

**STATEMENT OF  
ALLISON A. HICKEY  
UNDER SECRETARY FOR BENEFITS  
VETERANS BENEFITS ADMINISTRATION (VBA)  
U.S. DEPARTMENT OF VETERANS AFFAIRS (VA)  
BEFORE THE  
SENATE COMMITTEE ON VETERANS' AFFAIRS  
December 11, 2013**

Good morning, Chairman Sanders, Ranking Member Burr, and Members of the Committee. Thank you for the opportunity to discuss VA's benefits claims processing transformation efforts. I am accompanied today by Richard Hipolit, Assistant General Counsel, Brad Houston, Director of VBA's Office of Business Process Integration, and Diana Rubens, VBA's Deputy Under Secretary for Field Operations.

In recent months, VA has made significant progress in executing our benefit claims Transformation Plan. We reduced the backlog by approximately 36 percent since March of this year, and we expect these reductions to continue over the next year. More importantly, while increasing our productivity, we have also increased the quality of our work. In June 2011, when I arrived, our average for claims accuracy was approximately 83 percent; as of the end of November 2013, that number was approximately 90 percent. When measuring accuracy at the medical issue level – which is a more precise measure of VA's workload – our rating accuracy today stands at 97 percent. My testimony today will focus on how execution of our Transformation Plan has decreased the backlog and increased quality, resulting in better service to the Veteran community and pushing us closer to the Secretary's goal of all claims completed in 125 days at 98-percent accuracy in 2015.

None of this progress would be possible were it not for the tremendous support VA receives from its partners. The direct support of this Committee and the

Congress has helped us make significant headway on our Transformation Plan and enabled us to complete a record-breaking 1 million claims for 4 consecutive years. Our Veterans Service Organization (VSO) partners have worked in close collaboration with us throughout this transformation to roll out new initiatives and provide the best service possible to our Veterans, their family members, and Survivors. Our State Departments of Veterans Affairs partners across the country have helped us reduce the backlog at a local level by contributing resources to innovative Federal/state solutions. Our progress would not be possible without the support of our partners in the VA Office of Information and Technology, who continue to work tirelessly to deliver new capabilities to improve productivity and workload management, and our Veterans Health Administration (VHA) partners, who co-located physicians with our regional office workforce to provide onsite support for medical opinions and expedited claim examinations at unprecedented levels. Finally, this progress would not be possible without the tremendous effort and dedication of VBA's claims processing employees, who worked mandatory overtime for 6 months straight on this important mission.

### **VBA Transformation Plan: Results through November 30, 2013**

Here are some key statistics that show our progress:

- Inventory: Down from peak of 884,000 in July 2012 to 693,000 – a decrease of 191,000 or 22 percent
- Backlog: Down from peak of 611,000 in March 2013 to 392,000 – a decrease of 219,000 or 36 percent
- “1-Year Claims” Initiative: Approximately 96 percent complete from 513,000 in April 2013 to 20,000
- Claim-Level Accuracy (12-month): Increased from approximately 83 percent in 2011 to 90 percent today
- Medical-Issue Accuracy (3-month): Approximately 97 percent
- Completed 1.17 million claims in Fiscal Year (FY) 2013 – an all-time high  
Completed 128,000 claims in August and 129,000 in September – an all-time high

- Recognized the 1 millionth GI Bill recipient in November 2013; approximately 82 percent of supplemental claims are now either fully or partially automated
- Granted 1,148 credentials to VSOs to use Stakeholder Enterprise Portal
- Approximately 75 percent of current claims in the inventory are in digital format for processing electronically within the Veterans Benefits Management System
- Converted more than 360 million images from paper into digital format
- Supporting over 3.2 million active accounts in eBenefits

Despite these recent successes, many Veterans still wait too long to receive benefits they have earned and deserve. This has never been acceptable to VA or to the dedicated employees of VBA – approximately 52 percent of whom are Veterans themselves. As this Committee knows from our previous discussions, VA's Transformation Plan includes initiatives to re-train and reorganize our people, streamline our business processes, and build and implement new technology solutions that are getting us out of paper-bound, manual processes to improve our service to Veterans, their families, and Survivors. There is no silver bullet in this Transformation Plan; the results being reported today cannot be attributed to any one single initiative or program but rather the collective synergy of all of them. However, I would like to take this time to review a few key initiatives that have had a significant impact on our increased production and quality and show promise for the way ahead.

#### VBA Organizational Model

Initially planned for deployment throughout FY 2013, VBA accelerated the implementation of its new organizational model by 9 months due to early indications of its positive impact on performance. The new organizational model incorporates a case-management approach to claims processing, by reorganizing the workforce into cross-functional teams that give employees visibility of the entire processing cycle of a Veteran's claim. These cross-functional teams work together on one of three segmented lanes: express, special operations, or core. Lanes were created based on the complexity and priority of the claims, and employees are assigned to the lanes based on their experience and skill levels. An Intake Processing Center serves as a

formalized triage process to quickly and accurately route Veterans' claims to the right lane when first received.

The Express Lane was developed to identify those claims with a limited number of medical conditions (i.e., about 1-2 issues) and subject matter which could be developed and rated more quickly. The Special Operations Lane applies intense focus and case management on specific categories of claims that require special processing or training (e.g., homeless or terminally-ill Veterans, military sexual trauma, former prisoners of war, seriously injured, etc.). The Core Lane includes claims with three or more medical issues that do not involve special populations of Veterans. Less complex claims move quickly through the system in the Express Lane, and the quality of our decisions improves by assigning more experienced and skilled employees to the more complex claims in our Special Operations Lane.

Thus far, we have seen a 10-percent increase in production in regional offices using the new model during the first 60 days of deployment. We have also seen processing speed in our Express Lanes improve; about 30 percent of claims are routed through Express Lanes and are being processed about 100 days faster than claims routed through Special Operations Lanes (approximately 10 percent of claims) or the Core Lanes (approximately 60 percent of claims).

#### Veterans Benefits Management System (VBMS)

VBMS, VA's Web-based electronic claims processing solution, was fully deployed to all 56 regional offices 6 months ahead of schedule in June 2013. Since then, VBA has also successfully deployed VBMS to the Appeals Management Center, the Records Management Center, the Board of Veterans' Appeals, all National Call Centers, and all VA Medical Centers. This new technology helps us get out of paper and begin reaping gains in processing speed within a digital claims processing environment; currently, more than 75 percent of our existing claims inventory is electronic and will be processed electronically. In addition, VBMS

improves access, drives automation, and enables greater exchange of information and increased transparency to Veterans, our workforce, and our stakeholders.

The evolution of VBMS is occurring across four distinct generations of development. Generation One of VBMS began in 2010 with the conceptualization, piloting, development, and deployment of baseline system functionality with improved quality and efficiency. The development of Generation One of VBMS concluded with the successful implementation of Release 4.1 in January 2013.

As we moved into the development of Generation Two of VBMS, the focus has been on building additional system capabilities while leveraging simple automation features. VBA has deployed three major Generation Two software releases: VBMS 4.2, 5.0, and 5.1. These releases included improvements to correspondence and work queue tools, additional rating functionality, and more extensive data exchange and system integration capabilities.

VBMS 6.0, scheduled for release this month, will enhance existing features, integrate additional correspondence functionality, deliver initial capabilities to the Board of Veterans' Appeals, and add new functionality to allow claims processors to electronically request and receive service treatment records from the Department of Defense (DoD) Healthcare Artifacts and Image Management Solution (HAIMS).

Generation Three of VBMS, which will deploy in 2014, will increase system functionality, add more complex automation capabilities, and have the capability to accept Veterans' electronic service treatment records and personnel records from DoD. Additional workload management capabilities will also allow VBA to move claims electronically across regional office boundaries when needed. A national work queue is being developed based on this capability, which will route claims automatically based on VBA's priorities and essentially match a claims processor with the "next best claim" to work based on their skill level and national policy. All of

these improvements will enable VBMS end-users, which include VA Medical Center personnel and VSOs, to perform their work more efficiently and accurately.

Enhancements to system capabilities in 2014 will increase both the production and quality of our claims decisions. In this year, VA will also have an additional opportunity to assess and validate the effectiveness of the model as a whole and implement improvements as needed.

Generation Four of VBMS, which will deploy in 2015, will capitalize on efficiencies and quality improvements gained during the previous year. VA will utilize enhancements made in Generation Three to identify additional automation and process improvement opportunities that can be incorporated into Generation Four, allowing employees to focus on more difficult claims by reducing the time required to process less complex claims.

VBA established the Veterans Claims Intake Program (VCIP) in 2012 to streamline the process for receiving records and data into VBMS and other VBA systems. VCIP converts claims and other paper records that we receive into a digital format that is usable within VBMS. Under VCIP, documents are scanned and converted into electronic format, and important information and data are extracted and populated in an electronic folder accessible to claims processors through VBMS. In November 2013, VCIP achieved a major milestone by surpassing 350 million images converted from paper and uploaded into VBMS.

#### eBenefits and the Stakeholder Enterprise Portal (SEP)

eBenefits is a joint VA-DoD client services portal that provides life-long engagement with Servicemembers, Veterans, and their families. VA has been strongly encouraging the use of eBenefits since October 2009, and just recently crossed the three-million-user mark. eBenefits users have access to more than 50 self-service features and greater access to benefits and health information at the time and method of their choosing. Through self-service, eBenefits users have

generated over 370,000 requests for official military personnel documents, 379,000 requests for VA guaranteed home loan certificates of eligibility, approximately 29.1 million claim status requests, and over 3.2 million self-service letters. VA will continue to add more functionality and features to the site, with the goal of using it to anticipate Veterans' needs, prompt them when they're eligible for new benefits and services, and ultimately reach out to them instead of waiting until they reach out to us.

The integration of eBenefits with VBMS also enables Veterans to submit claims online. Using the Veterans On-line Application (VONAPP) Direct Connect (VDC) application in eBenefits, Veterans can file a claim online by answering a series of questions (which may seem familiar to users of today's tax preparation software like Turbo Tax), upload all their evidence and supporting documents, check the status of their claims, and much more. The electronic claims submission capability provided by VDC improves the timeliness of claims processing by leaping over the entire paper-based mail, triage, and claims establishment process. Claims filed in eBenefits feed right into VBMS, giving employees the ability to work these claims without ever having to touch a piece of paper. Today, VA receives about 1,000 claims each week through VDC. We are grateful for the support of all our partners – in the Congress, at the state and national VSO level, and in every State Department of Veterans Affairs across the country – for encouraging Veterans to use eBenefits and submit their claims electronically, which boosts productivity and helps us eliminate the backlog. VA distributed toolkits with information on eBenefits and fully developed claims (FDCs) to every Congressional office. eBenefits prompts Veterans to file FDCs when they submit a claim online and outlines the advantages in terms of improved decision timeliness. We ask that you continue to partner with us on promoting these important initiatives to Veterans in your states by adding information to your Web pages and in correspondence to constituents who are Veterans.

The third component of our online engagement strategy is the Stakeholder Enterprise Portal (SEP), which is a secure, Web-based connection that complements eBenefits and gives VSOs and other authorized advocates access to assist Veterans

in filing disability claims electronically. Using the portal, VSOs can check the status of claims, review payment history, and upload documentation on behalf of the Veterans they represent — all within a digital environment. When filing a claim online in eBenefits, a Veteran can request the assistance of a VSO by choosing from a list of accredited representatives in VA's database. When logging into SEP, the chosen VSO representative is alerted to the Veteran's request, and upon acceptance, is given power-of-attorney authorization to access the Veteran's claim and assist with preparation. Once the VSO representative believes the claim is ready for submission, he or she can send notification back to the Veteran in eBenefits, and the Veteran submits the claim to VA. With SEP, 8,000 VSO representatives throughout the Nation can continue to perform their vital advocacy and assistance role within VA's transformed benefits delivery model. As of November 30, 2013, VA has registered more than 14 percent of all VSOs.

#### Electronic Regional Office (eRO)

On November 1, 2013, VBA established the Newark Regional Office as the first eRO. There are no longer any paper claims being processed at the Newark eRO. All claims are processed electronically, which allows us to refine, test, and streamline our operations as we prepare for a fully electronic environment nationwide. Veterans, Survivors, and families served by the Newark eRO do not experience any change in the way they interact with the Newark RO. Claims submitted in paper format continue to be accepted but are scanned and immediately entered into VBMS for electronic processing. We anticipate all 56 regional offices will be in a fully electronic environment later this year. Modeling the eRO at the Newark RO will enable us to understand the impacts on our current operations and help to ensure we have planned for a smooth transition. We continue to encourage all Veterans to file claims electronically through eBenefits and to utilize Veterans service organizations to assist them with their claims.

#### Fully-Developed Claims (FDC)



VA's FDC program is a critical tool for transforming the way we do business. The longest phase of the current claims-processing timeline is the phase in which VBA employees gather evidence. FDCs drastically reduce the length of this phase by allowing Veterans to submit claims as "fully developed," which means the claim includes all available supporting evidence like private treatment records, a notice of any other records held in federal facilities, and a certification that the Veteran has no more evidence to submit. Veterans are not at any risk when submitting an FDC, because if we find that there is another piece of relevant evidence that is needed for a rating decision, our employees will work to obtain it on the Veteran's behalf and continue processing the claim.

The Congress and our state and VSO partners have been instrumental in helping us increase awareness and understanding of our FDC program, especially by supporting the FDC workshops we have conducted across the country. As a result of these efforts and many others, the use of FDCs has dramatically improved since last year. In the third quarter of FY 2012, VA received approximately 3.6 percent of all claims as FDCs; in the fourth quarter of FY 2013, we received almost 25 percent of all claims as FDCs. FDCs are currently processed in less than half of the time it takes to process non-FDCs.

#### Challenge Training and Quality Review Teams (QRTs)

VBA is committed to providing high quality, timely, and relevant training for both new and experienced personnel to ensure that claims quality continues to improve. To this end, our transformation efforts include redesigned programs and tools that standardize training for the disability compensation and pension benefit programs across our 56 regional offices.

VBA instituted national-level Challenge Training in 2011 and Quality Review Teams (QRTs) in 2012 to improve employee training and decision accuracy while decreasing rework time. Challenge Training is focused on building the overall skills and readiness of the workforce through an 8-week curriculum, and QRTs focus on

fixing the most common sources of error in the claims-processing cycle. To date, approximately 3,000 employees have graduated from our Challenge Training program, and an additional 484 employees have undergone Station Enhancement Training (SET), which is based on the Challenge model for new employees. In FY 2013, rating accuracy for claims completed in Challenge training was 95.5 percent.

Evidence shows that these training sessions are having a significant impact on accuracy, timeliness, and production. Challenge graduates decide approximately 150 percent more claims per day than their predecessor cohorts, at 30-percent better accuracy. Before Challenge Training, employees processed about half a claim a day at approximately 60-percent accuracy during the first 6 months following graduation; today, claims processors trained under the new Challenge program complete about 1.6 claims a day at approximately 94-percent accuracy within 6 weeks of graduation. In addition, when an entire regional office undergoes SET, accuracy improves by approximately 8 percent, and monthly production improves by approximately 27 percent.

In 2012, VBA reassigned 573 of our most skilled and experienced employees from their duties as claims processors to serve on QRTs. In FY 2013, these QRTs conducted more than 145,000 in-process reviews, preventing errors before they can impact the Veteran and providing specialized re-training to claims processors so these errors can be prevented in the future. QRTs made a particularly big impact on the most common types of errors this year.

In 2012, VBA found that almost 40 percent of claims rework errors across VBA were occurring in the medical examination phase (identified as “B2” errors). In April 2012, we launched the B2 Error Reduction Initiative and trained QRT Coaches to lead a Lean Six Sigma project at their regional offices to reduce B2 errors by approximately 50 percent. We made the investment – both by taking 573 employees off the line to serve on the QRTs and by training every QRT coach in Lean Six Sigma – and we are now seeing the results. In FY 2013, we reduced the B2 error rate by

more than 40 percent across all of VBA, which means Veterans will not have to wait as long for a decision on their claims, and they will receive a high-quality decision.

VA currently uses a 3-month rolling average to track the impact of these initiatives, and others like them, on rating accuracy. These metrics are reported in ASPIRE, the monthly Dashboard providing information on how VBA and regional offices are doing in relation to 2015 aspirational goals, and can be seen online ([www.vba.va.gov/reports/](http://www.vba.va.gov/reports/)) by anyone inside or outside of VA. In FY 2012, VA showed a 3-percent increase in national accuracy – from approximately 83 percent to 86 percent. In FY 2013, our 3-month accuracy at the claims level rose to approximately 90 percent, meeting the goal we set for ourselves this year. The accuracy outcome goals for the next 2 years are approximately 93 percent in FY 2014 and 98 percent in FY 2015.

It is important to recognize that under the existing quality review system, any one error on the claim, no matter how many medical conditions must be developed and evaluated, makes the entire claim in error – the claim is therefore counted as either 100 percent accurate or 100 percent in error, with no credit for anything in between. Medical issues are defined as individually evaluated medical conditions. Given that the average number of medical issues included in each claim for recently separated Servicemembers is now in the 12 to 16 range, we do not believe the current all-or-nothing measure reflects the actual level of decision accuracy achieved. When we measure the quality of claims based on the individual medical issues rated (i.e., “issue-based accuracy”), the accuracy of our decisions is at approximately 97 percent. This issue-based accuracy approach also affords VBA the opportunity to precisely target those medical issues where we make the most errors, at the individual employee level, and develop and direct training in a targeted manner.

### Collaborations and Partnerships

VBA is relying more and more on partnerships with Federal, state and

non-profit agencies to improve benefits delivery for Veterans. A key component of VBA's transformation is leveraging technology to interface with partners to securely exchange Veteran information needed to verify benefits eligibility. Over the past year, VBA has worked to develop these interfaces with the agencies below, and steady progress is being made.

#### *Defense Department Service Treatment Records*

DoD continues to strive to provide VA with 100 percent of separating Servicemembers' complete and certified Service Treatment Records. During the third week of November 2013, DoD achieved a 90-percent certification rate. VBA continues to work with DoD to transition to receiving all Service Treatment Records electronically. This will be accomplished via HAIMS to VBMS interface, which is scheduled for implementation effective January 1, 2014.

#### *Internal Revenue Service (IRS) and Social Security Administration (SSA) Data Sharing*

In February 2013, VA developed an expanded data-sharing initiative with IRS and SSA to streamline income verification for pension applicants. This initiative enabled VBA to eliminate an annual reporting surge of 150,000 actions and redirect significant resources to address the backlog of dependency and indemnity compensation (DIC) claims from Survivors. As a result, we have doubled our output of DIC claims processing with this effort, cutting the inventory in half and ensuring approximately 74 percent of all DIC claims are completed within 125 days.

#### *VSOs and State and County Service Officers*

Currently, VA's Digits-to-Digits (D2D) project allows VSOs, County Veterans representatives, and State Veterans Affairs agencies to directly submit electronic compensation claims into VA's digital claims system using their own existing systems. Allowing our partners this connectivity dramatically increases access to VA for Veterans and their advocates. We have already seen six claims management software providers build to VA's D2D specifications to make their products more

competitive to their customer base of VSOs and County and State Veterans Affairs agencies. This path is very similar to the online tax preparation model provided by IRS, in which IRS published technology standards and specifications for how to send/receive data and then allowed the private sector to develop solutions for their customers to file their tax returns with IRS. While D2D is currently focused on digital submission of disability claims, this model can be extended to other benefits delivery programs in VA.

### Oldest Claims Initiative

On April 19, 2013, VBA began to implement a special initiative to quickly decide the oldest claims in the inventory. This initiative was created to accelerate the elimination of the backlog for Veterans who have waited the longest for a decision, and is a key part of VA's overall strategy to eliminate the claims backlog in 2015.

In June, VA completed the first phase of the initiative, which focused on all claims that had been pending over 2 years. While some claims from that category were still outstanding due to the unavailability of a claimant and other unique circumstances, approximately 99 percent of these 2-year claims (over 67,000) had been processed for Veterans, eliminating those claims from the backlog. Since that milestone, VBA claims processors have focused on completing the claims of Veterans who have been waiting over 1 year for a decision. VA has processed approximately 96 percent of all 513,000 claims pending over 1 year.

Several key factors have made this important initiative a success:

**Veterans Health Administration (VHA) Collaboration.** First, the contribution of our VHA partners has been critical. During this period, VHA physicians have been working in each of VBA's regional offices to provide onsite support for medical opinions, reducing deferral rates and increasing efficiency. They have been a key node in the management process by tracking those medical exams that are needed

for rating decisions and ensuring the information is flowing between the administrations.

**Mandatory Overtime.** Mandatory overtime is a management tool that VBA implemented starting May 20, 2013, to maximize productivity during the oldest claim initiative. While in mandatory overtime, Rating Veterans Service Representatives (RVSRs), Veterans Service Representatives (VSRs), and Decision Review Officers (DROs) worked a minimum of 20 hours of overtime per month and focused exclusively on completing priority claims — claims over 1 year, FDCs, and special-interest claims (homeless, hardship, former prisoner of war, terminally ill, etc.). From May 20 to September 30, 2013, VBA's daily rating production increased over 30 percent, or more than 1,000 additional claims per day. VBA also recorded its highest monthly production rates ever in August and September 2013 – over 128,000 and 129,000 respectively. Mandatory overtime was halted during the 2-week Government shutdown in October but was re-established and continued through November 23, 2013. VBA anticipates mandatory overtime to resume in 2014, contingent upon available funding. Optional overtime for claims processors will remain in effect.

**National-level Workload Management.** The oldest claims initiative also validated the need for a national approach to workload management. Historically VBA has maintained regional office claims processing jurisdictions that are aligned with state boundaries. This results in less-than-optimal utilization of VBA claims processing capacity. In recent years, VBA has “brokered” claims between regional offices via file transfer in order to maximize national claims processing resources. During VBA's focus on the oldest claims, more than 100,000 claims were brokered, ensuring the right “next claim” is matched with resources available nationwide. When the full system capacity is leveraged and state boundaries are disregarded, VBA achieves a much higher level of production.

The future state of VBA's brokering capabilities lies in the continued development of VBMS and a workload that is entirely electronic. The workload management capabilities of VBMS are being developed in two steps. Currently, a working group is building the design requirements that will provide managers with the tools and reporting capabilities to manage their workload most effectively at the regional office level. Second, a national work queue is being developed, to include the capability to route claims automatically through a pre-determined set of logic that matches claims processors with the "next best claim" to work, based on their skills and competencies and nationally set priorities.

**Improved Production and Increased Accuracy.** The results of our transformation efforts, including the oldest claims initiative, have proven that increased production does not have to come at the expense of decision quality. During this recent period of unprecedented production, VBA's 3-month rolling average for claims accuracy has steadily improved, from approximately 86 percent at the beginning of the year, increasing to 90 percent as of the end of November 2013. Issue-level accuracy has improved to approximately 97 percent. August 2013 proved to be the most productive month in VBA history for claims processing – with 128,594 claims completed — and in September our performance was even stronger, completing 129,488 claims.

### **Conclusion**

While we know there is much more work to be done to reach our goals, the combined effects of our Transformation Plan – the people, process, and technology innovations and initiatives that have been developed and deployed – are having an impact. The gains we are making in information technology and the automation of our processes are critical, and going forward, we will need to sustain the resources for programs like VBMS in order to eliminate the backlog in 2015 and achieve our quality goals. Much of our success is attributable to the support of this Committee and your commitment to helping us in our transformation. I thank you for that – and for your full support of our information technology budgets. FY 2014 is a crucial year

in our transformation, and I look forward to your continued support and commitment on behalf of Veterans, their families, and Survivors.