

REVIEW OF VETERANS' CLAIMS PROCESSING:  
ARE CURRENT EFFORTS WORKING?

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WEDNESDAY, JULY 14, 2010

United States Senate,  
Committee on Veterans Affairs,  
Washington, D.C.

The committee met, pursuant to notice, at 9:30 a.m., in Room 418, Russell Senate Office Building, Hon. Daniel K. Akaka, chairman of the committee, presiding.

Present: Senators Akaka, Brown of Ohio, Webb, Tester, Begich, Burr, Burr, Johanns, and Brown of Massachusetts.

OPENING STATEMENT OF CHAIRMAN AKAKA

Chairman Akaka. This hearing of the Senate Committee on Veterans Affairs will come to order. Aloha and good morning to all of you here.

This morning, the committee continues our work on reviewing the VA Disability Compensation System. Having had several hearings on many aspects of the claims problem, I can say with certainty that it is the most challenging problem facing VA today.

Compensating disabled veterans is among VA's most solemn obligations, and fixing the current system demands our very best thinking. VA's Veterans Disability Compensation System consists of two separate but linked

elements: One, how VA compensates veterans with service-connected disabilities; and two, how VA processes claims from individuals regarding those abilities. Today, we will focus on claims processing and hear about the several of VA's short- and long-term claims processing improvement initiatives, some of which are showing process.

Agreeing on the desired outcome of claims processing is easy. Timely and accurate resolution of claims, how VA meets that goal is, of course, the issue. We cannot continue to accept a flawed system because we have not been able to agree on the perfect solution or because changing the system will be difficult.

Last month, I introduced a bill intended to move the discussion forward. The proposed Claims Processing Improvement Act of 2010, which is S. 3517, draws from recommendations from Veterans Service Organizations, years of committee oversight, and proposals from the administration. Since we have ample discussion on the bill during today's hearing and in the time before the committee considers the bill in early August, I will highlight just a few of the elements.

The central part of S. 3517 is a pilot program that is intended to have VA test some significant modifications to the current system for rating disabilities. This provision would require VA to use universally accepted medical codes

to identify disabilities and develop a new method of rating claims. The current system is outdated and frequently overly complicated. Because over 50 percent of veterans from the current conflicts who have received VA health care have muscle and skeletal conditions, the pilot program would begin with conditions in this area.

S. 3517 would also allow VA to issue partial ratings so veterans with multiple disabilities can start to get compensation and health care earlier. The bill also would establish a fast track for fully developed claims, so claims that are ready for approval do not have to wait to be completed. VA would also give equal deference to private medical opinions during the rating process. Right now, private medical opinions carry little weight.

The bill also includes a number of other changes to cut down delay and replace red tape with common sense solutions. I look forward to hearing from the witnesses and my colleagues on how we can improve or add to those provisions. I am open to workable changes.

Finally, I note that a year and a half into this administration, VBA lacks a confirmed Under Secretary for Benefits. This lack of leadership comes at a very pivotal time for VBA and must be resolved quickly.

Again, I welcome everyone to today's hearing and look forward to testimony from our two panels and to continuing

to work with the many interested parties as we seek to craft a workable reform of the VA Disability Compensation System.

And now I will call on our Ranking Member, Senator Burr, for his opening remarks. Senator Burr?

OPENING STATEMENT OF SENATOR BURR

Senator Burr. Thank you, Mr. Chairman. Aloha. Chairman Akaka. Aloha.

Senator Burr. Mr. Chairman, good morning. Welcome to our witnesses, our VA panel. We thank all of you for joining us today to discuss the ongoing efforts to improve VA's delivery of benefits to our nation's veterans, their families, and their survivors.

It is clear that many of our veterans and their survivors are not well served by the current claims process system, which has been plagued by backlogs, delays, and inaccurate decisions. As the Government Accountability Office put it, and I quote, "VA has faced challenges not only in decreasing the time it takes to decide claims, but also with improving accuracy and consistency."

In recent years, Congress has mainly responded to these problems by adding additional funding for more claims processing staff, which has more than doubled in the last ten years. But as staff indicated, individual productivity has dropped. Quality has dropped, and the backlogs have been increasing. And with even more staff increases

requested for fiscal year 2011, VA is expecting the backlog to nearly double and the delays to increase by almost 30 days. I have said this before and I will say it again, that staffing alone is not the answer to this chronic problem. We must try new approaches.

As we will hear today, VA has a number of initiatives underway to try to find a different solution. I appreciate these efforts and look forward to hearing more about them. For starters, I want to discuss how to determine if these initiatives are, in fact, successful, when those determinations should be made, and more importantly, when veterans and their families will start to see improvements in the delivery of their benefits.

Also, in delivering a path forward, I think it is important to rely on the knowledge and experience of the individuals who deal with the VA system every day. That is why in April I held a roundtable-style meeting with a number of stakeholders to discuss how they think the system should be improved. They provided a number of constructive suggestions, such as simplifying the Disability Rating Schedule and improving the communications with veterans. I have also heard suggestions from service officers in North Carolina such as focusing additional resources on the front end of the process so more of the incoming claims will be accurate and complete. Today, I hope to discuss those and

other ideas for bringing timely, quality decisions to our nation's veterans.

To that end, we should also consider whether there are any common sense legislative changes that could help streamline this cumbersome system. But in doing so, we should carefully consider whether legislation will lead to lasting improvements in the delivery of benefits and whether it will have any undue impact on veterans or on the claims process and appeal system.

Mr. Chairman, finding ways to fix the chronic problems with VA's claims processing must be a top priority so the men and women who have sacrificed for our nation will not face hassles and delays in accessing the benefits they need, and more importantly, they deserve.

To do this right, the committee, VA, the veterans organizations, and other stakeholders must work together to identify the best approaches for updating and streamlining the system. So I look forward to a productive discussion today and to work closely and collectively to make this system work better for our veterans and for their families in North Carolina and across the nation. Again, I welcome our witness.

I thank the Chair.

Chairman Akaka. Thank you very much, Senator Burr.

Now we will hear the opening remarks of Senator Brown

of Ohio.

OPENING STATEMENT OF SENATOR BROWN OF OHIO

Senator Brown of Ohio. Thank you, Mr. Chair. Aloha and thank you for your work on this important issue. Your leadership, particularly with the introduction of the Claims Processing Improvement Act of 2010, illustrates the commitment needed to end this ongoing injustice. I understand you are continuing to make improvements in the bill. I look forward to working with you on its passage.

Unfortunately, we know that the backlog problem is not new. Eight years ago, June 6, 2002, Under Secretary for Benefits Daniel Cooper testified before the House Subcommittee on Benefits and he said, "The three priority areas where we are focusing our attention are, one, reducing the size of the backlog and the time veterans must wait for decisions on their claims; two, ensuring high-quality decisions while producing large numbers of claims; and three, establishing greater accountability and consistency in regional office operations," unquote. It is either back to the future or we never left the past.

Today, we look forward again to hearing about reducing the backlog, ensuring quality decision making, establishing greater consistency and accountability. Veterans have a right to be skeptical. Like us, they have heard this before. For too many years, we have heard the bureaucratic

fast talking about how VA had a plan to solve the backlog, but it apparently never did and we know, painfully, the backlog continues.

Claims that are easier for the veteran to understand and for the VA to process will result in fairer and clearer results. It would help reduce the appeals backlog and provide veterans better answers on the front end. We know what happens when this doesn't happen.

A veteran in Dayton, Ohio, contacted my office in December 2007 for help with his VA claim. After two-and-a-half years of appeals, paperwork, Congressional intervention, bureaucratic runaround, he was finally awarded 80 percent service-connected disability from the VA. His conditions included diabetes, cancer, mellitus Type 2, hypertension, and diabetic retinopathy. While he is finally getting his earned benefits, the system clearly isn't working when it delays and compounds the physical and emotional stress that too many veterans already experience.

This is one veteran. We have heard it from constituents with similar stories in Nebraska, North Carolina, Hawaii, and all over this country. All of our reactions are the same. This can't be allowed to happen. It must never happen.

I have talked many times with Secretary Shinseki about his plan to end the backlog by 2015. Unlike the other plans



we have heard in the past, he is attacking this with skills and vigor that made him such a great general. Instead of bureaucratic double-speak, he has brought a sense of purpose and dedication needed to end the backlog. It is clear we have a lot of work in front of us.

During a recent meeting with a group of Ohio veterans that came to my Senate office, I heard about how excited veterans are in my State about the plan to eliminate the backlog in five years. But they also recognize the urgency. One veteran told me, "We don't have five years."

In just a year and a half, the VA, with the support of this committee, has taken bold steps to reduce the backlog. Pilot projects will help find the best and most efficient ways to handle claims. Electronic filing and reduced size of claim forms will make filing claims easier and more user friendly. Done right, filling out a thorough, accurate, and easily understood claim can lead to a more timely review and fewer appeals.

I expect the VA to be back in front of this committee to give us updates on progress made as we attack this problem and finally do it right for veterans in our country.

Thank you, Mr. Chairman.

Chairman Akaka. Thank you very much, Senator Brown.

Senator Johanns, your opening statement.

OPENING STATEMENT OF SENATOR JOHANNS

Senator Johanns. Thank you, Mr. Chairman. Mr. Chairman and Ranking Member, I want to say thank you for holding this hearing. We all agree on one thing. This is about as important an issue as we could deal with on the committee.

I do want to say thanks to the witnesses for coming to testify. Michael, let me say thank you for stopping by my office. I appreciate that immensely.

As you know, we spoke about some of the steps and the pilot projects that VA is doing to help with the backlog problem as well as the request for the additional staffing. One of the things that I am anxious to hear about, because it caught my attention, it has caught the attention of others, is the productivity of the raters, because that seems to have slipped some. There may be an explanation for that, but I would like to have some more information.

But I do want to say that I found when we met and met with the Secretary, there really is commitment to trying to get through the backlog. I appreciated the honesty in what you are dealing with. It is daunting.

I have been impressed with the dozens of claims pilot projects that VA has got up and running. I like the commitment of the leadership and the staff to getting this right and figuring out the best combination.

I do know from my own experience at the local level

that innovative policy solutions most easily begin not here in Washington, but back on the front lines, in this case, the VA regional offices and other smaller facilities. I say with some degree of pride that, for example, the Lincoln office in my home State of Nebraska is well ahead of the VA's national average for processing claims. These folks do a great job, and if they are listening in today, way to go. I am proud of you. It is not one of VA's pilot projects, but it does show that in specific cases with maybe a mixture of good people and procedures, the backlog can be attacked and reduced.

I also have to say, and I know it is a relatively small part of VA's initiatives, that I commend your Pittsburgh pilot program for exploring phone calls to veterans about their cases. I can't tell you how reassuring that must be for a veteran to get a call out of the bureaucracy saying, "You are important to us." It really drives home to me how personal these issues are.

So there are some good initiatives out there and I want to applaud those. But I also want to be very candid in expressing my concern. We are all concerned. We have to spend the time on these initiatives and pilot programs to try to figure out what is the right combination. What is making this work and this not work, and then try to see if we can replicate that.

Well, I will wrap up my comments and just say that I do appreciate the dedication. I am anxious to hear from the witnesses and try to work with you to figure out what the best approaches are. Thank you.

Chairman Akaka. Thank you very much, Senator Johanns.

Now I would like to welcome the first panel. Our first witness is Michael Walcoff, the Acting Under Secretary for Benefits. Joining him at the table are Tom Pamperin, Associate Deputy Under Secretary for Policy and Management; Diana Rubens, Associate Deputy Under Secretary for Field Operations; Mark Bologna, Director, Veterans Benefits Management System Initiative; Dr. Peter Levin, Chief Technology Officer; and Richard Hipolit, Assistant General Counsel.

In addition to those who are witnesses at today's hearing, other VA employees who are significantly involved in the overall claims process are with us in the audience. I would like to acknowledge James P. Terry, who is Chairman of the Board of Veterans Appeals; Donnie Hachey, Chief Counsel for Operations at the Board of Veterans Appeals; Phillip Matkovsky, VHA's Deputy Chief Business Manager Officer; and Susan Perez, a Benefits Program Officer for the Office of Information and Technology. I want to thank all of you for being here.

Of course, VA's full testimony will appear in the

record. Under Secretary Walcoff, will you please begin.

DRAFT

STATEMENT OF MICHAEL WALCOFF, ACTING UNDER SECRETARY FOR BENEFITS, VETERANS BENEFITS ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY THOMAS J. PAMPERIN, ASSOCIATE DEPUTY UNDER SECRETARY FOR POLICY AND PROGRAM MANAGEMENT, U.S. DEPARTMENT OF VETERANS AFFAIRS; DIANA M. RUBENS, ASSOCIATE DEPUTY UNDER SECRETARY FOR FIELD OPERATIONS, U.S. DEPARTMENT OF VETERANS AFFAIRS; MARK BOLOGNA, DIRECTOR, VETERANS BENEFITS MANAGEMENT SYSTEM INITIATIVE, U.S. DEPARTMENT OF VETERANS AFFAIRS; RICHARD HIPOLIT, ASSISTANT GENERAL COUNSEL, U.S. DEPARTMENT OF VETERANS AFFAIRS; AND PETER L. LEVIN, CHIEF TECHNOLOGY OFFICER, U.S. DEPARTMENT OF VETERANS AFFAIRS

Mr. Walcoff. Thank you, sir. Chairman Akaka, Ranking Member Burr, members of the committee, thank you for the opportunity to appear before you today to discuss VA's disability and compensation programs.

You have already introduced the witnesses that are accompanying me and you have also introduced some of the other VA employees in the audience, and I want to point out that having those individuals with us from VBA, from VHA, from the IT organization, I think is an example of the commitment that all organizations in VA have made toward

this goal of breaking the back of the backlog. The Secretary has emphasized over and over throughout VA that this is not a VBA problem, it is a VA problem, and I think you will see that several of the initiatives that we are undertaking involve the cooperation and support of these other agencies. And maybe during this hearing, we will talk a little bit about that so you can see how the organization as a whole is unifying behind this goal of getting rid of this backlog.

VA leadership fully shares the concerns of this committee, Congress as a whole, VSOs, the larger veteran community, and the American public regarding the timeliness and accuracy of disability benefits claims processing. As you know, Secretary Shinseki has set the critical goals of eliminating the disability claims backlog by 2015 and of processing disability claims so no veteran has to wait more than 125 days for a quality decision. And by a quality decision, he defines that as a 98 percent level of quality.

We are attacking the claims process and backlog through a focused, multi-pronged approach. At its core, our approach relies on changing our culture, reengineering current business processes, and developing our infrastructure with technology that supports a paperless claims environment. Throughout VA, we are rededicating ourselves to the mission of being advocates for our

veterans.

Before going further, let me give you an update on our current disability claims workload. Our pending claims inventory is rising due to the unprecedented volume of disability claims being filed. In 2009, for the first time, we received over one million claims during the course of a single year. We expect that growth to continue this year and in 2011. The growth is driven by our successful outreach efforts, improved access to benefits, increased demand as a result of nearly ten years at war, and the impact of a difficult economy. We now average over 97,000 new disability claims added to the inventory each month and we project to receive 1.2 million disability claims this year.

These projections do not take into account important decisions made by Secretary Shinseki to establish presumptions of service connection for veterans exposed in service to certain herbicides, including Agent Orange, for three particular diseases based on the latest evidence presented by the Institute of Medicine of an association between those diseases and exposure to the herbicides.

On July 2, VA awarded a contract to IBM to develop an online application system by November. This system will permit veterans easier and faster access to VA and more accurate and quick claims processing, and hopefully we will



talk more about that during this hearing.

VA's transformation strategy for the claims process leverages the power of 21st century technologies applied to a redesigned business process. We are examining our current process to be more streamlined and veteran focused. We are harvesting the knowledge, energy, and expertise of our employees, VSOs, and the private and public sectors to bring to bear ideas to accomplish this transformation.

Our end goal is a smart, paperless, IT-driven system which empowers VA employees and engages our veterans. While we work to develop this system, we are making immediate changes to improve our business process and simultaneously incorporating the best of these changes into the larger effort, our signature program, the Veterans Benefits Management System.

VA has developed a plan to break the back of the backlog, which includes short- and long-term initiatives running in parallel and feeding into continuous improvement efforts. Some of these initiatives are quickly implemented changes to build momentum and reach out to veterans. For example, in an effort to speed up our work and connect with veteran clients, VBA now requires staff to call veterans during the claims process rather than just solely rely on written communication. The results of the short-term efforts feed directly into the long-term high-impact

technological solution, VBMS, to support paperless processing in an electronic management system to process claims from start to finish.

Contributing to the components of VBMS and as a part of the overall strategy to eliminate the backlog, we have four main pilot initiatives that are integral to our overall transformation plan. Two of the four pilots, the Little Rock Compensation Claims Processing Pilot and the Virtual Regional Office, are complete. The other two pilots, the Business Transformation Lab in Providence and the Pittsburgh Case Management Development Pilot, are underway. Each pilot functions as a building block and test bed for the development of an efficient and flexible paperless claims process. The results of all four pilots will be incorporated in the nationwide deployment of VBMS in 2012.

I have outlined a plan in my written testimony highlighting the many different improvement initiatives that are ongoing. VBA recently partnered with the Department of Defense to create the eBenefits portal, providing service members, veterans, families, and care providers with a secure, single sign-on process to online benefits information and related services. We recently met separately with VSOs, our labor partners, and out-of-the-box thinkers from various organizations to brainstorm new ways to improve the services that we provide to our veterans. We

will continue to examine every new idea that may assist us in our mission.

Secretary Shinseki's goal is to transform VA into an organization that is veteran-centric, results driven, and forward looking. VA must deliver first rate and timely health care, benefits, and other services to the nation's veterans, families, and survivors. We look forward to working with Congress, VSOs, and other partners to meet the needs of 21st century veterans and their families.

Mr. Chairman, this concludes my testimony. I would be happy to respond to any questions that you or members of the committee may have.

[The prepared statement of Mr. Walcoff follows:]

DRAFT

Chairman Akaka. Thank you very much, Mr. Walcoff.

VA's testimony notes that Secretary Shinseki, and you mentioned this, his goal is to have no veteran wait for more than 125 days for a quality decision with a 98 percent accuracy rate. Will you please explain what that accuracy rate entails. How is it measured, by appeal rate, remands or reversals?

Mr. Walcoff. Okay. The quality rate right now is 83.4 percent, and that number is arrived at through a quality assurance program that we run out of the Nashville area. The program is called STAR, and what that program consists of is randomly selected cases that are called in from every regional office, a statistically valid sample from each office, and reviewed by employees who have no association with the regional office structure. These employees work for the C&P Service, so they are not in any reporting line that would involve the regional offices.

They do a review. They look to see whether the obvious things, whether the right amount of disability is being paid, whether it is being paid from the correct effective date. They look to see whether any inferred issues were missed. There is a whole checklist of things that they go through in order to determine if the case is correct or not.

And once they have done that, they will track the types of errors that are being made and then report back to the

regional offices where there are trends to say, these are the types of errors that are being made in your office. We need to incorporate training for that particular type of thing in your curriculum for your employees as we go through training for the next year.

So it is done not--you had mentioned possibly appeal rates, that type of a thing, and that is not the way we do it. And I will tell you that, and this is anecdotally, but I will tell you, you know, me saying this, but three years ago, I actually looked to see whether there was a connection between the STAR results and appeal rates and I found that in some cases there was, in some cases there weren't. There are a lot of different reasons why cases are appealed and it doesn't necessarily mean that it is directly related to whether the case was correct or not.

In terms of reversals by the Board and remands, that is often suggested as a possible reason. The one thing I would want to point out on that is that the case that the Board reviews at the time that the judge actually looks at it is not necessarily the same case that was done at the regional office, and by that I mean the system allows veterans to submit additional evidence throughout the life of the appeal, so that very often, the judge in reviewing the case will be looking at evidence that was not available and not submitted to the regional office at the time they made the

decision. That is why we really can't say that a remand or a reversal is necessarily an error made by the regional office. Now, it could be, and certainly some of them are. But you can't say that because a case was remanded, therefore, the RO made a mistake.

Chairman Akaka. Mr. Walcoff, recent oversight conducted by the committee showed that the denial rate for claims processed through the Pittsburgh pilot was high. Committee staff has shared its findings with VBA. Would you please comment on this issue.

Mr. Walcoff. Yes. We are currently reviewing all the cases that came out of the Pittsburgh pilot. We don't have the results yet. We have called the files in from the regional office so we can review them. The one concern I have about the methodology that was used by the member of your staff was that it is important to remember that the pilot is really geared at development. Once the case is developed through the pilot, it goes into our regular rating boards. They have one rating specialist that does work for the pilot, but all the other--but basically, he only does a small percentage of them. The rest of them go and get mixed in with all the other cases that are rated from the Pittsburgh Regional Office.

What I would think might be a better way to look at it is let us look at the cases, the error rate of the cases

that are started in the pilot versus the error rate of other Pittsburgh cases, because the rating board from Pittsburgh is doing both of those sets, and that would really be able to distinguish as to whether the cases coming out of the Development Unit are treated any differently than the cases that are done in the rest of the office.

Chairman Akaka. Thank you very much.

Let me call on Senator Burr for his questions. Senator Burr?

Senator Burr. Thank you, Mr. Chairman. Welcome, Mike.

More than 12 years ago, former Under Secretary for Benefits Joe Thompson--he will be on later--said this about the VA's efforts to improve the claims processing. "The Veterans Benefits Administration has undertaken a number of initiatives to bring about needed change. The reasons for the lack of success include inadequate planning, unclear goals and objectives, poor integration and interrelated efforts, a lack of coordination with other stakeholders, and insufficient implementation, planning, and follow-up." Since VA again has a number of initiatives to try to improve the claims processing, I think it is important to look at whether past mistakes will be avoided, so let me ask a few questions.

What do you see as the lessons learned from past initiatives?

Mr. Walcoff. Well, first of all, Senator, I am familiar with that statement that Mr. Thompson made. I might have written that statement, for all I know, if we think back.

We--I think the question is very valid. Obviously, as has been said by many on this committee, this is a problem that has existed for many, many years. I first came into central office, my first trip in, in 1990, and we had a backlog. We are now in 2010 and we have a backlog. So this has been a long existing problem. I think there have been sincere efforts made during this period to try to fix the problem, but obviously they have not succeeded. So the question is, why haven't they succeeded?

I think that the--I think part of the problem is lack of follow-through in some cases. I think that sometimes a lot of these initiatives take time and I think that as personnel change and transition, sometimes a program is started, and just before you have the time for it to show results, different people come in, might have different ideas, and sometimes those programs aren't given the opportunity to go to their full fruition where we can see the benefits of it.

I think one of the positive things about what is going on now is we got it started very early in the administration. I think that there will be a period of



continuity where we can get the stuff implemented. Certainly, the keystone to our program is the VBMS system and that had, to a certain extent, started before the new administration came in. They have made, I think, significant improvements to the planning. Having a Chief Technology Officer on board, I think is a major difference in terms of all the IT plans that we have had over the years. This is the first time that we have had somebody who really has that level of expertise in technology and whose whole job is focusing on what technologies can be used to address our problems.

And I think that the time frame that has been set up for the VBMS project of 2012 is very realistic. I feel very confident that we are going to reach that and I believe that we will have that continuity to be able to get that in place, and that is the program that I believe is going to make the biggest difference in eliminating the backlog.

Senator Burr. I am certain that you have got metrics that you are using for all of the pilot programs, but do you also have a date target for final evaluation of the pilot programs, at which time a decision would be made as to whether you rolled them out more broadly?

Mr. Walcoff. Each program is different. We have different amounts of time. We have several programs, for instance, that are up for review in August. They will have

been piloted for 90 days. I wanted to set a time up that was relatively short, where we could at least see whether there is enough definitive information to make a decision on whether we could move forward or not. So we have several pilots that are coming up in August to make a decision on.

The Little Rock Pilot finished in June, late June. We got a report in from the contractor. We are still reviewing that to make a determination as to what we want to expand from that. We know there are a lot of good things that came out of it. The decision that we are making is exactly how do we--how do we take out what we think are really positive things that would translate nationally and how do we export that nationally. That decision is being made right now.

Senator Burr. Let me ask, just for the record, if you would share with the committee written what the target dates are for each of the pilot programs.

Mr. Walcoff. Absolutely.

Senator Burr. And I would also ask that once you have made the evaluations, let us not wait for a hearing to provide the committee with your observations on the success or failure of those pilot programs.

Just real quickly, a last one. You and I talked about service officers in North Carolina that had shared with me a deep desire on their part to get claims accurate before they are ever submitted, and that to do that, it would be a wise

investment to beef up the funding prior to claims coming in the door to make sure that they were complete.

What do you think of that idea, and is having an application that walks in the door complete beneficial to the overall processing of these claims?

Mr. Walcoff. Senator, that is--I absolutely agree. When people talk about how long does it take to process a claim and we talk about 160 days, the interesting part of that 160 days is that about 65 to 70 percent of it is getting all the evidence together. The actual rating doesn't take long at all. We do our ratings in, you know, 20 days, three weeks. I mean, we can get a case rated and promulgated.

The long pole in the tent is getting all that evidence together so that the case is ready to rate, is available to rate, so that accumulation of the evidence is absolutely the key part. If we could get claims coming in to us fully developed, in other words, with all the different things that are needed to be able to rate the case, we could turn it around very quickly. We have a pilot right now in Atlanta that says that if certain conditions are met in terms of the filing of a claim, on a claim for increase, that we will turn it around in 30 days, to give you an example.

We have several things that we are doing right now to

try to get to the point where claims come in fully developed. One of the biggest things is a pilot in Pittsburgh involving templates for exams. One of the problems we have is there was a statement made concerning the fact that we don't rely enough on private medical exams. I think the Chairman made that statement. We know that we are going to have to rely more on private medical exams, because, frankly, with all this work coming in, it is going to be a lot of work if we send it all to VHA for exams there. I am not sure that they, no matter how many people they had, that they could handle that.

So we want to encourage veterans to be able to go to their private physicians to get their exams done. The problem is that when these private doctors do their exams, they send them in and we don't have the information we need in order to rate the case because there are certain things that the rating schedule calls for. So what this pilot does is it sets up templates for every disability--we are going to have 67 of them--that are really simple. I mean, basically, it has got a bunch of fill-in-the-blank type of a thing where a private physician, all he has got to do is answer five questions and we have got an exam that is sufficient for us to rate on.

Number one, that allows veterans to go to their private physicians. Number two, it makes it so that when he comes

back with that exam, he is giving us something that we can rate on. That is the types of things that we are doing to try to do exactly what you said, which is get the claim right before it comes in the door so that we can rate it right away.

Senator Burr. Great. Thank you. Thank you, Mr. Chairman.

Chairman Akaka. Senator Brown?

Senator Brown of Ohio. Thank you, Mr. Chairman.

Mr. Walcoff, how do I explain to people in Finley, Ohio, or Youngstown, Ohio, that a bum knee in Ohio is worth a lot less than a bum knee in San Diego?

Mr. Walcoff. Senator, that is--

Senator Brown of Ohio. Well, let me say one more sentence about it. Ohio ranks 49th in the 50 States, and I am not sure what the 50th State is, but in terms of compensation for any illness or injury, and nobody can understand why that is when you tell them that if they were living in another place, they would get higher compensation.

Mr. Walcoff. Senator, you know, that is a really key issue. I mean, it is absolutely a problem, not just that it is Ohio, but that anybody in any State could get rated differently depending on where they live. Frankly, that is one of the concerns that I have even about the pilot, sir, that is in the proposed legislation. Consistency is really

absolutely a key.

The fact that we know that just based on statistically that a case that is submitted in Des Moines could possibly be rated differently than a case that is submitted in Cleveland is a problem to me. Now, you know, I don't know that I would say, if I were--in terms of Ohio that Ohio should be first. I don't know that--

Senator Brown of Ohio. I think it should be tied for first with 49 other States.

Mr. Walcoff. I think they should be 29th. I think they should be 29th.

Senator Brown of Ohio. No, they should--we have to work towards--

Mr. Walcoff. The middle.

Senator Brown of Ohio. Right.

Mr. Walcoff. Exactly right, sir, and that is--when this first came up a couple of years ago, everybody wanted to be first, and my whole thing was, I am just as worried about the person who is way above the middle as I am the person who is way below the middle. Really, everybody should be the same because we are using the same rating system.

You know, one of the--I mean, in terms of the situation with Ohio, what I would say is that you have to understand that that thing that you are looking at is a cumulation of

ratings that have been done for everybody who is on the rolls, going back to people who came on in World War II that are still on the rolls. If you look at it year by year, the ranking of Ohio is actually a little bit higher.

But I think the real point on this is that we can't allow a system that has your amount you get paid to depend on what State you live in. We have got to make it so that we have consistency from one State to the other, and anything that we do has to work toward that goal of having everybody get the same treatment no matter where they live.

Senator Brown of Ohio. Okay. It reminds me a bit of the story, there was a secret ballot taken in the U.S. Senate on who should be the next President and it was a 100-way tie for first.

[Laughter.]

Senator Brown of Ohio. And I would think perhaps we should strive towards a 100-way or 50-way tie for first here.

A recent GAO report stated that despite previous GAO and VA Inspector General findings, the VA had only recently begun reviewing the extent to which veterans with similar disabilities, as we were talking about, receive consistent ratings across regional offices and individual raters. The GAO reported on May 24 that it was too early to determine the effectiveness of some of these new efforts.

What can we expect in terms of as you work assiduously, and I really, really, really applaud what you and the Secretary are doing because I think the focus is exactly right. I liked when he and Joan Evans came in and explained to Doug Babcock and me how you were doing the regional pilots and all of that, how much sense it makes as you are working to reduce that backlog. I just don't understand why it is taking so long to begin to figure out this disparity in ratings. I just want to be reassured that this disparity in ratings among VISNs is going to go along--the progress there is going to be consistent with the progress of reducing the backlog.

Mr. Walcoff. Okay. Let me answer that in two ways, first, from the longer term. We believe that, to a large extent, technology is going to play a key role in this. In the new VBMS system, we believe that built into that system will be certain rules-based principles that will kind of, I think, assist us in making sure that every rating specialist working a case, no matter where he is working it, is guided toward the right answers. The machine is not going to make the decisions, but I believe that there are certain types of errors procedurally that a system of technology would be able to help us with to make it so that when he starts going down the wrong road, it kind of pops up and says, why don't you reconsider that and think about going the other way.



Dr. Levin can maybe explain that idea a little bit more, and then I will come back and talk about what we are doing in the short term.

Senator Brown of Ohio. Thank you, Dr. Levin.

Mr. Levin. Very, very briefly, exactly what Mike said is correct, that we do not propose to create a rules-based system that is going to take the place or replace or substitute a human being making a final decision. But there are clearly things that you can identify, pattern matching capabilities that we can build in. Do you want to be the first RVSR to not compensate for a debilitating illness, or do you want to be the first one who compensates at 100 percent for one that doesn't have a medical record? There are very simple checklists that we can provide guard rails for, a framework to make sure that the decisions are, in fact, being made according to, I would say, common sense or otherwise procedurally sensible guidelines, and that will be part of the design specification. It is part of the design specification.

Mr. Walcoff. And let me answer just quickly on the short term. Obviously, that is 2012. I don't propose that we wait until 2012 to begin addressing the problem that you have raised, and we have done some things. First of all, I think it is important that we make sure that we have training that is consistent, that the curriculum is

consistent so that everybody who is learning the job, no matter where they are learning it, is learning the same things. And that is something that we have, I think, made several efforts toward over the last couple of years, to try to make sure that it is a national curriculum.

We have the National Challenge Training, which every rating specialist in VSR attends in their first three weeks in this curriculum. It is done in Baltimore. They all get the same instructor. They all hear the same thing.

And thirdly, the C&P Service is involved in doing consistency matches to try to determine statistically what stations are out of line on particular types of decisions and then look into those cases to figure out what they are missing as to why their decisions are out of line and then correcting those decisions.

Senator Brown of Ohio. Thank you. Mr. Chairman, thanks.

Chairman Akaka. Thank you, Senator Brown.

Senator Johanns?

Senator Johanns. Thank you, Mr. Chairman.

In your testimony, Mr. Walcoff, you talk about complex claims. There was a statistic cited that veterans claiming eight or more disabilities have increased about 23,000 in 2001 to 67,000 in 2009. Give us a sense of what is driving that, number one. And number two, is that impacting the

backlog at all, or are those triaged in a way that they move more quickly? Walk me through that.

Mr. Walcoff. Well, first of all, they definitely have an effect on the backlog, and actually, they take longer to do because they are more complex. A lot of that is the influence of the work that we are getting through our Benefits Delivery at Discharge sites. You know, we are--a good program that we have is that we are out at these discharge sites. We are meeting with servicemen before they get out of the service and getting claims from them before they get out with the idea that we will be able to provide an answer to them more quickly once they become veterans.

But one of the things that we have found is that servicemen who file claims at those points file a lot more claims. On average, we have two places where those cases are rated, Winston-Salem and Salt Lake City, and on average, we have between 11 and 12 issues per claim through those BDD claims, whereas a normal claim coming in would average somewhere around four issues a claim. So you can see that there is a much higher volume in terms of issues from the claims coming from that source.

Now, some of it is you get retirees that are coming out at those places. Retirees, because they have been in so long, they have had a lot of different experiences that may cause incidents and injuries that they want to claim which

they are entitled to.

But what we do find is that the number of claims that we are getting with these multiple issues are dramatically increasing, as you said. We get some claims--I am not going to say this is the rule, but we get claims with 70, 80 issues, and they are more complex. They take longer to do.

Senator Johanns. Let me go a little further on that, because I think this relates to that, but it relates to the whole picture. I oftentimes, and I am sure other committee members do hear this, also, I hear about the difficulty of interfacing recordkeeping with DOD and VA, and I found your comments to be very, very interesting, that if you can conceptualize this, if the veteran literally walked in with the full packet of information, that claim could be sent out in three weeks, four weeks.

So is that a point at which there needs to be better technological interface between the two areas, DOD and VA? Is it just for recordkeeping? What is going on that makes that a difficulty and how much impact does that have on processing a claim?

Mr. Walcoff. I am going to start. I am going to answer it, and then I am going to ask Peter to jump in in terms of where we are going with this, because it is a very good question.

One of the reasons that we are able to process Benefits

Delivery at Discharge cases quicker than we do our regular cases is because we have the veteran there with all of the service treatment records. Everything is there so that we can get it all, you know, get it into the system, and then we are able to make a decision quicker. That is as compared to somebody who files after they have been out a year or two years and then we have got to go out and find the records. And it is particularly an issue with Guard records and Reserve records. So it is a big part of why it takes so long.

But we are making progress, and Peter, I would like you to talk about some of the things going on with the VLER project and some of those things.

Mr. Levin. My pleasure, Senator. This is really not a technology problem. This ends up being more a process and policy problem. That said, the systems that we have in place today are largely proprietary and customized systems. So these are systems that were built by folks back in the mid- to late-1990s when some of these standards hadn't existed yet, or for reasons of expediency or convenience, they were built one time, never expected to expand.

So one of the charges of the Secretary in this administration is to migrate from these proprietary custom systems to something we call openly architected--you can read the standards on the Internet--and componentized

standard-based system, things that would allow you, for example, to use G-mail to communicate with somebody who is using Outlook, as an example.

We are about halfway done with that project right now. We have two pilot projects that are already very, very successful using these standard-based components. It is a big project, not just because we are trying to have these two different e-mail systems communicate with each other. It is a little bit more complicated than that. We are also including this as part of the Electronic Health Record Interoperability Project, this thing called the Virtual Lifetime Electronic Record, or VLER, and so the benefits component of that is coupled to the health record component of that. We are doing them both at the same time and we are making big progress. I expect we will be able to report to the committee at the end of this year or the beginning of next year about those pilots, as well.

Senator Johanns. I ran out of time, but I will just wrap up with this. I think if you had a breakthrough here, and then I continue to hear about the appeals process and I think there is a whole separate backlog there. I think if somehow we could deal with those two issues and have a breakthrough, you would make some pretty significant strides forward. Now, it doesn't solve all the problems. You still have complex claims and a whole host of other issues. But

it just occurs to me as I kind of dug into this that those two areas are ripe for remedy, and if you can find the remedy, you are going to be able to report really significant success.

Mr. Walcoff. I agree, sir.

Senator Johanns. Okay. Thanks.

Chairman Akaka. Thank you very much, Senator Johanns.  
Senator Tester?

OPENING STATEMENT OF SENATOR TESTER

Senator Tester. Well, thank you, Mr. Chairman.

Many of the questions that I have have been asked, although what I want to do right now is give you my statement, because this is about taking information back. It is information for you, but it is also about taking information back. I think this is a very key moment for the VA on the claims issue, and I think Secretary Shinseki has laid out, in my opinion, a pretty good job of outlining the goals to finally get to a place where we can handle the backlog.

Initial reaction is to agree with most folks who are asking, why does it take five years to get here? This is an urgent problem. It has been an urgent problem for a while and I wished we could have an immediate solution, but solutions aren't that simple and I know that. It takes a great deal of time to get new claims processors trained and

contributing. It takes time to modernize a recordkeeping system that has been shockingly behind the times in the area of technology. It takes time to get veterans, the VSOs, and State veterans agencies familiar with a brand new form that the VA will be using.

But just like with Electronic Medical Record sharing between the VA and the DOD, we only meet that goal if there is a daily concentrated focus by the VA leadership to get that done. Secretary Shinseki knows that. I know that Secretary Gold knows that and I assume that you, too, Mr. Walcoff, know that. Hopefully, we will do better with the disability backlog than we have with the VA-DOD record sharing aspects, because with the changes to Agent Orange exposure, changes to PTSD claims, which I strongly support both, we are going to see more claims. And with our troops still very much engaged in two wars, we are going to see more claims.

Like all disability compensation claims, it is critical that we get them done quickly and accurately. If we fall short on either front, we are not keeping up our end of the bargain to take care of those who were injured in serving our country, and shame on us if we fail. These are real folks, struggling families behind those 500,000 disability claims. In my veterans town hall meetings, I hear them tell me that they fear the VA is trying to outlive them. They



tell me that the VA doesn't give a damn about them. And this is a place where the regional office is doing better at reducing the backlog than in most other States in the country.

So right now, I am not as optimistic as I wish I could be. The number of claims exceeding 125 days in review is up. The accuracy of the claims is down. Today, one of six claims are decided incorrectly, according to the IG. That doesn't work for our veterans and it should not be acceptable to anyone in this room, and I am not saying that it is.

I again want to thank Secretary Shinseki for making this a priority. My fear is that we will be back here next year and the year after discussing the same issue and wishing the numbers were better. I hope that is not the case, but only time will tell.

Mr. Walcoff, I do hope that you will take this message away from the committee here today. I am sure you will. We are here to help and we are partners with you in this effort, and so are the other witnesses. I hope you are getting to hear directly from the DAV and from your employees about how to improve the process. If they don't have direct input, I think that is critically important. We need to find a way to get them to give direct input. This is an all-hands-on-deck problem and we cannot afford to miss

out on a single idea.

Like I say, the challenges are many. Many of the folks here today have said that they were here before. It hasn't gone away. And to be honest with you, I think the people who serve this country deserve better.

Do you have any response to that, in general?

Mr. Walcoff. Senator, first of all, I agree that veterans deserve better. Everything we are doing is--it is the point of trying to make it so that veterans don't have to wait as long as they do to get their decisions and that we don't have one in every six claims decided incorrectly. I agree with you that that is unacceptable and we have got to do better than that.

We are working with--you mentioned VSOs, you mentioned our employees. We had a competition for our employees where they had the opportunity to submit ideas. We received 3,200 ideas from our employees, and many of the things that we are doing that I am talking about today are ideas that came from employees.

Senator Tester. Good.

Mr. Walcoff. And I will take everything you have said, I will take it back to the Secretary.

Senator Tester. I just want to touch on one issue, and there are many. Like I said, Senator Brown touched on one of them. We are 43rd, by the way. I thought maybe we were

50th, but my staff told me right.

Disability claims filed by Guardsmen have a 14 percent rejection rate, compared to a five percent rejection rate by active duty claims. We have got about 650 National Guardsmen from Montana who are getting ready to be deployed or are already deployed. You have indicated some opposition to the part because it takes focus off of other things that VA is trying to work on in relationship to claims. What are you doing to fix this disparity, or is it a concern right now?

Mr. Walcoff. I think we need to know more about why there would be a difference in terms of approval rates. I can tell you that one of the things right off the top that I know is different is that it is much more difficult to get treatment records from Guard units. You know, when regular soldiers come back and are getting--go back to a base to be discharged, they are there for a period of time. We can usually get to them. We can brief them. We can get records from them, that type of a thing.

Whereas often Guard units, they disperse quickly. They are in a hurry to get back. I don't blame them. But it is difficult sometimes to make contact with them while everything is there. And then stuff goes back to the units and it is much more difficult for us to get access to them, and that is a problem. It is certainly not the soldiers'

problem. It is our problem that we have got to work out with the units to do better.

Senator Tester. It is fixable. Thank you. Thanks, Mr. Chairman. Thank you, Mr. Walcoff.

Chairman Akaka. Thank you very much, Senator Tester.

Senator Begich?

Senator Burriss. Mr. Chairman?

Chairman Akaka. Senator Burriss?

Senator Burriss. Mr. Chairman, are you taking these in the order they come, because I do have to leave in a few minutes.

Chairman Akaka. Yes. Well, Senator Burriss?

Senator Burriss. Thank you, Mr. Chairman. I appreciate the Senator yielding. I came because I have a load of questions, Mr. Chairman, and I don't know if I can even get to all of them, because I am very concerned about what is happening with these claims.

My staff came and briefed me the other day about this and I just about fell out of my chair, because I have been telling my veterans in Illinois, oh, yes, we are improving our claims processing. Things are improving. Things are getting better. And my staff was telling me that they are not, and then I hear this information and it is correct. Our veterans, especially in Illinois, are just getting all kinds of problems and I am concerned about the history that

was there, because when President Obama was a Senator and Senator Durbin, Illinois veterans were number 50 in terms of benefits that they were receiving, in terms of medical benefits. We are going to check to see how that has improved, but I have been trying to defend the association, Secretary Shinseki, saying that we got a little bit more money, we have got all these benefits coming for the association, and then we hear that it is taking just so much time to process these backlogs.

I find the timetable just a little--well, a great deal of concern about the time that we are talking about. You have got a 2015 date when we hope to be--assume to be caught up with the processing of the backlog, and that is when we have got, what, 23 million veterans and only 3.1 million are now currently receiving some type of compensation.

Another question I have is there is an economic difference between our different States and I hope that you don't think that an injury that is obtained would help a veteran in Chicago for a veteran in, let us say because of cost and living standards, a veteran in even Southern Illinois. Are you making adjustments for those economic standard of living differences in the compensation for the veterans? Is that taken into consideration?

Mr. Walcoff. The rates of compensation that we pay are national rates. They don't vary by State and certainly not

by--

Senator Burris. And they don't vary by cost of communities?

Mr. Walcoff. The actual compensation rate itself?

Senator Burris. Right.

Mr. Walcoff. No, sir.

Senator Burris. So if I have got a bad knee and I am living in Chicago or even Carpenter, Illinois, and I got \$20 a month in Chicago and \$20 a month in Carpenter, that is what you are saying.

Mr. Walcoff. That is correct, sir.

Senator Burris. That is something new.

Another question I have, what is your timetable in hiring these 4,000 full-time processors to process these? I understand it is going to take two years to train these people, to be fully staffed. Is your budget allocated over the next two years to cover 4,000 employees, or are you all going to make internal adjustments in the finances of VA to accommodate this additional hiring blow-up that you are going to have?

Mr. Walcoff. Senator, the proposed budget for 2011 is a very generous budget for VBA and certainly we are looking at the hiring of a significant number of people as part of the solution. But we don't believe that staffing alone is going to solve this problem. We believe that there are

other things that have to be done.

I think that the culture of the organization has to be changed. I think we need to change the viewpoint of all of our employees to make sure they understand that they are advocates for veterans and that everything they do should be to help veterans. I don't think that necessarily that our employees don't feel that way, but I think they need to understand and basically do things that are more indicative of an advocate. An advocate is the initiative that we have to follow up with all veterans who file a claim with a phone call where it says, you received a letter from us recently. Did you understand the letter? Let me go over it with you. Do you understand that we are asking you to submit evidence to us, that you have 30 days to do that. Whereas in the past, we would just send the letter out and if they understood it, great. If they didn't, well, then we would move on when they didn't respond. That is not what an advocate does, and I think that is an example of trying to change the culture of our organization.

We are looking at our business processes. I don't think that it makes sense to change our technology, which obviously has to be done, but to change it with our old processes. We need to be looking at what new processes do we need to be more consistent, to fit into the new technology. So that is something we are doing.

And then the technology, most of all, I believe, is what is going to allow us to be able to achieve the goals that we have talked about. Just hiring people is not going to be enough. We have got to do all of these things.

Senator Burris. One last question. Now, have you all been impacted by the addition of the G.I. Bill? Is the overall VA being impacted by those claims that are now being made for the veterans as to workload coming into the office, overloading the overall system?

Mr. Walcoff. The G.I. Bill is under me. It is under VBA. But the education claims are only processed in four offices, Muskogee, Buffalo, Atlanta, and St. Louis. So most offices don't even have an education processor, and the ones that do, those four, it is a separate division, separate employees.

Senator Burris. So the impact of the change of the VA, the educational G.I. Bill, is not impacting this problem?

Mr. Walcoff. Not the compensation problem, no.

Senator Burris. Right. Mr. Chairman, I will submit questions for the record. I thank the other Senator for yielding, but I appreciate that.

Chairman Akaka. Thank you very much, Senator Burris.

Senator Begich?

Senator Begich. Thank you very much, Mr. Chairman. Thank you all for being here today. I have just a couple



general questions and then I want to follow up on some folks' conversations here.

First, to be very parochial about Alaska and the need for understanding the rural aspect of Alaska in delivering services by the VA into rural Alaska and also understanding the uniqueness of cultural differences, especially the Alaska Native community that participates significantly in the military and armed forces as well as the Guard, can you just give me a couple comments on how the VA views and what they intend to do--we had a hearing here probably maybe a month ago on rural veterans care and veterans outreach. Could you give me kind of a feeling of how the VA views their effort or what they need to be doing in the future?

Mr. Walcoff. Senator, there are definitely some unique challenges with the State of Alaska. Just the sheer size of it and the pattern of the population really present, as I say, some challenges that we sometimes struggle with, with coming up with the right answer, but it is something we absolutely need to do.

I am going to ask Diana Rubens, who is the head of our Field Operations organizations, to address this.

Senator Begich. Very good.

Ms. Rubens. Thank you, Mr. Walcoff. I appreciate your attention to the benefits piece. I will tell you that we have worked very hard with folks from your staff to talk

about some of the issues, not only as they pertain to the outreach, but just to make sure that we have got the right staffing level up there, that we are paying the right attention to the claims process.

As we look particularly to the rural veterans in Alaska, we are working very closely, hand in glove, not only with our counterparts from VHA, but with DOD to ensure we are doing the right level of outreach, that we are working to make sure that we are accessible. To the degree that technology will help us, if it is through video teleconference, whether that is to get exams done or to be accessible to veterans, those are the kinds of things that we recognize will help us as we work to serve those veterans living in rural Alaska.

Senator Begich. Very good. And I know you have been aggressively working with the staff. It is just a very complex issue, especially as more and more are returning, how we deliver that, also how we ensure those advocates, and I think that is the right word to use, are going to be available because that is what is critical for delivering these services. It is not about someone having to find these services. It is an advocate who outreaches and gets the services to the members who earned them and deserve them. So I appreciate that.

Let me, if I can, Mr. Walcoff, I was actually not going

to go down this area because--it honestly wasn't on my list until now, but I am watching the discussion. Let me ask you just a kind of general philosophic question. Do you think you have the capacity within the organization to make those cultural changes with the delivery of services? And why I ask that, I am asking that from being a former mayor who had to take a library system and change it because there was a little confusion in how we operate. I say that only because I had to radically change it and reorganize it, and that is how we honestly cleaned out deadwood. We focused on what we were delivering and increased the services dramatically over the next three years, that now the system is very healthy, very strong.

Do you have the capacity to do that? Do you have the rules to do that? In other words, it is great to have 4,000 people, but I will tell you, if the training is not started from point A that the cultural activity is being changed and you have people who are--and I know they do a lot of good work, I agree with you, a big chunk, but it doesn't take many to create a system that clogs up and believes that they are there to question everything the veteran does rather than advocate for the veteran. So what tools do you need?

Mr. Walcoff. That is a great question, and, you know, I am going to answer your question from the perspective of somebody who has worked for the VA for 36 years and has seen

a lot of things in those 36 years. But I really believe we have a unique opportunity right now, because we are at a point where there has been a lot of turnover within the organization. The combination of the employees that were hired in the Vietnam era that are now my age and retiring and the fact that our budgets have been so good over the last couple of years, which has allowed us to hire additional FTE, means that if you look at our workforce, and I don't have the exact numbers, but I bet you close to 50 percent of our workforce has been hired in the last five years.

This really gives us an opportunity to mold--that is maybe a bad word to use, but to shape the perspectives of these guys, to get them to understand that it is an honor to do this job, that you really have an opportunity--every day you come in, you have the opportunity to help somebody and to pay somebody back for sacrifices that they made to this country.

And that has always been the primary attraction, I believe, about working for the VA. I mean, you can work a lot of other places and make a lot more money. But you can come here and really help people and pay people back for things that they have done for you. And to me, this is an audience, this is a group of people that are really receptive to that kind of thinking.

And I think that--and secondly, I am going to be very frank, the leadership coming from the Secretary's office. I mean, if you listen to the Secretary and you--you can feel the sincerity that he feels. When he talks about us being advocates, he is not just saying words. He really believes it. And I think the combination of those two things puts us in a situation where, yes, I think we can do it.

Senator Begich. My time is up, but let me ask this. Do you, from the smallest item to the largest item, I mean, I think of everything when I was mayor of how you reshape an organization. There is nothing wrong with calling it you are molding them or reshaping, to be very frank with you, because you are trying to shape it into a new approach. Are these folks--if I walk in there and say, "I am looking for my advocate," is that such a job title that exists in the VA?

Mr. Walcoff. It doesn't, but I will tell you that--

Senator Begich. It should.

Mr. Walcoff. It should--

Senator Begich. If they are going to be advocates, make them--it is all about attitude.

Mr. Walcoff. But, you know, it is interesting--

Senator Begich. If a person walks in there and says, "I am an advocate," they are an advocate.

Mr. Walcoff. In the position description, it used to

be, back when I was working in this area, in the adjudication area, for the VSR, what was then called a Claims Examiner, it had in there about being an advocate for a veteran.

Senator Begich. All right.

Mr. Walcoff. I don't know that that is in there anymore, but that was in there and it should be back in there.

Senator Begich. I just would encourage you, you have got a great challenge ahead of you, because if you can't change the culture within an organization, it doesn't matter how much money we put in, how many great efforts we have, how many great committee meetings we will have here, we will never move the system. And you have some great people who work within the system over there and I think there are a lot of people who are anxious to kind of bust out--

Mr. Walcoff. Yes.

Senator Begich. --and be ready to take on this new challenge. They are looking for that moment, and I think your description is good.

I would just end on this and say I just encourage you, as you work--again, back to the Alaska issues--continue to outreach with the veterans community and our office. We will be happy to help you in any way we can to make sure the veterans communities are well connected, because the

communications is sometimes the problem or the challenge of delivery. So let me say, thank you all very much.

Mr. Walcoff. Thank you.

Chairman Akaka. Thank you very much, Senator Begich. Senator Brown?

Senator Brown of Massachusetts. Thank you, Mr. Chairman. It is good to be back. Sorry I was late. I had to speak to the summer interns, bright eyed and bushy tailed, so I apologize for being late. I want to thank you for holding this hearing, once again.

Obviously, claims are important and it is something there is great concern, and I know you are making an effort to tackle with the new hires and the like. How do you actually forecast claims and relate that to the amount of hires? Is there a mechanism we can use? It seems like we are always playing catch-up. We are always on the defense versus offense.

Mr. Walcoff. We do have models that we use in terms of those projections, but I will tell you that those models aren't necessarily as accurate as we would like, and I will give you an example.

If you look, last year, our incoming went up 14 percent. We had projected it to go up about 6.5 percent. So you say, well, how could you possibly have been so far off? Well, if you look at the three years before it went up

14 percent, the increases were two percent, four percent, and 5.5 percent. So then we are going two, four, 5.5, 14. And I guess all that shows you is that there are some things that we are just not as good as we need to be at predicting.

I believe in that situation, I think the economy played a big part of it in terms of why we saw such a big increase. If you look at what types of claims have shown the biggest increase, it is reopened compensation, people claiming that their conditions have gotten worse, and original pension claims. Pension is a program that is income-based. To me, when I look at those few things, one of the conclusions I draw is that the economy is playing a factor in why the increase so much.

But we do have models. We do try to project as closely as we can. And then, obviously, our budget requests are tied in with those projections.

Senator Brown of Massachusetts. Do you prioritize which backlog claims are handled first? For example, settlement of the oldest claims? Is there a process that you can share with us on that?

Mr. Walcoff. We are always looking at the oldest claims and certainly trying to figure out why they are old, are they ready for decision, and trying to get them out. We don't go a strict first in, first out, because if you do that, you are always going to have old claims because you



are never getting to the ones that are ready but aren't the oldest. I mean, what I don't want is a case that comes in, within 30 days I have got everything I need to rate it, but I don't want a system that says, I am not going to rate that case until it becomes the oldest case.

So there is really an art to it in terms of making sure that we are attacking those old claims, but at the same time, when a new one comes in and it is ready, grabbing it, getting it out so that it doesn't become old. And that is what we train our managers to do in running these service centers.

And we look at certain indicators. The average age of the pending inventory is one that we look at to make sure that our employees are not ignoring the oldest cases. If that average days pending is going up, that means that they are not doing the old cases and we will intervene in that situation.

Senator Brown of Massachusetts. Is there a plan to retain a new generation of managers and personnel? And also, is there an incentive program of any kind to stimulate people, you know, cranking these claims out and kind of getting them off the desk?

Mr. Walcoff. Absolutely. We have--about, I guess it was probably about six or seven years ago, we dramatically increased the amount of money that we put into our incentive

plan and we also rewrote the plan to make it so that instead of just giving money to all the offices and saying, okay, this is your money, spend it as you wish, we took a large part of it and said at the beginning of every year to every station, if you achieve these goals, then you will be eligible for this bigger pot of money. And if you meet those goals, we will give you your share of that pot of money and then you decide how you want to distribute it among your employees.

Senator Brown of Massachusetts. Let me interrupt for a second on that. So is the incentive plan, though, to not settle cases, like if you save money for the government, or is the incentive to actually service the soldier and get it out the door? What is the nature of the incentive plan?

Mr. Walcoff. Well, first of all, let me--I want to jump on one thing you said right away, and I hear this once in a while and it just drives me crazy. There is absolutely no incentive, no pressure from anybody ever that I have been working for the VA to not pay cases because they want to save money. I mean, we read that every once in a while. No administration, Republican, Democrat, no administration has ever pressured me, that I know of, me or any of my employees to do that. So I want to be clear on that.

The things that we measure are things like production, quality, timeliness, basically the things that would tell us

whether we are doing a good job or not. Very often we will say, you have to meet three of four goals, for instance, in order to qualify for a program. But we will also say that the one goal you always have to meet is quality. We want to emphasize that quality has to be considered the most important indicator, because what I don't want is our employees putting out a lot--twice as many cases and having them all wrong.

Senator Brown of Massachusetts. Yes, right.

Mr. Walcoff. I mean, that wouldn't do anybody any good.

Senator Brown of Massachusetts. Mr. Chairman, do I have time for one more question?

Chairman Akaka. Go ahead.

Senator Brown of Massachusetts. Thank you. Just briefly, is there something that we can do through the Chairman's leadership? Is there something in the Senate, for example, that we are not doing that can provide the tools and resources for you to do it better and to--is there something that we can convey, either through the leadership or the administration, like, what are we missing? It seems like something is missing here in terms of, is it more people? Is it more computers? Is it better technology? What is it? Thank you, Mr. Chairman.

Mr. Walcoff. Senator, I believe that the Congress has

been very generous to us, certainly over the last couple years. I think that our budgets have been good. I think we have resources. I think we are on the right track now in terms of technology. And I think what I am asking for is just to give us an opportunity to carry out this program.

Monitor us. I mean, I think coming up for these types of hearings is not a bad thing. I think that I should have to report back in terms of how we are doing and are we making progress, you know, are we using the resources wisely. But I believe we have the tools we need in order to accomplish what we are set out to accomplish.

Senator Brown of Massachusetts. Thank you, Mr. Chairman.

Chairman Akaka. Thank you very much, Senator Brown. Senator Webb?

Senator Webb. Thank you, Mr. Chairman, and Mr. Chairman, I would like to express my appreciation and support for holding these kinds of hearings. As the Chairman well knows, there is a great percentage of veterans law that gives an enormous amount of discretion to the executive agency itself. It has the ability with the sweep of a pen to move billions of dollars. These types of hearings, I think, are vital to ensure that the executive discretion does not operate independently from strong legislative oversight, so again, I hope we can have more of

these types of hearings.

Mr. Walcoff, I would say to you, listening to what you just said a minute ago about having spent 36 years at the VA, I first came into veterans law 33 years ago. I am boot to you. I thought I was probably the senior guy in the room here. You have seen a lot of ups and downs in 36 years, for sure.

Your comment about 50 percent of the workforce having been hired over the last five years, I think, if accurate, is an incredible statement. It also reinforces what I am suggesting about the need for more oversight here to make sure that this agency is headed in the right direction.

This is kind of an age-old battle in terms of the claims process, and I think that the questions that are being raised about timeliness and responsiveness versus accuracy, first of all, they depend on the quality of people and how you train them, obviously.

Secondly, I think it is really important in this particular area for the Department to be working closely and listening to the veterans organizations, the DAV particularly, which has done such a body of history with respect to how to handle claims and how to help people.

But let me make one suggestion here. Maybe you can take it back to people who are above you. I am pretty concerned about the timeliness and the quality of the

cooperation between the top of the Department of Veterans Affairs and the Congress. I will just speak from my own office on that. You are getting a reputation, quite frankly, for less than full coordination and cooperation on a lot of issues--the homelessness issue in terms of my own office, the Agent Orange issue, the way that it was handled procedurally and the lack of coordination even in my case when we asked directly to Secretary Shinseki for information and some actions on the homeless issue before it came up.

This is a classic example, if you want to talk about responsiveness. I wrote a letter to Secretary Shinseki more than a year ago asking about--and it was signed, actually, by the Chairman, as well--talking about the difference in the numbers of people being categorized as prisoners of war between DOD and the VA. There have been news reports on this. We wanted to get some clarification. I wrote that letter on July 7. I got a response on May 17. That is more than ten months.

Now, when I worked in the Pentagon as a young Marine Captain, anything that hit my desk, I had a 48-hour turnaround on. We had to do some pretty detailed information on a lot of these point papers. Ten months to respond to a United States Senator on an issue that basically is data oriented is--it may be a comment about the overall mentality of the Department as much as anything

else, if you look at the difficulty with claims processing.

We examined that letter, May 17, sent something back in June. We have been waiting now another month just to get a data clarification. I don't quite understand why that needs to happen and it makes me wonder also in terms of a lot of these claims. Is this a bureaucratic mindset in the agency or what are we to make of this? You know, I am not going to--I am not holding you personally accountable, but take the message back, if you would.

Mr. Walcoff. I will, sir, but I will tell you that that POW letter, I believe that I probably should take some of the responsibility for that because I believe that was a VBA assignment. Now, I think there were some--we went through some steps that we had to do in terms of checking data and getting back to DOD, and I am not trying to excuse it, but I don't want to just say I will take it back without saying that VBA played a large part of that delay and I apologize for that.

Senator Webb. Well, the Department of Defense--I spent five years in the Pentagon, as you know--the Department of Defense the greatest data resource center in the government. I can remember when I was a Counsel on the Veterans Committee and we were doing these hearings on a Carter Discharge Review Program. One day, I turned around to the DOD representative, an Army Lieutenant Colonel, and I asked

him for a breakdown of casualties in Vietnam by year, by service, by rank, and by ethnicity, and I had an answer in 24 hours. So I am a little perplexed here.

We need to be working together in order to resolve these issues, and I just hope--take the message back, if you would, and again, my thanks to you for having dedicated your life to those who have served.

Mr. Walcoff. Thank you, sir.

Senator Webb. Thank you, Mr. Chairman.

Chairman Akaka. Thank you very much, Senator Webb.

Mr. Walcoff, this question concerns a recently published PTSD regulation. I appreciate VA's continuing efforts to take into consideration the circumstances of individuals' service when determine service connection. A Marine Corps Times article yesterday indicated that you do not anticipate more veterans will receive benefits for PTSD under this regulation, which is contrary to what many believe, as evidenced by Senator Tester's comments a few minutes ago. Can you please elaborate on this?

Mr. Walcoff. Mr. Chairman, there was--at the press conference where some of this came out, there were questions about the increasing claims. At the same time, there were questions about increasing costs, and I think some of those answers got kind of laid on top of each other and not necessarily worded correctly.



I said a couple things at that press conference. One was that there is one set of veterans who had applied for PTSD benefits where we required proof of the stressor who had to go through a lot of difficult and frustrating processes and waited a long time in order to get benefits, and that one of the advantages of this new regulation is that people in that situation would not have to go through that frustration of that process, that they would get it much quicker, okay, not necessarily that the original people were turned down, but just that they had to go through a large process.

I do believe--so in that sense, there is not an increase because of that. But I do believe that certainly publicity surrounding this, I think the fact that there probably are some veterans who heard if you apply for these type of benefits, you are going to really be--they are going to jerk you around and really give you a hard time. A lot of them might have said, well, I don't want to have to go through that. And when the word gets out that we had liberalized this process and made it easier for them to apply for these benefits, I do think that there will be some more people applying. So I do think there will be somewhat of an increase.

What I said was, in terms of the costs, what I said was that the biggest thing about having people apply for this

benefit is that, hopefully, they will get them into our treatment programs. That is really the key here. I mean, the payment of the benefits, certainly they deserve that, but what we are really looking for is to get them into a treatment program, because untreated, this type of a condition has all kinds of hidden costs. You know, people with serious PTSD who don't get treated wind up very often with substance abuse problems, alcoholism. They wind up homeless in many cases. They wind up incarcerated. These are all things that cost society money, a lot of money.

And all I was saying was that any additional costs that these additional who are going to be applying will cause would be offset by what we won't have to pay in terms of homelessness and incarceration and that type of a thing, and that was the statement that I made.

Chairman Akaka. Thank you, Mr. Walcoff.

VA's testimony states that under the pilot proposed in my legislation, veterans would not be treated equally. Since by definition a pilot program is only carried out in selected locations, isn't that a risk with any pilot program, including those that VA is currently undertaking?

Mr. Walcoff. Sir, this issue of consistency is one that obviously is, I think, something that weighs on all of us. We have had several members of this committee refer to it in today's hearing, and it is certainly something that I

have been aware of for quite a while, and it is difficult to justify why a veteran would lose in a particular State, with presenting a set of facts should be treated differently than a veteran who lives in a different State.

What concerns me about the proposed legislation is that that actually establishes that exact situation. Now, you say, well, what about other pilots. Other ones of our pilots, we are piloting different processes. We are not actually piloting the actual criteria we use to make the decision. So a pilot that has us doing, let us say, the case management pilot in Pittsburgh where we are working one-on-one with a veteran when he comes in to file his benefit, that is a pilot of a new process.

What this is doing is piloting the actual criteria we use to make the selection--to make a decision, so that a veteran who lives in one of these six States will have a decision made based on different criteria than a veteran who lives in any of the other States. That is going to very possibly cause them to get two different decisions based on the same set of facts, and that is what I object to in terms of the--and that is me. We haven't officially presented an opinion from the administration. That is my own, again, from me in my job as the Acting Under Secretary. As I looked at this, that was the concern that I had right away.

Chairman Akaka. Thank you very much.

I understand Senator Burr does not have another question, but Senator Begich, do you have a question for this panel? Otherwise, we will move on.

Senator Begich. I do have a quick question, and I can't stay for the second panel, so I am going to have a list of questions I will just submit, if that is okay, Mr. Chairman.

But one quick one. It is more of a comment, and that is I know we are going to do a follow-up meeting in Alaska with the Tribal communities and with the VA, which I really appreciate. I think this might be one of the first times. I am hopeful that as you do that meeting, that you keep in perspective it is great to have meetings. We do a lot of them. But that one, specifically, because I think there are some very specific action opportunities, that it be really focused as an action meeting. It is great to have meetings. We go to plenty of them around here that will last us until midnight at times. But it would be great if as you do this, because I know it is the first time and they are very motivated to assist you in some action items, and I would hope that you would take that as an action item kind of a meeting.

Mr. Walcoff. We will, sir.

Senator Begich. Thank you, Mr. Chairman.

Chairman Akaka. Thank you very much, Mr. Begich.

If it is okay, Senator Brown, we will move to the second panel.

Thank you very much to the first panel, Mr. Walcoff and all of you.

Mr. Walcoff. Thank you.

Chairman Akaka. Thank you.

Before the second panel sits, I am going to call for a very brief recess.

[Recess.]

Chairman Akaka. This hearing will be in order.

I want to welcome our second panel. Our first witness is the former Under Secretary for Benefits, Joe Thompson, who served as the head of VBA from 1997 to 2001.

Next is Linda Jan Avant, Rating Specialist at the Little Rock, Arkansas, Regional Office and First Vice President for Local 2054, American Federation of Government Employees. Ms. Avant is on the front lines of bringing down the claims inventory. Ms. Avant, I understand that today is your birthday and that your mother is here in the audience, so happy birthday and welcome to mom here.

Our next witness is Richard Cohen, who is the Executive Director of the National Organization of Veterans Advocates.

The final witness today will be Joe Violante, National Legislative Director for the Disabled American Veterans, testifying on behalf of The Independent Budget.

I thank you all for being here. Your full testimony will appear in the record.  
Mr. Thompson, we will please begin with your testimony.

DRAFT

STATEMENT OF JOSEPH THOMPSON, FORMER UNDER  
SECRETARY FOR BENEFITS, U.S. DEPARTMENT OF  
VETERANS AFFAIRS

Mr. Thompson. Good morning, Mr. Chairman, Ranking Member Burr. Thank you for inviting me here today to present my views on veteran claims processing and current VA initiatives.

The Veterans Benefits Administration, in my view, is at a critical juncture in its institutional history. It is undergoing today things that are on a par with the great changes that actually followed the Vietnam War and World War II, that order of magnitude.

VA's Disability Claims Evaluation process is likely the most complex one in the world. Over the last ten years, it has only gotten increasingly complex. Not only have the laws changed and additional requirements been added to VBA's processes, the claims volumes have risen significantly, as was mentioned earlier, and the sheer number of claims and the number of issues embedded in each claim just makes the world much more difficult for the people trying to administer these programs.

Compounding this is the fact that VBA has fallen behind in terms of using information technology to help make things better. It just hasn't kept up with the times and it faces the prospect, and I heard what was described earlier, of

really trying to play catch-up before it can even leap ahead.

And just as the baby boomers, my generation, replaced the class of 1946, the men and women who came to work for the VA after World War II, today, the millennial generation is coming in in great numbers and replacing the baby boomers. So given all of this, given this complexity and the size and scope of change, it is important that VA gets it right.

Now, VA has used a number of different approaches to process claims over the last several decades. I won't go into details as to what those approaches were, but I would suggest that the model they are looking at today is very similar to ones we were using in the 1990s. I will talk, if I could, just very briefly to describe the current initiatives, as I see them.

The Little Rock pilot is creating cross-functional teams to have end-to-end ownership of claims, and then they use modern management techniques to improve the process steps within that team concept. That is important, because instead of the claims being spread out throughout the regional office, you have all the skills in one area to decide that thing from start to finish, and then you also have the capabilities of the team to look at the processing steps to make sure that they don't waste an hour with a



piece of paper sitting there that could move along and get handled more readily.

The Pittsburgh Regional Office is case managing claims. What I heard before was about having veterans advocates. One of the members asked that question. This is exactly what that is. This is creating a person in the regional office with the responsibility for making sure that claim gets done right. I can't tell you how much I think that is absolutely the right thing to do. Instead of having some faceless phone number that you call and never speaking to the same person twice, having that person who will pick up the phone and talk to you and try to work you through the complex issues, to me, there is no substitute for that.

The Providence pilot's Business Transformation Lab, moving to a paperless system, if the requirement is that you have to have a claims folder open in front of you for you to do business, that dictates how, when, and where that claim gets done. If you can get that into an electronic format, you have broken all those rules. You have given the agency tremendous flexibility to process claims when, where, and how they see most fit. So I think that is a key element of this process.

And I think the Baltimore pilot, the last piece, is really about building a virtual regional office that pulls all of these elements together.

So I think all of those things are really positive steps and I encourage the agency in pursuing them. There are however, some things I think they need to be cautious of and there are some challenges to these efforts.

First of all, deciding on the correct solution. You can make things work in a pilot setting that don't translate well when you try to bring it out all across America. There are reasons it can work in the pilot. You might have put your best people in there. You might have provided more resources. Or just the fact that everybody is watching makes people do a better job. So I caution them to be sure that when they get the results from the pilots, they understand what they are saying and how well that will translate into the broader VA.

Scaling the initiatives is also going to be a challenge. VA is stretched to its limit right now. It is working, I think, using all of its available resources just to get work done. Trying to bring in new processes is also going to be a challenge and one that has to be managed carefully.

I also believe that they need to put a higher priority on using rules-based systems. I recognize that they are looking at it right now, but I believe that right now, the reason that claims decisions can be made differently in one regional office versus another is because the rules are that

wide. You can legitimately call it over here or over there because the rules give you that much flexibility. Putting in rules-based systems that start to not only remember the nuts and bolts rules, but also start to narrow the sidelines down is important both in terms of making the process more efficient and also making it more accurate.

I also think VA needs to keep their eye on quality, because when push comes to shove, the default position for VBA, and I say this as somebody who loves the organization, but if it is a tradeoff between quality and production, they will go to production every time.

Now, I think the current leadership and certainly the Secretary has the appropriate emphasis on quality, but you need to understand that when people are pushed and they have performance metrics, they are going to try to get the work out even if sometimes is not entirely correct.

Improving electronic data exchanges--it is disheartening for me to hear that we still don't have that with DOD, that they still mail paper to VA. I mean, those discussions began a dozen years ago with DOD and still it doesn't look to me like a lot of progress has been made. I also think there are opportunities between VBA and the Veterans Health Care Administration to improve their electronic exchanges and using the templates, which I heard earlier, using templates for exam ratings. Those things

were developed eight or nine years ago. I haven't seen the use of them yet, so I wonder if we are capturing all the things that I think are available.

And finally, I would mention blending new hires into the organization is going to be a challenge. Adding 4,000 people to this organization is an enormous lift. When people come into the organization, they actually create-- they are actually a net negative because you have to train, equip, provide space for them to work, and most importantly, you have to pull people who are already in the business of doing work offline to help train the new people. So just to recognize it. I mean, it is a problem I would love to have, tell me I am getting 4,000 new people. However, there is, in the beginning, at least, there is a lag time before they kick in and really make a significant difference.

In conclusion, I would just like to say I think VA faces major challenges in attempts to improve and modernize the claims process. I believe the current efforts appear to be on the right track in terms of developing solutions. But I think the far greater challenge will be in the implementation end of it. The good ideas are there and I think they can see what they are, but scaling that up and making that work in 56 or 57 regional offices throughout the country is really going to be a tremendous challenge.

As noted earlier, VA, I believe, is at a critical

juncture in veterans claims processing. Although they face daunting challenges, they do have the advantage. They have strong senior leadership support. They have excellent budget and staffing, thanks to the administration and the Congress. And the technology today are things that, when I was in that job ten years ago, I could only dream about. So you really have some capabilities that just didn't exist in the past. I think that by continuing with their current initiatives and by taking some of the steps mentioned above, VA can be successful in transforming this most critical process for helping our nation's veterans.

[The prepared statement of Mr. Thompson follows:]

DRAFT

Chairman Akaka. Thank you. Thank you very much, Mr. Thompson.

Ms. Avant, your testimony.

DRAFT

STATEMENT OF LINDA JAN AVANT, RATING SPECIALIST,  
VETERANS BENEFITS ADMINISTRATION REGIONAL OFFICE,  
LITTLE ROCK, ARKANSAS, AND FIRST VICE PRESIDENT,  
LOCAL 2054, AMERICAN FEDERATION OF GOVERNMENT  
EMPLOYEES

Ms. Avant. Chairman Akaka, Ranking Member Burr, and members of the committee, thank you for the opportunity to testify about the experiences of the front line employees working on VBA pilot programs. My name is Jan Avant, and as you mentioned, I am the First Vice President of AFGE Local 2054 at the Little Rock Regional Office.

I have worked with the VA for 26 years, and for the last 13 years, I have worked as a Ratings Specialist, serving as a mentor and trainer for VSRs and Rating Specialists. My goal when I come to work every day is to do what is right for the veterans of our nation, and often in order to do this, we, as employees, often have to sacrifice higher production to process veterans' claims correctly the first time.

Part of why my experiences with the POD have been so positive is that management and labor work very closely together from the start, always jointly focused on the ultimate goal of ensuring that our veterans are well served. However, I feel it is too early to roll out most components of the POD nationally. We need more time to train new

employees as well as employees that have been promoted.

My initial role in the pilot was as a union representative. I regularly met with management and the Booz Allen Hamilton consultants to address workplace safety and other questions like how do we staff each POD so they reflect a true picture of the mixed experience levels of our workforce, and do we have sufficient space? How do we keep the work flowing in the rest of the office when 20 percent of the employees are in POD training? I began participating in the third phase of the PODs after some of the initial kinks and processes had been ironed out.

The POD structure is an asset to the VBA organization and to veterans we serve. Blending multiple positions into one team enables employees to communicate with each other both efficiently and quickly. With the varying levels of experience, the POD facilitates training and mentoring of employees because they receive the immediate feedback and support of other POD team members. This also allows for better quality assurance.

What makes all the PODs especially effective is that we work the case from what we call cradle to grave and we keep the veteran's file within the team area until it is completed. For employees who only worked under specialized CPI teams, this POD gave them their first experience to the entire claims process.



The PODs reduced development and mail control time, along with the number of days to complete a claim. For example, a post-development VSR is now aware of the time frames that apply to pre-development. This creates a valuable incentive to coordinate different time frames because our blended team is rewarded for completion of the entire claim. The reorganization of our mailroom into an intake processing center has also been extremely beneficial. It greatly improved our ability to associate incoming mail with the veteran's file, thus dramatically reducing the amount of searched mail from about 1,600 pieces to an average of 50.

Like other ROs, we suffer from a growing gap in experienced, trained staff to do the work of training and mentoring. Lots of experience has also been depleted from our regional offices due to promotions and retirement. After internal promotions, our office filled many vacancies with the temporary employees with the RS stimulus dollars. In the end, only about 30 percent of our employees have two or more years of experience, leaving about 70 percent unable to completely function independently, and sometimes this takes about two years.

The stimulus employees who are now permanent are like brand new VSRs just hard off the street because they were never sent to initial Challenge Training and are only given

limited tasks, such as copying documents and checking for duplicate records. This lack of fully-trained personnel directly affected the production of most regional offices and only time will provide us with the experience and confidence we need to move closer to the Secretary's 98 percent accuracy goal.

Lastly, I would like to address VBA flexiplace policies. We all hear officials in Washington talk about how the work-at-home policies attract and retain good Federal employees, cut down on traffic, and alleviate space issues. Yet flexiplace is not offered to enough employees. Even more harmful, VBA insists on higher production standards for employees who work at home. I feel strongly that the same production standards should apply regardless of where you sit and do the work. For consistency, all employees should have equal time to look for errors and missed benefits. It requires employees working at home to produce as much as 30 percent more work, adds too much pressure, and it sacrifices quality, especially when office-based employees are already struggling to meet their lower quotas.

Work-at-home employees have to spend time performing additional tasks, such as preparing their cases for transportation, in order to meet the new security measures. And because of technology problems, they must also spend

time at the office printing medical evidence and rating decisions and associating them with the C-file.

In short, VBA's flexiplace policies have resulted in the loss of many experienced and valued employees. Therefore, we urge VBA to offer flexiplace to all experienced VSRs, RVSRs, and DROs, and also to apply equal production standards to all employees. This would lessen the need for second shifts, which are proving very difficult to staff, especially with the loss of seasoned employees. Thank you.

[The prepared statement of Ms. Avant follows:]

DRAFT

Chairman Akaka. Thank you very much, Ms. Avant.  
Mr. Cohen, your testimony.

DRAFT

STATEMENT OF RICHARD PAUL COHEN, EXECUTIVE  
DIRECTOR, NATIONAL ORGANIZATION OF VETERANS'  
ADVOCATES, INC.

Mr. Cohen. Aloha, Chairman Akaka--  
Chairman Akaka. Aloha.

Mr. Cohen. --and hello, Ranking Member Burr, and thank  
you to the members of the committee to allow NOVA to testify  
here today.

I am going to start off by talking about the claims  
processing initiatives. NOVA is not very optimistic, and in  
fact, we are very much concerned because of two things, the  
bureaucracy and the culture. And two recent events have  
caused us more concern than we had in the past.

The first one was the May 26 request by the Secretary  
for a piece of legislation which the Secretary called the  
Veterans Benefit Programs Improvement Act of 2010. That  
piece of legislation to anyone who is a veteran or anyone  
who represents veterans represents an indication that rather  
than putting the veteran first and rather than advocating  
for the veteran, the VA intends to abdicate adjudicating  
appeals. In that piece of legislation, the Secretary asked  
to slash the time for a veteran to file an appeal from one  
year to six months, even though the Secretary is well aware  
of the fact that we are dealing with an aging veterans  
population and we are dealing with slews of veterans who are

coming out of the Global War on Terror who have traumatic brain injury and post-traumatic stress disorder. These veterans need the one-year time.

In addition, the Secretary proposed to make it more difficult to file an appeal to the Board of Veterans Appeals. Mr. Walcoff told you, Mr. Thompson told you that the claims are more complex now. We know we have an aging population of veterans. We know they have serious medical conditions. To make those complex claims more difficult to appeal makes no sense if you want to be helpful to veterans.

So the inconsistency of the messages that are coming out of the VA, on the one hand, the Secretary going around the country saying, we are going to put veterans first, and on the other hand coming up with a request for legislation which would hurt veterans, doesn't make any sense, and the only explanation for this is that this bureaucracy is a giant behemoth which cannot maintain a consistent message from the top through the bottom. The people who generated this were not communicating with the Secretary and didn't get the message.

The same thing is with the recent regulation which was just enacted, 3.304(f), trying to make it easier for combat veterans to get PTSD benefits. Instead, what this does is put an additional hoop that the veterans have to jump over if they want the special benefit. What they have to do is

convince a doctor hired by the VA that they have PTSD or that their stressor is sufficient. The information that service organizations have been telling the VA is that we are having trouble getting VA doctors to diagnose PTSD, to accept stressors. We are getting combat medics who are told their stressor isn't sufficient, or people with Purple Hearts told that their stressor isn't sufficient.

The VA in the regulation says, we are not aware of any problems, yet everyone is aware of the problem in Texas with the Perez scandal that was in the newspapers. And then there was another situation where a veteran came into an exam with a tape recorder in his pocket and showed that the examiner said, "I am sorry. I can't diagnose you for PTSD even though I believe you have it."

So these things cause us to say that the organization is faulty and the organization must be fixed. All the initiatives in the world won't help unless the culture changes. It hasn't changed. This demonstrates it.

Now, to the contrary, Congress has been working very hard, and S. 3517, the Claims Processing Improvement Act, takes a lot of the bad provisions that the Secretary asked for and makes them veteran helpful. On behalf of the National Organization of Veterans' Advocates, the tens of thousands of veterans who we represent and the veterans out there, I tell you, Mr. Chairman, I have a thumbs up, a giant

thumbs up for you and the committee because it is very clear that you get it. You understand what is necessary.

In changing the one-year period and adding on the possibility of equitable tolling, you are going to help the people who are severely injured or have bad PTSD symptoms and cannot file their appeals on time. The triage system that you recommend, the post-NOD decision, all these things will help veterans.

Now, Section 207, however, of this bill is a problem. You may have been told, Mr. Chairman, that Section 207, which requires a highly specific substantive appeal to file to the BVA within 60 days will not hurt veterans because many of them are represented. Sadly, the truth is to the contrary. In 2009, the statistics coming out of the BVA Chairman's Report shows that 5,000 veterans whose appeals were decided by the BVA were unrepresented. Forty-thousand were underrepresented in that they did not have someone who is trained in VA law who is an attorney to file these things. We are dealing with very complex claims and we cannot have a more specific requirement to appeal.

In the Social Security Administration, if a veteran files for benefits there, he doesn't have to file an overly complex appeal. In the Workers' Compensation System, the veteran doesn't have to file it. But here, in the VA system, he would be required to file it. That just is a



problem.

The other problem is giving the discretion to the BVA in Section 210 to decide whether they are going to do a video conference or an in-person conference. For elderly and impaired veterans, that likewise presents a problem.

That concludes my remarks and I am prepared to answer your questions.

[The prepared statement of Mr. Cohen follows:]

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Chairman Akaka. Thank you very much, Mr. Cohen.  
And now we will hear from Mr. Violante.

DRAFT

STATEMENT OF JOSEPH A. VIOLANTE, NATIONAL  
LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS,  
ON BEHALF OF THE INDEPENDENT BUDGET

Mr. Violante. Aloha, Chairman Akaka--  
Chairman Akaka. Aloha.

Mr. Violante. --Senator Burr, and members of the  
committee. Thank you for the opportunity to testify today  
on behalf of The Independent Budget, which is comprised of  
AMVETS, DAV, PVA, and VFW.

Earlier this year, Secretary Shinseki set an ambitious  
goal to have zero claims pending over 125 days, with all  
claims to be completed with 98 percent accuracy. The  
Secretary has forcefully and repeatedly made clear his  
intention to break the backlog this year. While we welcome  
his intentions and applaud his ambition, we would caution  
that eliminating the backlog is not necessarily the same  
goal as reforming the claims process system.

Mr. Chairman, the backlog is not the problem. Rather,  
it is the symptom of a very large problem, too many veterans  
waiting too long to get decisions on claims for benefits  
that are too often wrong. To achieve real success, VBA must  
focus not just on a smaller backlog, but on creating a  
veterans benefits claims processing system designed to get  
it done right the first time.

Mr. Chairman, we applaud VBA for their openness and

outreach to the VSOs. However, we remain concerned about their failure to fully integrate us at the beginning of the process. VSOs not only bring vast experience and expertise about claims processing, but our service officers hold power of attorney for hundreds of thousands of veterans and their families. We would encourage VBA to involve us during the planning stages of new initiatives and pilots as well as throughout the ongoing IT development.

VBA has stated that there are over three dozen pilots underway. The IB VSOs have supported and promoted many of these approaches. However, we have concerns about whether VBA will successfully extract and then integrate the best practices from so many ongoing initiatives. Given the enormous pressure to break the back of the backlog, we are concerned that there could be a bias toward process improvements that result in greater production over those that lead to greater quality and accuracy.

Undoubtedly, the most important new initiative underway at VBA is the Veterans Benefits Management System, or VBMS. The IB VSOs would encourage VBA to include VSOs on subject matter panel reviews. We would also urge the committee to have an independent outside expert review the VBMS System, which is still early enough in the development phase to make course corrections should they be necessary.

Several weeks ago, S. 3517, the Claims Processing

Improvement Act of 2010, was introduced. This legislation would create a pilot program to establish a new VA Rating Schedule for the musculoskeletal system using a different standard of disability, residual function capacity, based upon the severity, frequency, and duration of symptoms. Mr. Chairman, we have grave concern about creating a brand new rating system using a standard that was developed for Workers' Compensation and Social Security Disability Insurance programs. Veterans disability compensation is not the same as nor substantially similar to these two civilian programs. Permanent injuries and disabilities suffered by veterans must be connected to their military service in order to qualify for VA disability compensation. To compare service-connected disabilities to civilian injuries or disabilities fails to value the history and purpose of the Veterans Disability Compensation System.

We also have grave concerns about implementing this pilot without any prior study and without the benefit of input or comment from stakeholders or the public, and with the waiver of the Administrative Procedures Act. While we appreciate the urgency of the claims processing problems and the growing impatience with VBA's progress, we believe there are better ways to address the issues for which this pilot was proposed, including VBA's ongoing work updating the Ratings Schedule and the work of both the Veterans

Disability Benefits Commission and the Advisory Committee on Disability Compensation Congress created with Public Law 110-380.

The IB VSOs also have a number of comments and recommendations on the other sections of S. 3517. Some we support, others we suggest changes, and some we oppose, all of which are included in our written testimony.

Mr. Chairman, the IB VSOs thank you for the opportunity to offer testimony before the committee today. We also want to thank Ranking Member Burr and this committee for the great work you have done to improve the lives of America's veterans, including enactment of two historic bills during this Congress, Advance Appropriations for Veterans Health Care and the Caregiver Benefits Program. We look forward to continuing to work together with you to address problems within the Veterans Benefits Claims Processing System as well as other unmet needs of America's veterans.

I would be happy to answer any questions the committee may have. Thank you.

[The prepared statement of Mr. Violante follows:]

Chairman Akaka. Thank you very much, Mr. Violante.

The question I have for you will be for all of you. While my legislation is largely a claims processing bill, I included a pilot program to test an alternative to the current Ratings Schedule. I did this because I am concerned that progress on claims processing will be limited until the Rating Schedule is reformed. Do you agree that the status quo on the Rating Schedule is unacceptable? Do you have suggestions for specific changes on this?

Mr. Violante. Mr. Chairman--

Chairman Akaka. Mr. Violante?

Mr. Violante. Certainly, DAV believes and the IB believe that changes are necessary. However, we have some concerns about the proposal in the legislation. As has been pointed out previously, we believe that there could be a great inequity in veterans similarly situated with the same disabilities being rated differently, in addition to the fact that the VA will have to learn two different systems because not everyone will come under this new pilot program.

If these two veterans, one who is rated under the current system, one rated under the new pilot, appeal those decisions, then the Board of Veterans Appeals and ultimately the courts will also have to make a determination based on two different sets of criteria, and we believe there have been other proposals out there, again, by the Veterans

Disability Benefits Commission and the ongoing Advisory Committee, that have made recommendations that should be looked at, also, not just focusing on this one change.

Chairman Akaka. Mr. Cohen?

Mr. Cohen. Thank you, Mr. Chairman. NOVA believes that you are on the right track on this proposal. As you suggested, the status quo is unacceptable. The present schedule is too difficult for rating teams to work with consistently. This is a well thought out system.

The problems that were perceived by some, and Mr. Violante had mentioned it, about the disparate treatment could be resolved by taking files that had already been rated into the pilot to see what the result would be had they been rated under the pilot program, not changing the particular rating that a veteran had, but just seeing how it would be rated under the new program. That is a way that the program could be tested on a pilot basis and then compare the results, and actually, the rating team could be requested to provide input on the difficulty or ease of using both systems.

But the proposal that you have come up with is something that is time honored. It has been used consistently in the Workers' Compensation System and doctors know how to deal with frequency of symptoms and severity of symptoms, so it should work.



Chairman Akaka. Thank you. Any other comments?

Ms. Avant. Yes.

Chairman Akaka. Ms. Avant?

Ms. Avant. AFGE also agrees that the Ratings Schedule does need to be updated. I understand VBA has been working on that. There are some sections that have not been updated since 1945, and as a Ratings Specialist who is reviewing actual medical evidence, it is very apparent that there has been a lot of changes in the information requested on the VA templates, that what the rater gets and when they try to apply it to the Ratings Schedule, many terminology diagnoses have changed over the years. Also, many items seem to be under-evaluated. Musculoskeletal are very difficult. If you have a knee condition, it is easily--does not reflect what the symptoms are in the VA exams. And some of the mental disabilities are also the same way.

We think it would be beneficial if there are changes. The changes to the ICD codes, it will take some adjustment if VA does change from our diagnostic codes over to the ICD codes, but it is something that is used nationally and with all physicians and so it would be something easily adapted.

Chairman Akaka. Thank you very much.

Mr. Thompson?

Mr. Thompson. Mr. Chairman, the Government Performance and Results Act required that each program administered in

the Federal Government be put through a program evaluation, in other words, to look at it and say, is it meeting its public policy goals? So with disability compensation, and my understanding is that program evaluation has never been done, is what we are doing today to help veterans with the assistance we are providing them, does it actually make the difference in their lives that we, that the Congress and the President, intend for it to make?

So that kind of analysis, to me, should take place before you go in and start changing the ratings schedule. I think you need to understand, what is the current one doing for veterans? Is it undercompensating? Overcompensating? Does it have it just right for each condition? And I think the program evaluation of compensation program should be undertaken as a first step before you go in and start pulling the Ratings Schedule apart. You need to understand what the current one is doing.

Chairman Akaka. Thank you very much.

Let me call on Senator Burr for his questions.

Senator Burr. Thank you, Mr. Chairman.

I guess I know the answer to my first question for you, Joe, which was whether you think VA is doing enough with the Disability Compensation System and whether it is meeting its goals, and the fact is, they are not focused on it.

Let me make a general statement and then I would like

to ask just a couple of questions, and my statement has no impact on the legislation. It has an impact on whether or not I believe that all stakeholders are willing to do the things that it takes to solve the disability process problem that we have, and I have come to the conclusion they are not.

I think there are efforts that are underway within VBA. There are individuals involved in the processing of claims, like Ms. Avant. There are deep interests on the part of VSOs and we cannot find those common intersection points that will allow us to solve a very, very big problem. And I share that with you because this is very disturbing to me.

I have made the statement before coming into hearings that we talked about the disability process because I believed there was real hope that we could solve it, and I see a growing number of individuals who are going to be relying on our ability to navigate this and to redesign the system in a way that it can work for everybody.

Well, if we are not allowed to redesign, I can tell you, it is not going to work for everybody. There are going to be unbelievable delays. They are going to be much longer than they are today. We are going to have antiquated requirements on individuals in trying to accomplish their jobs that are going to make it impossible.

There are tremendous bright spots. The POD process

that we have undertaken in Arkansas, gee, I would like to roll that out everywhere in the country tomorrow, but I am sure somewhere there is going to be opposition to that and it is one of the reasons that I asked Mike, at what point can we make determinations as to when this works? How far can we roll it out? I am tired of talking about this. I am tired of everybody raising their hand and saying, "I want to be part of the solution," only to get to a point where we have got trial programs, demonstration projects. It looks like we are at critical mass and everybody is going, whoa. Wait a minute. No, I didn't mean about structural changes. I meant about speeding up the process. Well, if we are not going to make fundamental changes to this program, we are not going to reduce the amount of time.

I don't point a finger at anybody, I just make a general statement as one that has been doing this for a number of years, much like many of you at the table. I think that we probably didn't include enough people up front. Had we included more people in the input, maybe they wouldn't be as critical to the structure. I am not sure that the design would have changed, but maybe more people would have felt like they had a hand in it.

I have heard the statement made, the status quo is not acceptable. Well, let me tell you, we have been locked in the status quo for a long, long time, and when you look out

and you see the population that is getting ready to come in, they deserve better and we have all got a responsibility to them.

So I hope everybody will rethink what we have got in front of us, what we have got to accomplish, and try to figure out where we can begin to smooth the edges of where we have staked ourselves out and focus on the steps forward that we can make that have a visible and substantive impact on the processing of these claims.

Now, I raised with Mike and I won't raise it with the panel, it is beyond my comprehension as to how the number of applications that come in incomplete have actually grown versus gotten better. I am not sure where that problem is, but it makes common sense to me that one of the areas we need to focus on is making sure an application for disability claims is complete when it walks in the door, that we not bog down the VA process with going out and doing the things, whether it is a VSO who is working with a veteran, whether it is a VA service officer. Regardless of who it is, even if it is a hired lawyer, my gosh, let us provide a hotline for the lawyers to call so that they can at least get the claims right. Even though they are making money off of it, it benefits everybody if that claim comes in the door and it is complete.

Mr. Chairman, I apologize because I know that this was

a hearing designed to try to ask questions and get constructive answers, but I just couldn't let it pass without saying we have got a real opportunity right now. I think we have some real demonstration projects on the table that could--it is early--could have a dramatic impact on our ability to process these claims.

If we go until next year and Mike is forced to come in and say, well, we need 2,000 more employees, I am going to tell you now, it is not going to happen. Over my dead body will we just continue to throw people at the problem. We have got to find the fundamental change. We have got to incorporate what we know works with what we can accomplish in IT and we have got to learn from past experiences areas that we go to, and I hope we can all go there together.

I thank you, Mr. Chairman.

Chairman Akaka. Thank you very much, Senator Burr.

My last question is one for all of you. One goal of my bill is to allow VA to work seamlessly with the military and the outside medical world in dealing with disability issues. The proposed pilot program would test the use of ICD codes to identify disabilities. My question is, do you believe the use of these codes would move VA closer to being able to work with other entities on disability issues? Mr. Cohen?

Mr. Cohen. Yes, Chairman Akaka. NOVA does believe the use of ICD codes would be an advantage because most of the

medical community works in terms of ICD codes. So it would make it easier for private physicians and also for VA contract physicians who may be working in other hospitals and work with ICD codes every day to figure out the system.

One of the problems, though, with the seamless transition is that we are all aware of the problem with the DOD under-diagnosing PTSD. So if we have a seamless transition and a service member comes out and now becomes a veteran and has a record from the DOD saying that their condition that they have, their nervous condition is a preexisting condition because they were forced to sign that before they got out, that is going to make it more difficult for them to get their VA benefits. So that is a concern that the DOD must look at before there is this seamless transition.

Chairman Akaka. Thank you.

Mr. Violante. Mr. Chairman?

Chairman Akaka. Mr. Violante?

Mr. Violante. I think the IB would agree that, yes, using ICD codes could help, but our recommendation would be--I mean, if you look--here is the ICD codes on the knee. There are roughly two-and-a-half pages of ICD codes on the knee. The VA Ratings Schedule, there are essentially four ratings for the knee. What we would like to see is the diagnostic codes lined up with the ICD so that a rater would

see a condition coming in that is one of the ICD codes that would refer them to the appropriate diagnostic code and then allow them to rate it.

But if you have a rating schedule that is using knees, you are going to have a lot of duplication of effort, whereas if there is just an easy reference to say, okay, ICD Code 1025 is the same as diagnostic code 5286, I think you would make the transition a lot easier, and all you would need then is for somebody with a medical background to go through and associate the two codes so that you can have a cross-reference.

Ms. Avant. Sir?

Chairman Akaka. Ms. Avant?

Ms. Avant. Under the current system, personally using the system on a daily basis, I don't see that the ICD codes will make a difference in the amount of work that can be processed comparing with diagnostic codes. Based on the current medical we receive, most examiners right now furnish us a diagnosis, not an ICD code.

In the event that--I know we have a pilot that is undertaking the rewriting of the medical templates that VAMC uses and there is discussion of those being rolled out to the private industry. In the event that those templates are possibly compacted--at the current time, some of them are very lengthy, they have a lot of information that I don't



need to assign a percentage for a knee disability, and if they were compacted to fewer questions and just to make sure that we get the answers to those questions and that these forms could then be sent out to the local and the private physicians, it would be easier for them to complete.

Currently, some of the templates may take an examiner 45 minutes to an hour, and in the real world, you don't have a private physician that has 45 minutes to sit with a veteran to fill out these forms. Now that there have been Medicare cuts a far as seeing these veterans are that patients of private physicians, it just seems like if there were a more compact questionnaire for them to fill out, that is what would help the VA process more claims versus just changing the ICD codes.

Chairman Akaka. Thank you.

Mr. Thompson?

Mr. Thompson. Mr. Chairman, I would defer to the judgment of the folks at VA and the VSOs on this issue. I don't think I bring the expertise to make much of a difference in this discussion.

Chairman Akaka. Thank you very much.

In closing, I want to again thank all of our witnesses for appearing here today. I would like to thank Under Secretary Mike Walcoff and members of his team for remaining here to listen to the second panel. Veterans are better

served when we all work together, as you had said in your comments earlier.

I look forward to working with all members of this committee to develop innovative solutions for claims adjudication. It is clear that the issues involved are quite complex, and working toward a more streamlined, efficient, and equitable process will not be easy, but we will strive to do that. I pledge my continued support for this goal as we move forward and look forward to advancing this effort with an amended version of my legislation, S. 3517, that will appear on the next agenda for the committee's markup next month.

Again, thank you very much. This hearing is adjourned.

[Whereupon, at 11:57 a.m., the committee was adjourned.]

DRAFT