reinforce that fact can be an important driver for bringing about transformational change.

Mr. Chairman, that concludes my written statement, and I would be pleased to answer any questions you or the Committee members may have.