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BENEFITS ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF
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ACTING UNDER SECRETARY FOR BENEFITS
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BEFORE THE
SENATE COMMITTEE ON VETERANS' AFFAIRS

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

Thank you for the opportunity to appear before you today to discuss the Department of Veterans Affairs (VA) disability compensation and pension programs. Accompanying me today are Ms. Diana Rubens, Associate Deputy Under Secretary for Field Operations; Mr. Tom Pamperin, Associate Deputy Under Secretary for Policy and Program Management; Mr. Mark Bologna, Director for the Veterans Benefits Management System (VBMS) initiative; Dr. Peter Levin, Senior Advisor to the Secretary and Chief Technology Officer; and Mr. Richard Hipolit, Assistant General Counsel. My testimony will provide preliminary views on the Chairman's bill, the Claims Processing Improvement Act of 2010. I will also focus on the Secretary's goal to eliminate the claims backlog by 2015 so as to ensure timely and accurate delivery of benefits and services to our Veterans and their families.

S. 3517: The Claims Processing Improvement Act of 2010

First, let me commend you Mr. Chairman and your staff for your efforts to put forward ideas on how to improve the disability claims processing system. I would like to acknowledge your work and we appreciate your staff keeping the Department informed as you developed the legislation.

S. 3517, the "Claims Processing Improvement Act of 2010," would establish a pilot program on evaluation and rating of service-connected musculoskeletal disabilities and would revise a number of statutes affecting VA's adjudication of claims and appeals. The Department is in the final stages of coordinating the Administration's full position and developing cost estimates on the legislation. However, I will provide you with a brief overview of VA's initial reactions to Title I of the bill and, with your permission, we will provide more detailed information on the entire bill in writing for the record.

Title I of S. 3517 would direct the Secretary of VA to conduct a 4-year pilot program in 6 to 10 regional offices using an alternative rating schedule to assign ratings to service-connected disabilities of the musculoskeletal system. Under this program, VA would establish an alternative method of rating claims taking into account the use of the International Classification of Diseases (ICD) as adopted by the Secretary of Health and Human Services under the Social Security Act. This type of assessment would focus on the impact of the disability and

specifically consider the frequency, severity, and duration of symptoms of the disability in rating the claim. Each Veteran who opted to participate in the pilot program would be assigned a single residual functional capacity rating for all limitations of the musculoskeletal system.

VA does not support this section of the bill for several reasons. First and foremost, this bill, on its face, would not treat Veterans equally. This pilot program is only available to a select group of Veterans based on their geographic location and it is possible that individuals rated under the pilot could potentially receive higher ratings than similarly situated Veterans not in the pilot. While VA has supported other pilot programs that focused on processing changes, this pilot program focuses on substantive changes, thus creating a potential equity issue.

In addition, VA does not support using the ICD to rate musculoskeletal disabilities. While use of the ICD would provide more specificity in naming disabilities, its adoption in an alternative rating schedule would result in a far more cumbersome and complex system of ratings, particularly given the sheer number of ICD codes for musculoskeletal disabilities. Further, the pilot program would require extensive efforts on the part of VA to develop a comprehensive computer tracking system, draft detailed regulations governing the alternative rating schedule, and then train frontline adjudicators on the specifics of the new system all within an extremely short time period. All of these efforts would divert VA resources from working on existing disability claims and appeals as well as our transformation initiatives, while at the same time creating a new area of potential litigation with the end result being additional delay in the claims and appeals process, and an increase in the backlog.

Title II of this bill addresses several matters relating to the adjudication process for claims and appeals. We appreciate the inclusion of a number of provisions drawn from Secretary Shinseki's proposed legislation, known as the Veterans Benefit Programs Improvement Act of 2010, which he submitted to Congress for consideration on May 26, 2010. We look forward to the opportunity to provide our views on the legislation in the coming weeks.

Mission, Transformation Strategy and Goals

Our mission at VA is to fulfill President Lincoln's promise – "To care for him who shall have borne the battle, and for his widow, and his orphan" – by serving and honoring the men and women who are America's Veterans. VA is also to transform into a 21st Century organization that is Veteran-centric, results-driven, and forward-looking. This transformation is demanded by a new era, emerging technologies, the latest demographic realities, and renewed commitments to today's Veterans. To this end, VA must deliver first-rate and timely health care, benefits, and other services to our Nation's Veterans, families, and survivors.

Secretary Shinseki, the Veterans Benefits Administration (VBA), and the entire VA leadership fully share the concerns of this Committee, Congress as a whole, the Veterans Service Organizations (VSOs), the larger Veteran community, and the American public regarding the timeliness and accuracy of disability benefit 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 (98% accuracy rate) on that claim. In short, timeliness and accuracy are the goals, and achieving them is our unwavering commitment. We are collaborating across the Department and with our

partners in the Department of Defense to achieve these important goals on behalf of our Nation's Veterans.

Under the leadership of Secretary Shinseki, we are attacking the claims process and backlog through a focused and multi-pronged approach. At its core, our approach relies on three pillars:

1. Culture: A culture change inside VA to one that is centered on accountability to and advocacy for our Veterans;
2. Reengineering business processes: Collaborating with internal and external stakeholders (VA employees, administrations and staff; Congress; VSOs; public and private entities) to constantly improve our claims process using best practices and ideas; and
3. Technology and infrastructure: Deploying leading edge, powerful 21st century IT solutions to create a smart, paperless claims system which simplifies and improves claims processing for timely and accurate completion the first time.

Transforming our disability claims processing system involves identifying short-term changes with immediate impact to streamline the way we currently do business, improving business processes, enabling practices which will best leverage technology, and hiring staff to bridge the gap until we fully implement our mid-range plan. We expect these transformational approaches to begin yielding performance improvements in 2011 and gain in significance beyond; nonetheless, it is important to mitigate the impact of the increased workload until that time.

Our aggressive efforts are at the heart of our requirements for the large increase in our 2011 budget request for the VBA. The President's 2011 budget request for VBA is \$2.1 billion in discretionary funding, an increase of \$460 million, or 27%, over the 2010 enacted level of \$1.7 billion. The 2011 budget supports an increase of up to 4,048 FTEs, including maintaining some of the temporary employees funded through the American Recovery and Reinvestment Act of 2009. Importantly, the budget also includes \$145.3 million in information technology (IT) funds in 2011 to support the ongoing development of a 21st Century smart, paperless claims processing system. We greatly appreciate this Committee's consideration and support for our fiscal year (FY) 2011 budget request as we continue this important work for our Veterans.

All of us working inside VA are well aware that from the outside, Congress and the VSOs are not yet seeing sufficient external results, but we are confident that that will change by the end of 2011. Our budget request is central to our disability claims process transformation initiatives.

We recognize the frustration of many Veterans and our employees over the time it takes to reach a decision on Veterans' disability claims. Throughout VA we are rededicating ourselves to the mission of being advocates for our Veterans. This agency-wide commitment flows from the Secretary down to the VA leadership to our dedicated employees in the field. Our leadership team is deeply committed to improving our relationship with Veterans and other stakeholders, so that we are seen as their advocates and partners, no matter the circumstance. Before going further, let me provide an update on our current disability claims workload.

Current 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. The volume of claims received has increased from 578,773 in 2000 to 1,013,712 in 2009 (a 75% increase). Original disability compensation claims with eight or more claimed issues increased from 22,776 in 2001 to 67,175 in 2009 (nearly a 200% increase). Not only is VA receiving substantially more claims, but the claims have also increased in complexity. We expect this level of growth in the number of claims received to continue in 2010 and 2011. VBA experienced a 14.1% increase in annual claims received in 2009, while we projected an increase of 13.1 % and 11.3% in 2010 and 2011, respectively. This substantial growth is driven by a number of factors including our successful outreach efforts, which is a priority of the Secretary as well as this Committee and Congress; improved access to benefits through initiatives such as the Disability Evaluation System, Quick Start, and Benefits Delivery at Discharge Programs; increased demand as a result of nearly ten years at war; and the impact of a difficult economy prompting America's Veterans to pursue access to the benefits they earned during their military service. As a result, we now average over 97,000 new disability claims added to the inventory each month, and we project to receive an astounding nearly 1.2 million disability claims this year.

The projections listed above do not take into account important decisions made by Secretary Shinseki over the last year. On October 13, 2009, Secretary Shinseki announced his decision 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 herbicides.

Due to this policy change alone we expect the number of compensation and pension claims received to increase from 1,013,712 in 2009 to 1,318,753 in 2011 (a 30% increase). Without the significant investment requested for staffing in the FY 2011 budget request, the inventory of claims pending would grow from 416,335 to 1,018,343, and the average time to process a claim would increase from 161 to 250 days. If Congress provides the funding requested in our budget, we will be able to increase production in order to lower the inventory to a projected level of 804,460 claims pending with an average processing time of 190 days. This Agent Orange decision, which is the right decision for our Veterans, will add to the disability claims inventory in the near term but with the aggressive actions VA is taking, will not prevent us from eliminating our backlog by 2015.

Through 2011, we expect over 186,000 claims related to the new presumptions, and we are dedicated to processing this near-term surge in claims as efficiently as possible. Included in the claims projected through 2011 are approximately 93,000 claims from Vietnam Veterans and survivors previously denied for these conditions. We have a plan to re-adjudicate these decisions, as required under the court orders in the U.S. District Court for the Northern District of California case of *Nehmer v. U.S. Department of Veterans Affairs*. VA is also soliciting private-sector input to design and develop an automated system for faster processing of new Agent Orange presumptive claims – we already have over 40,000 new claims and are receiving about 8,000 more per month.

While the volume and complexity of claims have increased, so too has the overall production effort of our claims processing workforce. In 2009, the number of claims processed was 977,219, an increase of 8.6% over the 2008 level of 899,863. The average time to process a rating-related claim was reduced from 179 to 161 days in 2009, an improvement of 11 percent. We recognize that these improvements are not enough. VA currently has approximately 508,000 pending disability claims, 35% of which have been pending for longer than our strategic target of 125 days, and are therefore considered to be part of VA's claims backlog. VBA continues to aggressively hire and train claims processing staff across the nation, and we currently employ over 11,600 full-time claims processors.

Hiring more employees is not a sufficient solution. The need to better serve our Veterans requires bold and comprehensive business process changes to transform VBA and therefore VA into a high-performing 21st century organization that provides the best services available to our Nation's Veterans, survivors, and their families. That is exactly the effort currently underway in VA.

Improvement Initiatives

VA's transformation strategy for the claims process leverages the power of 21st century technologies applied to redesigned business processes. We are examining our current processes to be more streamlined and Veteran-focused. We are also applying technology improvements to the new streamlined processes so that the overall service we provide is more efficient, timely and accurate. 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 claims process transformation.

Our end goal is a smart, paperless, IT-driven system which empowers our VA employees and engages our Veterans. While we work to develop this system, we are making immediate changes to improve our business processes and simultaneously incorporating the best of those changes into the larger effort, our signature program, the Veterans Benefits Management System (VBMS). Our efforts are also synchronized and coordinated with VA's Virtual Lifetime Electronic Record (VLER) and Veterans Relationship Management (VRM) System programs.

VA has developed a plan to "break the back of the backlog" which includes short, medium, and long term initiatives running in parallel and feeding into continuous improvement efforts.

Short Term Initiatives

There are a number of claims process improvement initiatives in various stages of concept development or execution. Some of the initiatives are quickly implemented changes to build momentum and reach out to our Veterans. For example, in an effort to speed up our work and to connect with our Veteran-clients, VBA now requires staff to reach out and call Veterans more often during the claims process rather than to rely solely on written communication. VA is also currently working to develop over 60 new medical questionnaires to take the place of current VHA examination templates to improve rating efficiency.

Another initiative is being conducted at our St. Petersburg Regional Office (RO) to identify and pay Veterans at the earliest point in time when claimed disabilities are substantiated by evidence we already have on record. In addition, four ROs are testing the concept of an "Express Lane" to

expedite single-issue claims to improve overall processing efficiencies and service delivery. Yet another initiative will allow employees and Veterans to communicate regarding VA benefits using on-line live chat capabilities through the new portal called e-Benefits. All of the initiatives I have described and a number of others are being tracked by a Program Management Office within VBA for impact on timeliness and quality, and we will launch the successful initiatives nationally if they produce results and use resources efficiently. For example, VA just initiated a new shorter application form – cutting the previous 23-page form down to 12 pages. We expect to see significant increases in Veterans’ satisfaction with the improvements to our application process.

On October 10, 2008, then President Bush signed the Veterans’ Benefits Improvement Act of 2008, Public Law 110-389. Members of this Committee played an integral role in developing that legislation. Section 221(a) of the Act directed VA to carry out a one-year pilot program to assess the feasibility and advisability of expeditiously processing fully developed compensation and pension claims within 90 days after receipt of the claim. In 2009, ten ROs implemented the fully developed claim program. Gathering the information and evidence needed to support a Veteran’s disability claim often takes the largest portion of the processing time. If VA receives all of the available evidence when the claim is submitted, the remaining steps in the claims-decision process can be expedited without compromising quality. VA has expanded this program for implementation at all ROs.

Mid to Long Term Initiatives

The results of the short term efforts feed directly into our mid-range high-impact technological solution, VBMS, to support paperless processing and an electronic management system to process claims from start to finish.

To inform the components of VBMS and as a part of our overall strategy to eliminate the backlog, we have four main pilot initiatives underway that are integral to our overall transformation plan. 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 into the nationwide deployment of VBMS in 2012.

The Little Rock Compensation Claims Processing Pilot began in July 2009 following completion of the VBA Claims Development Study by Booz Allen Hamilton. The Little Rock pilot focused on a “Lean Six Sigma” approach to streamlining current processes and procedures. The Veterans Service Center converted from the VBA’s existing claims processing model into new fully integrated claims processing teams or pods. The pilot concluded in May 2010, and VBA is evaluating the outcomes to determine next steps.

The Business Transformation Lab (BTL) in Providence, RI, serves as a “test ground” for defining processes and testing functionality that will be incorporated into the development and deployment of VBMS. The primary purpose of the BTL is to utilize a structured approach to identify the most efficient way to process claims in an electronic environment incorporating current technology. As part of this process, the Providence RO is testing paperless claims processing using a small population of claims. The business process improvements identified by the BTL will be supported by technology enhancements and be integrated into VBMS.

The Pittsburgh RO began the Case-Managed Development Pilot in January 2010. The purpose of the pilot is to identify opportunities to reduce the time required to request and receive evidence, providing direct assistance to Veterans in compiling the necessary documentation for their claims. A second important aspect of the pilot is to enhance relationships and partnerships with our Veteran-clients through personal communications. Goals of the pilot include more personalized service to Veterans and greater advocacy on their behalf; more accurate decisions; and a more transparent understanding of VA's claims process.

The fourth pilot, the Virtual Regional Office (VRO), has already produced excellent results. The single and focused purpose of the VRO was to deliver the specifications for an implementable, professional-grade technical user interface of the new VBMS system. In other words, this pilot developed the specifications for the software screens that VBMS users will interface with as they process claims more efficiently and effectively. Based on the business process role of that individual user, the software will provide relevant information about a Veteran's claim that will enable faster and more accurate processing of claims. The VRO enabled developers to work side-by-side with VBA employees to create a living demonstration of the specification. The initial field use of a production version of VBMS is scheduled to begin in November 2010, and will be primarily focused on testing the software. Each iterative version of the software will add improved functions and tools. In 2012, we will begin nationwide deployment of the end-to-end paperless claims process and software platform, VBMS.

As mentioned earlier, VBMS is a critical business transformation initiative supported by the latest technology, and designed to improve VBA's ability to deliver important benefits to our Veterans, their families and survivors. VBMS is a holistic solution that integrates both a business transformation strategy (BTS) and a web-based, 21st Century paperless claims processing system which will significantly reduce VBA's reliance on the receipt, movement, and storage of paper. By eliminating the dependence on paper, VBA will be best positioned to make better use of available resources, regardless of geographic location.

As noted earlier, VBMS will also provide services to other critical initiatives underway at VA including the VRM initiative and the VLER. Data captured through VBMS will be used to provide information to Veterans through VRM on the status of their claims and to update VLER. Integration of the various initiatives will allow us to provide our Veterans with new ways of interacting with VA in ways that meet their needs and are convenient for them.

We recognize that technology is not the sole solution for our claims-processing challenges; however, it is the hallmark of a forward-looking organization and must be at the core of our efforts. Combined with a renewed commitment and focus toward increasing advocacy for our Veterans, the VBMS strategy combines a business transformation and re-engineering effort with enhanced technologies, giving an overarching and clear vision for improving service delivery to our nation's Veterans.

Partnerships

VBA recently partnered with the Department of Defense (DoD) to create the eBenefits portal (www.ebenefits.va.gov). The portal provides Servicemembers, Veterans, families, and care providers with a secure, single sign-on process to on-line benefits information and related services (such as military personnel records and status of VA claims). Servicemembers can use

this eBenefits account while on active duty and as Veterans following separation, allowing both DoD and VA to provide benefit updates and to deploy the right benefit information at the right time. Future eBenefits releases will provide additional self-service capabilities that empower users to electronically communicate with VA and DoD about their benefits and services from anywhere at anytime.

VBA continues to meet with stakeholders to improve communication and to promote innovation. On April 8, 2010, VBA met with several of the largest VSOs to partner on ideas to help eliminate the backlog and increase quality. In June 2010, several VSOs traveled to Pittsburgh and Providence to observe pilot operations. We continue to meet with VSOs on a regular basis to collaborate and develop proposals that have potential to boost our overall strategy. On June 8, 2010, we met with “out of the box” thinkers from various organizations to brainstorm new ways to improve the services that we provide to our Veterans. On June 10, 2010, we also met with our union partners, the American Federation of Government Employees (AFGE), to develop strategies to improve client service and eliminate the backlog. We will continue to examine every new idea from our employees and stakeholders that may assist us in our mission.

Conclusion

Secretary Shinseki’s goal is to transform VA into an organization that is Veteran-centric, results-driven, and forward-looking. At the same time, VA must deliver first-rate and timely health care, benefits, and other services to our Nation’s Veterans, families and survivors. Nothing less will do. All of VA is moving forward aggressively and comprehensively to transform our claims process through a focused and multi-pronged approach. At its core, our team approach relies on three pillars: culture, reengineering business processes, and technology and infrastructure. We look forward to working with Congress, VSOs, and other partners to meet our critical goals and the needs of 21st Century Veterans and their families.

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