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STATEMENT OF JOSEPH THOMPSON

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Review of Veterans' Claims Processing: Are current efforts working?
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 Good morning Mr. Chairman and Members of the Committee. Thank you for inviting me here today to present my views on veterans' claims processing. Your invitation letter asked that I comment on the claims pilot programs in the Baltimore, MD; Little Rock, AK; Pittsburgh, PA; and, Providence, RI regional offices as well at the claims processing legislation you recently introduced. I was also asked by committee staff to provide my perspective on how the claims process has changed over the years. Given the highly technical nature of the proposed legislation, I do not believe I have the necessary expertise and would like to pass on providing comments about its various provisions. Before I respond to the other topics, I would like to state that I believe the Veterans Benefits Administration is at a critical juncture in its institutional history, one that holds both great promise and great challenges.
 The veterans' claims process is as old as our Nation, tracing its origins to the early years following the ratification of the Constitution when the responsibility for providing compensation to veterans moved from the individual states to the Federal government. Although much has changed from the quill pen and inkwell days of claims adjudication, the essence of the process has remained the same: having trained experts gathering and reviewing the best available evidence and deciding if the veterans' disabilities are related to service and if so, the extent to which they are disabling. In essence, VA is charged by the American people with fulfilling the social contract that arises when a young enlistee raises his or her hand and swears an oath to "support and defend the Constitution of the United States against all enemies…."

Current Situation
 Deciding veterans' disability claims is a complex and often time-consuming task. Research conducted by VA staff in the 1990's concluded that the veterans' claims process is likely to be the most complicated disability determination process in the world. This intricacy is driven by a number of factors including the number of claimed disabilities filed by each veteran, the complexity of claims received (e.g., environmental and infectious diseases, traumatic brain injuries, etc.) and the often significant lapsed time between the disabling event and the filing of a claim. It is not unusual for VA to have to decide issues that are a half a century or more old. The claims process has gotten increasingly complicated since that study was conducted, driven by significant new legislation over the last ten years coupled with disability claims arising from the wars in Iraq and Afghanistan.
 Things have changed considerably for the Veterans Benefits Administration (VBA) over the last ten years. From Fiscal Year 2001 to Fiscal Year 2011 (estimated) the number of claims received per year will have grown by 70% while the overall staff employed by VBA, as proposed in the President's 2011 Budget, will have grown by 80%. The number of veterans receiving Disability Compensation or survivors receiving Dependency and Indemnity Compensation (DIC) will have grown by 47% and total payments for these programs will have increased by 156%.
 The scope of the transition of the VBA workforce from baby boomers to the millennial

generation will rival those of the other great transitions in VA that followed World War II and the Vietnam War and the increases in disability claims and outlays are unmatched in recent history. Given these facts, it is imperative that VA "get it right" with its improvement initiatives.

Earlier Claims Processing Models
 VA and its predecessor agencies have utilized numerous organizational strategies for handling claims; a number of the more recent efforts are very similar to the aforementioned pilot programs. From my perspective, there are three basic approaches to claims processing that have been followed by VBA over the last several decades.
 The first approach, referred to in VA as the "unit concept," was prevalent from the Vietnam era through the Gulf War era. Each claims unit had responsibility for a certain percentage of the overall claims work and unit staff members typically had many of the skill sets needed to handle claims, including putting claims under electronic control, developing evidence, and making certain determinations. However, some key tasks were outside the purview of the claims unit such as making the actual disability rating decision (this was the responsibility of rating boards) and speaking with veterans on the phone or in person (this fell to Veterans Services Division staff). "Ownership" of the overall process was a senior management responsibility. Complaints about slow service and poor quality fueled a number of management improvement initiatives in the 1990's which ultimately led to a move away from this model by VBA.
 The next approach, referred to as Business Process Reengineering (BPR), utilized cross-functional work teams with individuals responsible for the full range of actions for processing a claim from receipt through to the final decision. Each team was assigned a percentage of the overall claims workload and was responsible for managing the entire process from end to end. Each claim was also "case managed" that is, an individual on the team would be responsible for helping the veteran through the process and keeping him or her apprised of the status of their claim.
 As the Director of the Regional Office in New York City, I helped develop this model and utilized it for handling claims in New York. Later, as the Under Secretary for Benefits, I began the process of expanding Business Process Reengineering nationwide. This short-lived model (1999-2001) was being implemented across VBA when efforts were halted because of concerns about growing claims backlogs stemming from legislation passed in 2000.
  The third approach, VBA's current Claims Processing Improvement (CPI) process, has been in place since 2002. It relies on a strict division of labor with a focus on specialization of claims processing functions and roles, with each employee working in a highly circumscribed fashion. Work moves through specialized elements, each of which is responsible for a part of the process, but with no individual element responsible for overall outcomes. As with the Unit Concept, responsibility for the overall process rests with senior managers. This is an assembly-line approach used successfully in manufacturing.
 Each of these models offers advantages and disadvantages. The current CPI model offers the benefits of process standardization and makes training somewhat easier because individual roles and responsibilities are narrowed. However, it is inflexible, requires extensive process controls, reduces accountability, and keeps employees limited in terms of their knowledge and capabilities. Most importantly, it makes it difficult for employees to see how their actions ultimately affect veterans and their family members. The connection between the internal claims work and outcomes can and should be a potent performance motivator given the profound importance of VBA's mission to help veterans and their families.

The Unit model was more flexible than CPI but it too erected barriers between employees engaged in different parts of the same overall claims process and disconnected claims staff from the impacts of their activities on their veteran clients.

The BPR model was the one which, in my view, tied VA claims processing staff most closely to outcomes, expanded employee capabilities, and provided the best service to veterans. It was also, at least in the short run, the most labor and resource-intensive process to implement and administer. Nonetheless, I believe it is well worth the effort. As VBA's senior statistician remarked as the first data was being analyzed from BPR pilot sites in 2001, it was the only initiative in her experience to "move the needle" on customer satisfaction. Not only were claims processed more quickly, veterans' satisfaction with the process also increased significantly and their substantive appeals of the decisions, which constitute a major percentage of VBA's work, were cut in half.

A key element of the BPR model was a simultaneous effort to improve and expand Information Technology (IT) to support claims processing. Many, if not most of these initiatives have been implemented over the last decade and constitute the core of VBA's current disability claims IT infrastructure.

Current VA Efforts

Since retiring from VA in 2002, I have had the opportunity to work with leaders in a number of Federal agencies on business process improvements, primarily as a senior advisor at the National Academy of Public Administration (NAPA). NAPA conducted a study of VA in 2008 which considered the Department's organizational capacity, management strategy, and implementation challenges related to improving service to veterans, including those returning from Iraq and Afghanistan. Noting that VA often tends to over focus on internal requirements, the study Panel strongly urged VA to take a more "veteran-centered" approach towards dealing with veterans' issues. I am encouraged to see that VA seems to be following that recommendation as evidenced by its new veteran-centered approach to claims processing in its four pilot sites.

The Little Rock pilot has created cross-functional teams that have the end-to-end ownership of the claims assigned to them. Using management improvement tools (Lean Six Sigma), each team focuses on minimizing the time required for each step in the claims process and eliminating processing errors. This approach should provide the necessary mechanisms for VBA staff to significantly reduce barriers to processing efficiency and take complete ownership of all the claims assigned to them.

Dovetailing nicely with the Little Rock effort are the efforts of the Pittsburgh pilot to case manage claims. This case management approach, directly championed by VA Secretary Eric Shinseki, appears to be making improvements both in terms of the timeliness of claims and veterans' satisfaction with the process. Using "old school" approaches such as telephoning the veteran to ensure that he or she understands the process and is given the opportunity to help with the evidence-gathering, Pittsburgh is working to fundamentally change the relationship between veterans and the VA.

The Providence pilot's Business Transformation Lab (BTL) is working to develop a paperless claims processing system. Using VBA's current imaging system (Virtual VA) as a starting point, the goal is to provide VBA with the capability to decide claims, end-to-end, in a paperless environment. This is a key initiative for VBA's transformation. Having to review paper files, as is currently required in the claims process, determines how, when, where and by whom claims are processed. This paper "tether" severely restricts VBA's flexibility in handling claims. Allowing

access to claims information to VA staff working in a secure IT environment, regardless of location, will provide significant flexibility in how veterans' claims work is accomplished. As an example, VBA currently "brokers" many thousands of claims annually. That is, they physically move veterans' claims files from offices with too much work to offices that have the resources to help with the work. This adds time and costs and reduces accountability in the claims process and creates the potential for losing one-of-a-kind records. A paperless process can eliminate this need to broker work.

The Baltimore pilot is designed to pull together the best practices of all three efforts to create the "virtual regional office" of the future. The location was chosen to leverage the proximity to VA Headquarters as well as the Social Security Administration which has gone through a paperless transformation. The objective is to completely replace the existing claims system and eliminate the claims backlog.

Challenges to Current Efforts

I believe VA is off to a good start in terms of transforming the disability claims process. In my opinion, however, success is contingent on getting a number of important elements right:

• Deciding on the correct solutions. The initial results from the pilots are encouraging but they have also been engineered to succeed through the use of additional staff, additional expertise, or the possibility that the Hawthorne Effect is contributing to results. Determining how these initiatives will work in a non-pilot site will be critical to a successful expansion. As noted above, many aspects of these pilot initiatives were attempted earlier but later abandoned.

• Scaling the initiatives nationwide. The pace and scope of expanding these initiatives to all regional offices are severely constrained by how busy these offices are with existing workloads. There is very little, if any, slack in the system and introducing a major change to business processes will be problematic, at best.

• Making rules-based systems a higher priority. VA should focus on developing rules-based/ expert systems to help with the claims process. Currently, new employees go through an extensive training process, much of which is focused on memorizing rules that could readily be programmed into the claims processing system. This not only contributes to process delays but also drives up errors. The current plans I have seen do not seem to include the development of rules-based/expert systems in the near future. The use of such tools, particularly in the evidence development process, could have significant impacts on claims timeliness and quality.

• Keeping the focus on quality. Secretary Shinseki has publically committed to improving the quality of VA claims decisions. If workloads remain high and major new processing changes are implemented as scheduled, there will be increasing pressure to get the claims work done quickly. That is when VBA tends to move to its organization default position of processing claims instead of deciding claims. Simply put, the emphasis will be on meeting production goals, sometimes at the sacrifice of quality. Leaders overseeing this change process need to remain vigilant to this tendency.

• Improving electronic data exchanges. More than a decade after initial discussions were held between VA and DoD on the electronic exchange of service treatment records, the process remains paperbound. With the tremendous growth in claims activity, this is a problem that should not be allowed to continue. The electronic exchange of examination requests and results between VBA and VHA is also in need of improvements and updates. Electronic rating exam templates were developed eight years ago but never implemented. These templates would significantly improve the quality of exams if implemented.

• Protecting the existing IT infrastructure. Despite their limitations, current VBA IT systems mail out millions of checks or send direct deposit transactions to the accounts of millions of veterans and family members, unfailingly, on the first of every month. This has been the case for decades. In the move towards improved technology, there needs to be a continuing focus on ensuring that these existing payment systems remain robust.

• Blending new hires into existing organizations. Training and integrating VA's large influx of new staff will be a major challenge for VA leaders. In the short run, substantial new hiring will draw resources away from claims processing and strain existing human capital systems.

• Focusing on the mission. VA's programs trace directly to the American Revolution. Its major benefits programs were signed into law by presidents Washington, Madison, Lincoln, Wilson and Franklin Roosevelt. For over two centuries, these programs have succeeded in transitioning generations of warriors successfully back into civilian society and VA leaders should take every opportunity to remind employees of the Agency's rich history. They also need to remind staff that people who come to VBA for help are dealing with some of the most significant events in life: disability, illness, death, buying a home and going to school. The actions of VBA employees make a critical difference in the lives of these veterans and their families. An ongoing and consistent message to reinforce that fact can be an important driver for bringing about needed change.

Conclusion

 VA faces major challenges in its attempts to improve and modernize the claims process. Many initiatives have been undertaken over the years to improve veterans' claims processing and the supporting IT infrastructure. Most have struggled, many have failed. Nonetheless, the current efforts appear to be on the right track in terms of developing solutions to existing problems. The critical, and far more difficult, aspect of this change process will be in implementing the solutions on a nationwide basis. My experience with VA and other Federal agencies has shown that having a well-formulated and executed change management strategy is essential to taking solutions from development to successful implementation. During my research for this hearing, I was unable to find clear documentation of how the strategy, technology, structure and organizational culture will fit together in the new claims processing environment. This type of comprehensive plan, coupled with continuous management attention and support, is vital to success.

 As noted earlier, VA is at a critical juncture in veterans' claims processing. Although the change efforts face daunting challenges, they also have the advantage of strong senior leadership support, excellent budget and staffing, and widely available and ever improving technologies. I believe that by continuing with their current emphasis on improvements 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 and their families.