

**STATEMENT OF
RONALD R. AUMENT
DEPUTY UNDER SECRETARY FOR BENEFITS
DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS**

December 7, 2005

Mr. Chairman and members of the committee, it is my pleasure to be here today to discuss the Disability Compensation Program.

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. As Under Secretary Cooper testified recently before the Subcommittee on Disability Assistance and Memorial Affairs, in 2005 we produced over 763,000 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 6.3 million phone calls; conducted over a million interviews; briefed more than 330,000 service persons; and conducted nearly 70,000 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. We have provided testimony on some of these challenges before this Committee and the Senate Veterans' Affairs Committee in recent months. These challenges include the growth of the disability claims workload, the increasingly complex nature of the claims processing workload, the rise in appellate processing, and the continuing 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 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 fiscal year (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 788,298 in FY 2005. For FY 2005 alone, this represents an increase of more than 209,000 claims or 36 percent over the 2000 base year. It is expected that these increases will continue over the next five years.

The most important factors leading to the sustained high levels of claims activity are: Operations Iraqi and Enduring Freedom; 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. Studies by VA indicate that the most

significant indicator of new claims activity is the size of the active force. Over 1.2 million active-duty servicemembers, members of the National Guard, and reservists have thus far been deployed to Afghanistan and Iraq. Over 400,000 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 Gulf War Era veterans, which includes veterans who served in Operations Enduring Freedom and Iraqi Freedom, is significant. (The Gulf War Era began in 1991.) 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 300,000 since 2000 – from just over 2.3 million veterans to over 2.6 million in 2005. 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 drive more claims for increased benefits in the coming years as these veterans age and their conditions worsen.

Reopened disability compensation claims comprise nearly 60% of VBA's disability claims receipts and increase 2 to 3 percent each year. 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. Compensation & Pension (C & P) Service employees annually conduct over 6 million telephone interviews and 1 million personal interviews.

VA has committed to increased outreach efforts to active-duty personnel, and we must continue to expand our efforts. These outreach efforts result in

significantly higher claims rates. Last year, the greatest increase in rating receipts was in original claims – an increase of 17%. The increase in original claims this year is an additional 8% over last year's high rate, which combines to a 25% increase over the last 2 years. We believe these increases are directly related to our aggressive outreach programs, and that the increases will continue.

Separating military personnel also receive enhanced services through the 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 and in Korea and Germany. Additionally, VBA employees conduct transition assistance briefings in Germany, Italy, Korea, England, Japan, Okinawa, and Spain, and, to a limited degree, aboard ship as servicemembers return to the United States.

Combat-Related Special Compensation (CRSC), a benefit available from DoD for certain military retirees with certain qualifying combat-related disabilities defined by statute became effective July 1, 2003, and was later expanded effective January 1, 2004. Today more than 43,000 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 contributes to increased claims activity for VBA.

It is now potentially advantageous for military retirees, even those with relatively minor disabilities, to file claims with VA and receive VA disability compensation because their waived retired pay may be restored and may not be subject to waiver in the future. More than 170,000 retirees are in receipt of CRDP. The number of military retirees in receipt of VA compensation has increased since the advent of these programs to over 800,000. There is also now significant incentive for retirees receiving compensation to file claims for

increased VA benefits, as the increased amounts may no longer be subject to offset. Additionally, the total number of retirees as of the end of FY 2005 was 1,800,000, meaning that 45 percent of military retirees now receive VA benefits, and there are 1,000,000 who may decide to file VA claims in the future due to CRSC and CRDP.

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 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 is more complex as the number of directly claimed conditions increases because of the number of variables that must be considered and addressed. Multiple regulations, multiple sources of evidence, multiple potential effective dates and presumptive periods, preparation of adequate and comprehensive Veterans Claims Assistance Act of 2000 (VCAA) notice and rating decisions, increase 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. Since veterans are able to appeal decisions on specific disabilities to the Board of Veterans' Appeals (Board) and courts, 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 43,655 in FY 2005, representing a 100

percent increase over the 2000 base year and a 20 percent increase over FY 2004.

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 conditions.

In addition, the aging of the veteran population that is service connected for diabetes adds to the complexity of claimed disabilities. More than 213,000 veterans are service connected for diabetes with more than 183,000 of these awards based upon herbicide exposure in Vietnam. As veterans with diabetes reach and move past the 10-year point since 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 claimed by a veteran, the rating specialist must be alert to identify them. This increasing complexity of the disabilities adds to the increased complexity of our workload and the resources needed to process it.

The number of veterans submitting claims for post-traumatic stress disorder (PTSD) has also grown dramatically and contributed to increased complexity in claims processing. From FY 1999 through FY 2005, the number of veterans receiving compensation for PTSD has increased from 120,000 to nearly 245,000. These cases present unique processing complexities because of the evidentiary requirements to substantiate the event causing the stress disorder.

VCAA has significantly increased both the length and complexity of claims development. VA's notification and development duties increased as a result of the VCAA, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim. We are also now required to review the

claims at more points in the decision process. Mistakes due to failure to address all issues or incomplete understanding of the claim when initially developed have resulted in significant rework and remands from the Board and the United States Court of Appeals for Veterans Claims. Additionally, positions advanced by some advocates, if sustained in court, will further aggravate the current situation.

VCAA requires VA to provide written notice to claimants of the evidence required to substantiate a claim and notification of which party (VA or the claimant) is responsible for acquiring the 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 courts, 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 or various parts of the decision made in their case. Veterans can appeal decisions denying service connection for any conditions claimed and disposed of by a denial. 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 courts 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 of approximately 7 percent of all disability decisions being appealed to a current rate that varies from 11 to 14 percent. Currently there are more than 130,000 appeals pending in field stations 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 courts following an appeal. There are over 30,000 additional pending appeals located at the Board of Veterans' Appeals.

In 2005, VA completed over 2 million award actions of all types. Of that number, over 700,000 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 more than 300,000 in recent years, and the total number of veterans and survivors on our rolls is now 3.5 million. The combination of the higher number of beneficiaries 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 Accuracy

The compelling requirement to produce accurate benefit decisions represents both a challenge and an opportunity for VBA. Given the increases in volume and complexity of the workload, we have remained vigilant about the quality of the claims processing results. VBA has 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. The C & P Service is conducting satellite broadcast training sessions based on an analysis of national STAR error trends. The first of these broadcasts, which aired in October 2005, focused on rating errors involving VA's duty to assist and effective dates. Future broadcasts are planned and will focus on common errors found in authorization cases.

In addition to the STAR program, the C & P Service has begun a process of identifying unusual patterns of variance in claims adjudication by diagnostic code, and then reviewing selected disabilities to assess the level of decision consistency among and between regional offices. The outcome of these studies will be used to identify where additional guidance and training are needed to improve consistency and accuracy, as well as to drive procedural or regulatory changes.

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.

VBA is engaged in numerous initiatives aimed at better managing the disability claims workload and improving benefits processing. The efforts include changes to the organization and structure of the Veterans Service Center, the delivery of training for claims processors, the consolidation of specialized operations, and the redistribution of the rating workload.

Claims Processing Improvement (CPI) Model

A product of the VA Claims Processing Task Force, established by former Secretary of Veterans Affairs Anthony J. Principi and chaired by Admiral Cooper,

was the implementation of the Claims Processing Improvement (CPI) model. The CPI implementation, which was completed in September 2002, established a 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 decision-makers, establish consistent work processes, and incorporate a triage approach to incoming claims.

We continue to look at the CPI model based upon feedback from field stations, the needs of the organization, and the timeliness and quality improvements we seek from it. The changing workload and workforce have necessitated a review of the model to outline the most effective method of organizing work and resources to maximize performance. During FY 2006 a team will be formed to conduct a high-level review of CPI. The team will focus on defining the strengths of the current model as well as identifying its weaknesses. The product from this group will be recommendations on modifications to the model to further augment efficiencies in claims processing.

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 (53 modules completed and an additional 38 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 C&P business line staff is being developed, consisting of an 80-hour curriculum annually.

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, the 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. Most recently, VBA has consolidated the rating aspects of our BDD initiatives, which will bring greater consistency of decisions on claims filed by newly-separated veterans.

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.

Through these initiatives VBA is prepared to address the challenges facing our organization and improve claims processing. We will continue to assess our policies, processes, and approaches to take advantage of improvement opportunities and to ensure we are achieving the desired performance outcomes.

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