

The Honorable Daniel L. Cooper, Under Secretary for Benefits, Department of Veterans Affairs;  
Accompanied by: Mr. Michael Walcoff, Associate Deputy Under Secretary for Field Operations;  
Mr. Jack McCoy, Associate Deputy Under Secretary for Policy and Management

STATEMENT OF  
DANIEL L. COOPER  
UNDER SECRETARY FOR BENEFITS  
DEPARTMENT OF VETERANS AFFAIRS  
BEFORE THE  
SENATE COMMITTEE ON VETERANS' AFFAIRS  
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Mr. Chairman and members of the Committee, it is my pleasure to be here today to discuss the Disability Compensation Program. I am pleased to be accompanied by Mr. Michael Walcoff, VBA's Associate Deputy Under Secretary for Field Operations, and Mr. Jack McCoy, VBA's Associate Deputy Under Secretary for Policy and Program Management.

The Veterans Benefits Administration (VBA) is responsible for administering a wide range of benefits and services for veterans, their families, and their survivors. We manage a life insurance program that consistently ranks among the best in the nation. We promote home ownership through the loan guaranty program and help veterans and their dependents seek greater education and economic opportunities through the highly successful Montgomery GI Bill program and other educational programs. For qualifying veterans with disabilities, our Vocational Rehabilitation and Employment Program provides both rehabilitation and training and assists them in reentering the civilian work force. We are proud of our achievements in all these vital areas.

The heart of our mission is the Disability Compensation Program. In FY 2006, we produced over 774,000 disability determinations. We also performed more than two million decision actions of all types to address new claims and to maintain those already on the rolls. Additionally we handled over 6.6 million phone calls; conducted over a million interviews; briefed more than 390,000 service persons; and conducted nearly 65,000 hours of outreach to military members, former prisoners of war, homeless, minorities, women, and other targeted groups.

Today I will discuss the challenges we face in providing timely, accurate, and consistent determinations on veterans' claims for disability compensation. These challenges include the growth of the disability claims workload, the increasingly complex nature of that workload, the rise in appellate processing, and the absolute need to produce accurate benefit decisions. I will also discuss some of the actions we are taking to improve claims processing. We view these efforts as opportunities to achieve greater processing efficiencies and, thus, to enhance service to veterans.

#### Growth of Disability Claims Workload

The number of veterans filing initial disability compensation claims and claims for increased benefits has increased every year since FY 2000. Disability claims from returning Afghanistan

and Iraq war veterans as well as from veterans of earlier periods of war increased from 578,773 in FY 2000 to 806,382 in FY 2006. For FY 2006 alone, this represents an increase of nearly 228,000 claims or 38 percent over the 2000 base year. It is expected that this high level of claims activity will continue over the next five years.

The primary factors leading to the sustained high levels of claims activity are: Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF); more beneficiaries on the rolls, with resulting additional claims for increased benefits; improved and expanded outreach to active-duty servicemembers, guard and reserve personnel, survivors, and veterans of earlier conflicts; and implementation of Combat Related Special Compensation (CRSC) and Concurrent Disability and Retired Pay (CDRP) programs by the Department of Defense (DoD).

Ongoing hostilities in Afghanistan and Iraq are expected to continue to increase the VA compensation workload. Earlier studies by VA indicate that the most significant indicator of new claims activity is the size of the active force. Over 1.45 million active-duty servicemembers, members of the National Guard, and reservists have thus far been deployed in the Global War on Terrorism. Over 685,000 have returned and been discharged.

Whether deployed to foreign-duty stations or maintaining security in the United States, the authorized size of the active force as well as the mobilization of thousands of citizen soldiers means that the size of the force on active duty has significantly increased. The claims rate for veterans of the Gulf War Era, which began in 1991 and includes veterans who are currently serving in Operations Enduring Freedom and Iraqi Freedom, is significant. Veterans and survivors of the Gulf War Era currently comprise the second largest population of veterans receiving benefits after Vietnam Era veterans.

The number of veterans receiving compensation has increased by almost 400,000 since 2000 ? from just over 2.3 million veterans to nearly 2.7 million in 2006. This increased number of compensation recipients, many of whom suffer from chronic progressive disabilities such as diabetes, mental illness, and cardiovascular disabilities, will continue to stimulate more claims for increased benefits in the coming years as these veterans age and their conditions worsen. Reopened disability compensation claims currently comprise 54 percent of VBA's disability claims receipts.

Additionally, an increase in claimants and beneficiaries on the rolls has a direct relationship to the workload in the public contact area of telephone interviews, personal interviews, and correspondence, including electronic correspondence. Veterans Service Center employees in the regional offices last year conducted over six million telephone interviews and one million personal interviews.

VA is committed to increased outreach efforts to active-duty personnel. These outreach efforts result in significantly higher claims rates. Original claim receipts increased from 111,672 in FY 2000 to 217,343 in FY 2006 ? a 95 percent increase. We believe this increase is directly related to our aggressive outreach programs; we believe this increasing trend will continue.

Separating military personnel can receive enhanced services through our Benefits Delivery at Discharge (BDD) Program. On either a permanent or itinerant basis, VBA staff members are

stationed at 140 military discharge points around the nation, as well as in Korea and Germany. Additionally, VBA employees conduct transition assistance briefings in Germany, Italy, Korea, England, Japan, Okinawa, and Spain, and occasionally aboard ship as servicemembers return to the United States.

Combat-Related Special Compensation (CRSC), a benefit available from DoD for certain military retirees with specific qualifying combat-related disabilities defined by statute, became effective July 1, 2003, and was later expanded effective January 1, 2004. Today more than 54,000 military retirees receive this benefit. This benefit and Concurrent Retired and Disability Pay (CRDP), another DoD program that permits partial to total restoration of retired pay previously waived to receive VA compensation, further contribute to increased claims activity for VBA.

It is now potentially advantageous for the majority of our military retirees, even those with relatively minor disabilities, to file claims with VA and to receive VA disability compensation, since their waived retired pay may be restored and not be subject to waiver in the future. Approximately 194,000 retirees receive CRDP. The number of military retirees receiving VA compensation has increased since the advent of these programs to over 840,000. There is also now significant incentive for retirees receiving compensation to file claims for increased VA benefits, as the increased amounts may also no longer be subject to offset. The total number of retirees as of the end of FY 2006 was approximately two million, meaning that over 40 percent of all U.S. military retirees now receive VA benefits.

#### Complexity of Claims Processing Workload

The increase in claims receipts is not the only change affecting the claims processing environment. The greater number of disabilities veterans now claim, the increasing complexity of the disabilities being claimed, and the changes in law and processes pose additional challenges to the claims processing workload. The trend toward increasingly complex and difficult-to-rate claims is expected to continue for the foreseeable future.

A claim becomes more complex as the number of directly claimed conditions (issues) increases because of the larger number of variables that must be considered and addressed. Multiple regulations, multiple sources of evidence, and multiple potential effective dates and presumptive periods must be considered. The effect of these factors increases proportionately and sometimes exponentially as the number of claimed conditions increases. Additionally, as the number of claimed conditions increases, the potential for additional unclaimed but secondary, aggravated, and inferred issues increases as well, further complicating the preparation of adequate and comprehensive Veterans Claims Assistance Act of 2000 (VCAA) notice and rating decisions. Since veterans are able to appeal decisions on specific disabilities to the Board of Veterans' Appeals (Board) and the United States Court of Appeals for Veterans Claims (CAVC), the increasing number of claimed conditions significantly increases the potential for appeal.

VA's experience since 2000 demonstrates that the trend of increasing numbers of conditions claimed is system-wide, not just at special intake locations such as BDD sites. The number of cases with eight or more disabilities claimed increased from 21,814 in FY 2000 to 51,260 in FY 2006, representing a 135 percent increase over the 2000 base year and a 15 percent increase over FY 2005.

Combat and deployment of U.S. forces to under-developed regions of the world have resulted in new and complex disability claims based on environmental and infectious risks, traumatic brain injuries, complex combat injuries involving multiple body systems, concerns about vaccinations, and other variabilities.

In addition, the aging of the veteran population that is service connected for diabetes adds to the complexity of claimed disabilities. Approximately 253,000 veterans are service connected for diabetes, with more than 220,000 of these awards based upon the presumption of herbicide exposure in Vietnam. As veterans with diabetes reach and move past the 10-year point since the initial diagnosis, additional secondary conditions tend to become manifest. VA has already begun seeing increasingly complex medical cases involving neuropathies, vision problems, cardio-vascular problems, and other issues directly related to diabetes. If secondary conditions are not specifically claimed by a veteran, the rating specialist must be alert to identify them. This increasing complexity of the disabilities adds to the increased difficulty of our workload and the resources needed to adequately process it.

The number of veterans submitting claims for post-traumatic stress disorder (PTSD) has grown dramatically and contributed to increased complexity in claims processing. From FY 2000 through FY 2006, the number of veterans receiving compensation for PTSD has increased from more than 130,000 to nearly 270,000. These cases present unique processing requirements to obtain the evidence needed to substantiate the event causing the stress disorder.

The Veterans Claims Assistance Act (VCAA) has significantly increased both the length of time and the specific requirements of claims development. VA's notification and development duties increased as a result of VCAA, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim. Since enactment, we are required to review the claims at additional points in the decision process. Mistakes due to failure to address all issues or an incomplete understanding of the claim when initially developed have resulted in significant rework and remands from the Board of Veterans' Appeals and the United States Court of Appeals for Veterans Claims.

VCAA requires VA to provide written notice to claimants of the evidence required to substantiate a claim and of which party (VA or the claimant) is responsible for acquiring that evidence. Under VCAA, VA's "duty to assist" the claimant in perfecting and successfully prosecuting his or her claim extends to obtaining government records, assisting with getting private records, and obtaining all necessary medical examinations and medical opinions. As a claim progresses, additional notifications to the veteran may be required.

#### Appellate and Non-Rating Workload

A significant portion of VBA's workload comes from appeals of regional office decisions, remands by the Board and the CAVC, and account maintenance activities for beneficiaries already receiving benefits. As overall claim receipts increase, so do appellate and non-rating related workloads.

As VBA renders more disability decisions, a natural outcome of that process is more appeals filed by veterans and survivors who disagree with some part of the decision made in their case.

Veterans can appeal decisions denying service connection for any conditions claimed. They may also appeal the effective date of an award and the evaluation assigned to a disability.

Appeals of regional office decisions and remands by the Board and the CAVC following appeal are some of the most challenging types of cases to process because of their complexity and the growing body of evidence necessary to process these claims. In recent years, the appeal rate on disability determinations has climbed from an historical rate prior to 2000 of approximately 7 percent of all disability decisions to the current rate of 11 percent. There are more than 130,000 appeals now pending in the regional offices and the Appeals Management Center. This number includes cases requiring processing prior to transfer of the appeal to the Board and cases remanded by the Board and the CAVC following an appeal. There are over 30,000 additional appeals pending at the Board of Veterans' Appeals.

In 2006, VA completed over two million award actions of all types. Of that number, more than 774,000 were award actions in connection with disability rating decisions, and the remaining were associated with account maintenance (dependency adjustments, death pension awards, income adjustments, etc.). The number of veterans on our rolls has increased by nearly 400,000 in recent years, and the total number of veterans and survivors on our rolls is now over 3.6 million. The combination of the higher number of beneficiaries presently on our rolls and the sustained and projected high levels of new claims activity will result in continued growth in account maintenance activities.

#### Claims Processing Improvement (CPI) Model

A product of the VA Claims Processing Task Force, established by former Secretary of Veterans Affairs Anthony J. Principi, was the implementation of the Claims Processing Improvement (CPI) model. The CPI implementation established consistent organizational structure and work processes across all regional offices. Work processes were reengineered and specialized teams established to reduce the number of tasks performed by individual decision-makers, establish consistency in work flow and process, and incorporate a triage approach to incoming claims.

We continually review the CPI model based upon feedback from regional offices, the needs of the organization, and the timeliness and quality improvements we seek. The changing workload and workforce have necessitated a review of the model to ensure the most effective method of organizing work and resources to maximize performance. The CPI Model Task Force was assembled in January 2006 to reevaluate the CPI model to assess its overall effectiveness and improve consistency and efficiency in claims processing. The CPI Task Force solicited recommendations and rationale for changes to the CPI model from all regional office leadership. Interviews with field station management, reviews of recent site-visit reports and CPI deviation requests, and analyses of other pertinent documents were conducted. The final recommendations of the Task Force are currently being studied in pilot programs at select regional offices.

#### Claims Processing Accuracy

To ensure accurate benefit decisions, given the increases in volume and complexity of the workload, we have established an aggressive and comprehensive program of quality assurance and oversight to assess compliance with VBA claims processing policy and procedures and assure consistent application.

The Systematic Technical Accuracy Review (STAR) program includes review of work in three areas: rating accuracy, authorization accuracy, and fiduciary program accuracy. Overall station accuracy averages for these three areas are included in the regional office director's performance standard and the station's performance measures. STAR results are readily available to facilitate analysis and to allow for the delivery of targeted training at the regional office level. C & P Service conducts satellite broadcast training sessions based on an analysis of national STAR error trends.

In addition to the STAR program, C & P Service identifies unusual patterns of variance in claims adjudication by diagnostic code, and then reviews selected disabilities to assess the level of decision consistency among and between regional offices. These studies are used to identify where additional guidance and training are needed to improve consistency and accuracy, as well as to drive procedural or regulatory changes. Over the last four years, our quality has risen significantly from 81 percent to 89 percent.

Site surveys of regional offices address compliance with procedures, both from a management perspective in the operation of the service center and from a program administration perspective, with particular emphasis on current consistency issues. Training is provided, when appropriate, to address gaps identified as part of the site survey.

#### Training

It is critical that our employees receive the essential guidance, materials, and tools to meet the ever-changing and increasingly complex demands of their decision-making responsibilities. To that end VBA has deployed new training tools and centralized training programs that support accurate and consistent decision-making.

New hires receive comprehensive training and a consistent foundation in claims processing principles through a national centralized training program called "Challenge." After the initial centralized training, employees follow a national standardized training curriculum (full lesson plans, handouts, student guides, instructor guides, and slides for classroom instruction) available to all regional offices. Standardized computer-based tools have been developed for training decision-makers (69 modules completed and an additional 8 in development). Training letters and satellite broadcasts on the proper approach to rating complex issues are provided to the field stations. In addition, a mandatory cycle of training for all Veterans Service Center employees has been developed consisting of an 80-hour annual curriculum.

#### Distribution of Rating Workload

To balance the inventory of disability claims across regional offices, VBA implemented a "brokering" strategy in which rating cases are sent from stations with high inventories to other stations with the capacity to process additional rating work. Brokering allows the organization to address simultaneously the local and national inventory by maximizing use of available resources.

Brokering plans are developed on a monthly basis. Stations are selected for brokering based on the percentage gap between their current inventory of pending claims and their established end-of-year inventory target. Stations with the greatest percentage gap are asked to send ready-to-

rate cases to other stations for rating decisions. The stations participating in brokering changes over time as stations are able to bring the pending inventory in line with established targets.

#### Consolidation of Specialized Operations

The consolidation of specialized processing operations for certain types of claims has been implemented to provide better and more consistent decisions. Three Pension Maintenance Centers were established to consolidate the complex and labor-intensive work involved in ensuring the continued eligibility and appropriateness of benefit amounts for pension recipients. We are exploring the centralization of all pension adjudications in these Centers.

In November 2001, a Tiger Team was established at the Cleveland Regional Office to adjudicate the claims of veterans age 70 and older. VBA has also established an Appeals Management Center to consolidate expertise in processing remands from the Board of Veterans' Appeals. In a similar manner, a centralized Casualty Assistance Unit was established to process all in-service death claims. VBA has also centralized the processing of all pending radiation claims to the Jackson RO. The BDD program provides servicemembers with briefings on VA benefits, assistance with completing forms, and a disability examination before leaving service. The goal of this program is to deliver benefits within 60 days following discharge. VBA has consolidated the rating aspects of our BDD initiatives, which will bring greater consistency of decisions on claims filed by newly-separated veterans. We also established two Development Centers in Phoenix and Roanoke to assist regional offices in obtaining the required evidence and preparing cases for decision.

We are looking for ways to achieve additional organizational efficiencies through consolidation of other aspects of our claims processing, including death benefits, fiduciary activities, and telephone service.

#### Inventory Reduction

VBA is aggressively pursuing measures to decrease the pending inventory of disability claims and shorten the time veterans must wait for decisions on their claims.

Our pending inventory of rating related claims is currently about 400,000 claims, and average processing time is 175 days. However, all 400,000 claims in our inventory should not be considered as "backlog;" this number includes all claims, whether pending only a few days or a number of months. Under the very best of circumstances, it takes about four months to fully develop a claim (obtain military and private medical records, schedule necessary medical examinations and receive results, evaluate evidence, etc.). Based on our projected receipts of 800,000 claims and our timeliness performance target of 145 days, our expected level of pending inventory with no backlog would be approximately 318,000 claims.

We are increasing staffing levels to reduce the pending inventory and provide the level of service expected by the American people. We began aggressively hiring additional staff in FY 2006, increasing our on-board strength by over 580 employees between January 2006 and January 2007. With a workforce that is sufficiently large and correctly balanced, VBA can successfully meet the needs of our veterans.

Our plan is to continue to accelerate hiring and fund additional training programs for new staff this fiscal year. However, because it requires an average of two or three years for our decision-makers to become fully productive, increased staffing levels do not produce immediate production improvements. Performance improvements from increased staffing are more evident in the second and third years. We have therefore also increased overtime funding this year and recruited retired claims processors to return to work as reemployed annuitants in order to increase decision output.

#### Priority Processing for OIF/OEF Veterans

Since the onset of the combat operations in Iraq and Afghanistan, VA has provided expedited and case-managed services for all seriously injured Operations Iraqi and Enduring Freedom (OIF/OEF) veterans and their families. This individualized service begins at the military medical facilities where the injured servicemembers return for treatment, and continues as these servicemembers are medically separated and enter the VA medical care and benefits systems. VA assigns special benefits counselors, social workers, and case-managers to work with these servicemembers and their families throughout the transition to VA care and benefits systems, and to ensure expedited delivery of all benefits.

The Secretary of Veterans Affairs recently announced a new initiative to provide priority processing of all OIF/OEF veterans' disability claims. This will allow all the brave men and women returning from the OIF/OEF theatres who were not seriously injured in combat, but who nevertheless have a disability incurred or aggravated during their military service, to enter the VA system and begin receiving disability benefits as soon as possible after separation.

Last month we began processing disability compensation and pension claims received from OIF/OEF veterans on a priority basis. This initiative covers all active duty, National Guard, and Reserve veterans who were deployed in the OIF/OEF theatres or in support of these combat operations, as identified by the Department of Defense (DoD).

We have designated our two Development Centers in Roanoke and Phoenix and three of our Resource Centers as a special "Tiger Team" for processing OIF/OEF claims. The two Development Centers will obtain the evidence needed to properly develop the OIF/OEF claims. The three Resource Centers, located in Muskogee, San Diego, and Huntington, will rate OIF/OEF claims for regional offices with the heaviest workloads. Medical examinations needed to support OIF/OEF veterans' claims are also being expedited.

We are expanding our outreach programs for National Guard and Reserve components and its participation in OIF/OEF community events and other information dissemination activities. An OIF/OEF Team is being established at VBA Headquarters to address all OIF/OEF operational and outreach issues at the national level and to support and assist newly designated OIF/OEF Managers at each regional office. The VBA OIF/OEF Team will also direct and coordinate national Memoranda of Understanding (MOU) with each of the Reserve Components to formalize relationships with them, mirroring the agreement between VA and the National Guard Bureau signed in 2005. Having an MOU with each Reserve Component will ensure that VA is provided service medical records and notified of "when and where" reserve members are available to be briefed during the demobilization process and at later times.



In order to ensure that VA benefits information is provided to all separating Guard and Reserve servicemembers, we will work with DoD to discuss the possibility of expanding VA's role in DoD's military pre-separation process. Specifically, we will assess the feasibility of providing a new "Claims Workshop" in conjunction with VA benefits briefings. At such workshops, groups of servicemembers would be instructed on how to complete the general portions of the VA application forms. Following the general instruction segment, personal interviews would be conducted with those applying for individual VA benefits.

Mr. Chairman, this concludes my testimony. I greatly appreciate being here today and look forward to answering your questions.