

A Report by a Panel of the

**NATIONAL ACADEMY OF
PUBLIC ADMINISTRATION**

*for Congress and the Department
of Veterans Affairs*

Management of Compensation and Pension Benefits Claim Processes for Veterans



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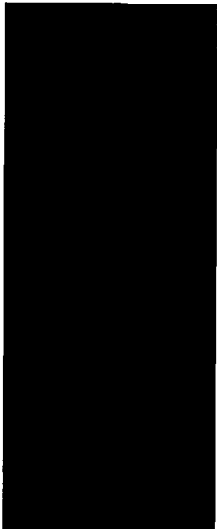
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AUGUST 1997



Management of Compensation and Pension Benefits Claim Processes for Veterans

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The views expressed in this document are those of the contributors alone.
They do not necessarily reflect the views of the Academy as an institution.

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Management of Compensation and Pension Benefits Claim Processes for Veterans



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FOREWORD

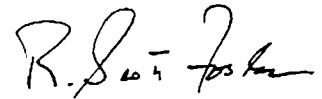
In September 1995, the Senate Committee on Appropriations directed that the National Academy of Public Administration conduct a comprehensive assessment of the Veterans Benefits Administration (VBA) with particular emphasis on specific steps necessary to make claims processing more efficient and less time consuming. The Committee made clear that it expected the Academy study to build on and not duplicate any previous or ongoing evaluations of the claims-processing functions of the Department of Veterans Affairs (VA). The Academy entered into a contract with the VBA to conduct the study and appointed a panel of experts and a supporting study team to carry it out. This report presents the panel's findings and recommendations.

The panel found that, although promising steps have been taken to improve management and performance, long standing underlying problems continue to exist. After careful assessment of all its findings, the panel concluded that the VBA's most fundamental need is to develop the leadership and organizational capacities that will enable it to plan and manage its functions strategically. Visions of improved organizational performance articulated by the VBA leadership in the past have not been effectively pursued and have resulted in little change. Rather, management has been operating largely in a reactive mode, with energies focused principally on short-term issues and considerations. Although the panel's report contains many recommendations for specific actions to improve claims processing, these basic leadership and management capacity deficits and the need to remedy them are the principal themes of the panel's message.

The Government Performance and Results Act (GPRA), which must be implemented in the federal government beginning by October 1, 1997, provides a clear blueprint for the kinds of management capacities needed by the VBA and other government agencies. GPRA's emphasis on the key elements of good management—goal setting, performance measurement, regular reporting—and requirements for regular cycles of strategic and annual planning, implementation, and review and evaluation, provide a solid framework for the kind of capacity building the VBA needs to carry out. Strong and effective leadership will be needed if the objectives of GPRA are to be embodied in the VBA organizational culture and operations.

The panel has laid out what needs to be done. The VA with the active support of the administration and Congress should move forward with the actions needed to improve the efficiency and effectiveness with which it delivers authorized veteran benefits.

We want to thank former Secretary Jesse Brown, the many officials and employees of the VA, and others who contributed to the panel's study through providing information, ideas, and cooperation. We hope that the panel's report will prove helpful to Congress, the administration, and the VA in their efforts toward seeing that compensation and pension benefits programs serve the nation's veterans well.



R. Scott Fosler
President



PANEL MESSAGE

THE CHALLENGE AHEAD

This report examines management of the compensation and pension (C&P) program by the Veterans Benefits Administration (VBA) and makes constructive recommendations to improve the program. The report does not address VBA's management of its other important programs. Appendix G contains dissenting views of panel member Anthony J. Principi.

Requirements of the Government Performance and Results Act (GPRA) and a number of reports – most recently that of the Veterans' Claims Adjudication Commission (VCAC) – have served to emphasize VBA's need for more disciplined management. Recent VBA actions and its response to recommendations made by the VCAC in general show an awareness of the need for developing essential information-gathering, communication, data analysis, and accountability measures.

The acting under secretary for benefits has recently approved a business process reengineering (BPR) plan to improve the adjudication process and has established a strategic management committee (SMC) to provide a broader perspective for managing the VBA. However, these and other actions being taken or planned are not alone sufficient to assure continuing improvement in VBA service to veterans with respect to C&P claims.

The VBA must apply greater discipline to plan on the basis of thorough and detailed analysis with full accounting for all necessary resource factors – human and material. The VBA, to date, has not shown the discipline necessary to provide in its plans and actions the degree of detail and integration needed for efficient plan implementation or that it can monitor plan implementation and hold responsible officials accountable.

The VBA is at a crossroads. Its leaders and the new secretary must turn the VBA into a first-class, well performing public institution that provides superb service to the nation's veterans or face continued criticism and potentially poorer performance. The secretary, supported by the administration and Congress, must act now to set the VBA on the road to permanent and dramatic improvement of its performance.

Notwithstanding the recent positive steps taken, it is essential that significant further changes be made. Under past circumstances, in which resources were relatively plentiful and the VBA's difficulties were not so acute, the organization could have sustained minimally adequate performance. Today's situation is different. The bipartisan drive to reduce the deficit has put great pressure on administrative budgets governmentwide, and this pressure has resulted in planned reductions by FY 2002 of over 31 percent from levels of VBA staff allocated to adjudication in FY 1996. To a large extent these reductions are premised on the agency's BPR plan for achieving dramatic service improvements, which if successfully implemented would speed up the adjudication and appeal process. Failure to achieve BPR goals, combined with heavy resource reductions, could degrade service well beyond the peak backlogs and delays reached in 1993 and 1994. Delivery of acceptable service to veterans depends on the success of BPR. The panel believes that the BPR plan is not based on adequate analysis nor has it been tested to demonstrate that its intended efficiencies can be achieved.

The panel firmly believes that the VBA's long-standing difficulties in managing the C&P adjudication process and related information technology (IT) requirements are rooted in leadership that has not developed vital strategic management capacities. It is not enough to formulate general plans on the basis of "a sense of what makes sense." For service to improve, plans must be formulated on the basis of extensive analysis followed by rigorous, disciplined implementation.

The VBA must act now to acquire these capacities as the foundation for converting its BPR vision into sustained, long-term performance improvement. In the panel's opinion, a recently compiled C&P BPR "Blueprint for Change," (June 1997) is a good next step. It recognizes many of the changes that need to occur in moving to a reengineered business process. The panel cautions, however, that unless VBA implements the required changes in concert with development of the strategic management capacities and disciplined implementation practices recommended in this report, the blueprint is likely to end as an unrealized vision.

The VBA's service improvement goals can be achieved, and even bettered, but this will happen only if all of those with a stake and interest in improving veterans services, both in and out of the VA, come together with a common understanding of the complex issues involved and the fundamental management improvements needed.

A CHALLENGE FOR THE SECRETARY

The VBA needs to develop a strong and decisive leadership capacity. Current vacancies in the positions of under secretary for benefits and the chair of the Board of Veterans' Appeals (BVA) give the secretary a rare opportunity for effecting change across the entire claims adjudication and appeal process by selecting individuals with demonstrated leadership and management abilities for both of these positions and giving them a clear charge to work together to "fix the process." The panel hopes that the secretary will take full advantage of this opportunity.

The secretary should instruct the VBA to develop an integrated and fully staffed set of strategic planning and management capacities. Basic capacities need to be built for:



(1) corporate data gathering, data analysis and program evaluation; (2) rigorous planning for initiatives undertaken and disciplined plan implementation, with provision for regular review and revision as needed; (3) goal-setting, performance measurement, tracking of results, and imposing accountability; (4) training necessary to develop or maintain required skills; and (5) stronger coordination among the VBA components and with the VBA stakeholders including the BVA, the Veterans Health Administration (VHA), key persons in the office of the secretary, the Department of Defense (DoD), Congress, veterans service organizations (VSO), and relevant federal and state agencies.

The panel recommends that the secretary instruct the VBA, with participation by the BVA and key staff offices in the Office of the Secretary, to develop a comprehensive reform plan by March, 1998 that initiates development of these capacities and lays out how, over the next five years, the VBA will approach the resolution of particular problems and the achievement of permanent performance improvement. (See Figure P-1 on the following page.) The secretary should continually monitor progress, providing assistance where necessary and assuring an integrated effort by key departmental components.

The Secretary should take the lead in working with the VBA and other elements of the department towards achieving a consensus among the VBA's various stakeholder organizations on the elements of this performance improvement effort.

A CHALLENGE FOR THE ADMINISTRATION

President Clinton initiated the National Performance Review at the start of his first term with the goal of achieving a government that works better and costs less. This goal is identical to the vision contained in the VBA's BPR plans. However, as described in this report, the administration, through the President's FY 1998 budget, is projecting major staff reductions without the essential analysis, information and testing necessary to determine whether such cuts can be achieved.

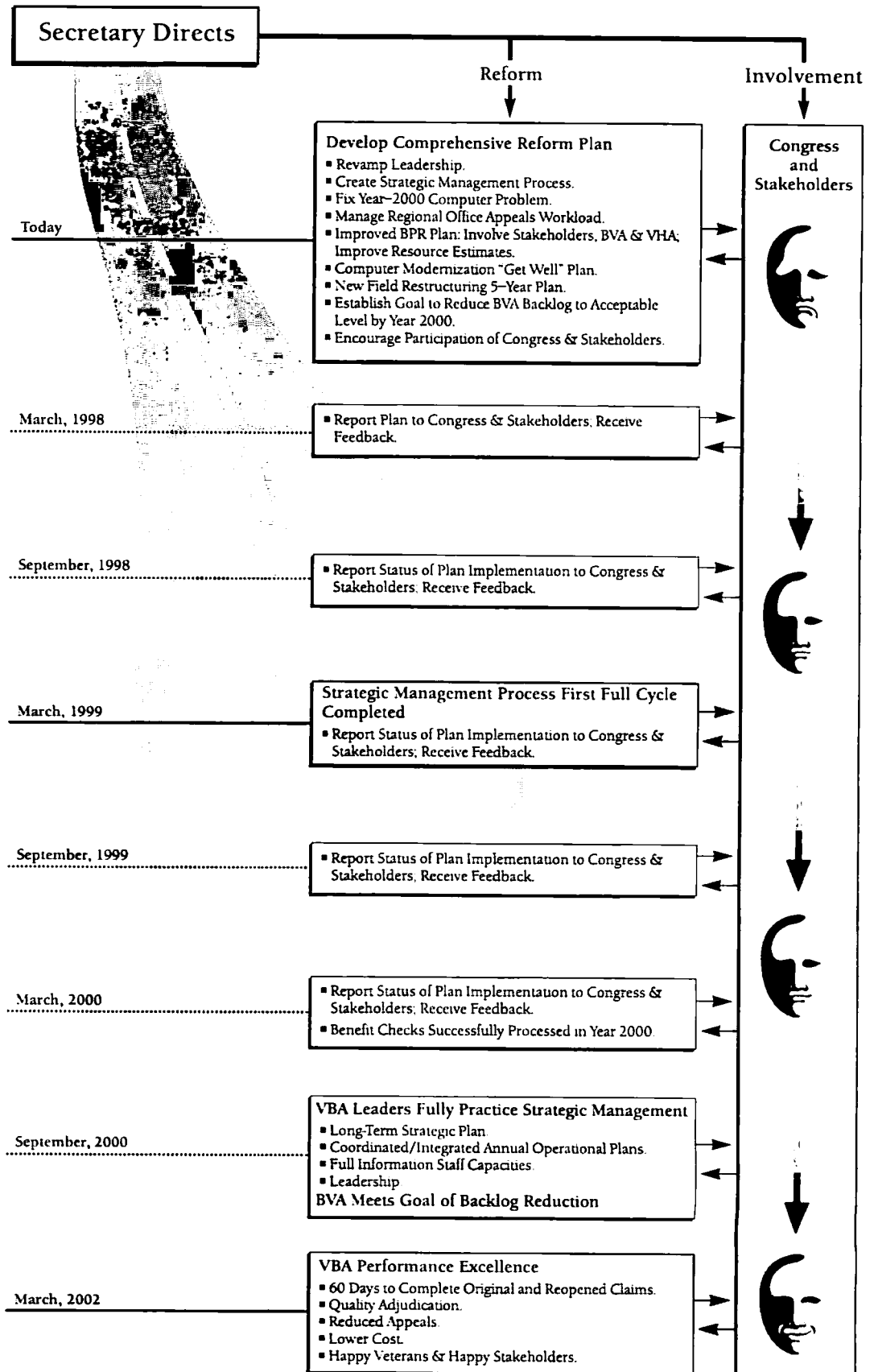
The panel urges that the Office of Management and Budget (OMB), on behalf of the administration, support efforts by the secretary to implement the leadership and management reforms necessary to accomplish the BPR vision of improved service at less cost. Such support should insist on careful tracking of progress towards long-term improvement. Action regarding VBA resource levels should be based on sound information as to the VBA's ability to achieve an acceptable level of performance within planned staffing levels.

A CHALLENGE FOR CONGRESS . . .

The VBA needs strong congressional support to accomplish long-term improvement in performance on behalf of veterans. The VBA must improve its performance if Congress is to gain trust in the agency's ability to achieve real change and overcome reluctance to provide investment funding required for reform plans.

The process of reform at the VBA is a two-way street in which Congress needs to play a strong and positive role. There is a perception within the VBA, whether accurate or not, that attempts to improve performance in ways recommended by the panel will result

FIGURE P-1: THE ROAD TO VBA PERFORMANCE EXCELLENCE



in repercussions from important members of Congress concerned about impacts of reform on the interests of their states or districts.

The challenge for Congress is to provide a stable environment in which the administration and the VBA in particular can accomplish long-term improvement in performance on behalf of veterans. The panel believes that Congress has several avenues for supporting the process of change at the VBA. First, the appropriations and legislative committees, in reports accompanying upcoming legislation, should explicitly spell out their expectations for reform at the agency. This will provide a vital congressional umbrella under which the VBA executives can undertake the business of developing and sustaining a long-term reform effort. Second, the committees should work closely with the new VBA leadership and the secretary's office as they develop comprehensive plans for permanently improving the agency's performance. In doing so, VBA leaders and the committees will have the opportunity to share concerns and ideas that ultimately will enrich the reform effort. Finally, Congress should insist on regular reports of progress against the VBA reform plans and, as progress is made and good information becomes available, should provide resources that match the organization's investment needs and ongoing workload requirements.

. . . AND THE VETERANS SERVICES ORGANIZATIONS (VSO)

The panel has observed that the VSOs are intimately woven into the fabric of the claims adjudication and appeals process. Representatives of the major organizations occupy space collocated with the VBA in government offices in the 58 VBA regional offices, and they have offices in Washington, D.C., at the Board of Veterans' Appeals.

In the close VBA/BVA/VSO relationship, it is clear that all wish, in principle, to cooperate toward the aim of achieving timely and accurate response to claims and appeals submitted by veterans. What is not so clear, however, is whether there is sufficient appreciation of how the fundamental reforms described in this report would serve to achieve improved performance on a sustained basis over the long term. It is important that all interested parties – including Congress and VSOs – understand, for example, the need to plan for restructuring veteran access to the VBA in the field with adjudications occurring on a more centralized basis than the current 58 regional office sites. Such restructuring would not only provide for greater efficiency but, more importantly, it would provide for better service to veteran claimants.

The panel hopes that the VBA and the VSOs will see the mutual benefit to be derived in service to the veteran community through a more strategic and disciplined approach to managing the C&P program. Given their mutual interests, the VBA needs to work closely with the VSOs in developing and providing for implementation of the comprehensive reform plan called for herein.



EXECUTIVE SUMMARY

INTRODUCTION

The nation owes a debt of gratitude to its war veterans. The concept of compensation for personal sacrifice during military service goes back to colonial times, and since well before the Civil War the government has had an organization in place to administer benefits. Today the Department of Veterans Affairs (VA), is charged with assisting veterans in determining their entitlement for compensation or pension under the law and in cases of doubt deciding in favor of the veteran. This report examines management of the compensation and pension (C&P) program by the Veterans Benefits Administration (VBA) and outlines improvements the secretary needs to make to ensure world-class service to veterans. The report does not address the VBA's management of its other important programs. Appendix G contains dissenting views of panel member Anthony J. Principi.

In FY 1998 the department will provide \$21 billion in compensation, pension, and education benefits to approximately 4 million veterans and their families. The C&P program is designed to compensate veterans for disabilities connected with service to their country or to provide economic support on a needs-tested basis to permanently and totally disabled veterans regardless of service connection, who meet specified service requirements.

The VA is under great pressure to improve administration of the C&P program. Program administrative processes are complex and have gotten more so with the advent of judicial review in 1988, advances in medical technology, and the addition of specific new benefits for veterans. While VBA staff and executives are dedicated and hard-working, strong leadership and new approaches are now critical to solving the organization's problems and significantly improving program service.

Major and long-existing problems continue to trouble the adjudication and appellate process. These have been chronicled in a series of reports, the most recent of which is the December, 1996 report to Congress by the Veterans' Claims Adjudication Commission (VCAC). The Academy panel relied heavily on this excellent report in

guiding its own research and recommendations and agrees with most of the views expressed in the commission's report. The panel did not for the most part address program policy issues. VCAC recommendations are addressed in each chapter of the panel's report. A matrix detailing VCAC recommendations as related to the findings and recommendations of the panel is included at Appendix A.

The VBA has not adequately developed the management capacities necessary to achieve permanent service performance improvements. Action by the secretary is needed to remedy the situation and by Congress in support of necessary initiatives that might well require substantial investment.

KEY FINDINGS

- **VBA Service to Veterans.** The VA is under great pressure from Congress and reviewing agencies to improve the timeliness and quality of its C&P decisions on behalf of veterans. The VA has not addressed fundamental underlying prerequisites to long-term service improvement.
- **Potential Threats to Program Integrity Could Cause Service Disruptions.**
 - *The Year 2000 – A Potential Crisis Just Now Being Addressed.* Until March, 1997, the VBA was following an unnecessarily risky path toward meeting the year-2000 computer problem that affects its current payment system. In March, Deputy Secretary Hershel W. Gober chose a safer option described in Chapter Six.
 - *Unsupported Staff Reductions.* The VBA budget would reduce staff resources allocated to direct claims adjudication by 1,335 full time equivalent (FTE) positions or 31 percent between FY 1996 and FY 2002 without sufficient analysis to assure that a reduction of this magnitude is feasible. While recognizing the pressure for balancing the budget and that the VBA budget estimates may be revised in the future, the panel is concerned that reducing staff in excess of the VBA's ability to absorb cuts and deliver planned service improvements will further degrade the timeliness and quality of its service.
 - *Large and Unmanaged Regional Office Appellate Workloads.* Large appellate workloads in the VBA regional offices (ROs) are not a priority management focus nationally. If these workloads are not addressed in a systematic manner, they may reach crisis proportions, imperiling prior progress.
- **Major Initial Claims and Appeals Processing Problems Continue.** The VA faces major ongoing problems including the timeliness and quality of adjudication decisions in the regional offices; slow appellate decisions at the BVA; and a high risk of failure in implementation of the VBA information resources modernization program.
- **Need to Develop Essential Management Capacities for Making Much-Needed Changes.** The VBA needs to develop the strategic management capacities necessary for long-term improvement. Management is not geared to rigorous analysis in the development of plans for change, the establishment of detailed schedules and assignment of meaningful responsibility for disciplined plan implementation, or for the regular review of plan implementation progress and necessary revisions.

- **A Joint VBA/BVA Training and Quality Strategy is Needed.** The VBA and the BVA need to develop jointly a comprehensive training and quality assurance strategy to support efforts to improve performance of the claims adjudication and appeals adjudication process.
- **Urgent Action is Needed to Achieve Rapid and Effective Change.**
 - **Action by the Secretary is Needed.** The Academy panel has concluded that, while the VBA has shown some recent progress, the department cannot rely on the changes that the VBA so far has effected to serve its long-term needs. The secretary needs to put into place the leadership and management capacities required to achieve rapid, effective, and long-standing change.
 - **Action by Congress is Needed.** Congress should support needed change through prudent appropriations actions but also require continual feedback on plans and progress from agency officials.

THE PUBLIC TRUST OF EXCELLENT SERVICE TO VETERANS CAN BE BETTER FULFILLED

Former Secretary Jesse Brown articulated a vision for the VA as a world-class organization providing service excellence to its veteran customers. However, this public expectation of service excellence is not being met for the C&P benefits program involving \$19 billion a year paid to veterans and their families. During the 1990s service to veterans declined even further. These problems have been discussed in a series of reports. As early as in its report accompanying the Department of Veterans Affairs Act of 1988, the Senate Committee on Governmental Affairs cited numerous concerns about oversight of field facilities, lack of reliable performance data, lack of timely and accurate handling of claims, growth of remands, the lack of internal information systems to record corrective actions, and possible manipulation of the work measurement system. Senate Report 100-533 concluded:

It is the Committee's intent that the first Chief Benefits Director selected under the Department of Veterans Affairs Act address these problems, and that the first Chief Benefits Director be selected on the basis of demonstrated ability to provide the management leadership these problems merit.¹

The Governmental Affairs Committee's intent that the first chief benefits director, now called the under secretary for benefits, lead the VBA to service excellence has not been realized.

The December 1996 report by the VCAC laid out a broad array of problems in the VA, the VBA and the BVA. The report, commissioned by Congress in Public Law 103-446, concludes that "the problems of the adjudicative and appeals processes cannot be solved by fine tuning. The system has become cumbersome and outmoded." The commission stated that recent efforts to change, including business process reengineering (BPR) within the VBA, are worthwhile but not enough. The Academy panel agrees.

¹ *Department of Veterans Affairs Act of 1988, Report of the Committee on Governmental Affairs, United States Senate to accompany S. 533; Senate Report 100-342; 100th congress, 2d Session, pp.11, 30-35.*

THREATS TO PROGRAM INTEGRITY

The VBA is facing new threats to program integrity that could impair the agency's ability to make payments to veterans and reach timely and accurate decisions. Millions of veterans could be adversely affected with attendant political consequences for the secretary and the administration.

The Year-2000 Problem

The VBA may not be able to convert its benefits payment system in time to avoid the "year-2000" computer problem facing most government programs. Software applications developed in the 70s and 80s in most government and industry programs provided for only two digit fields to contain the last two digits of a given year with the first two digits fixed as 19. When these applications must deal with the last two digits of 2000, they will cease to function because they will not recognize 00 as the year 2000. To avoid disruption of programs such as benefits payments, agencies and industry are painstakingly searching through millions of lines of software code to find and fix the two-digit date problem.

Until recently the VBA was assuming major risks in resolving the critical year-2000 computer problem. Should that problem not be resolved, the VBA would not be able at the turn of the century to issue benefit checks to millions of veterans. Notwithstanding that the agency's computer expertise was clearly spread too thin and that its record of managing complex computer projects was poor, the VBA was poised to simultaneously undertake (1) development of VETSNET, a new system to replace the existing payment system, (2) implementation of complex legislative changes into the system, (3) reprogramming its benefit delivery network, and (4) consolidation, at the department's behest, of the Hines and Philadelphia benefit delivery centers with the Austin automation center, while (5) also working on a number of programs to cure the year-2000 problem.

The panel became concerned during this study about the potentially disastrous consequences should the VBA's risky approach fail. The panel chair met with then Deputy Secretary Gober to point out the risks involved and explain the panel's concerns. Subsequently, the deputy secretary changed the direction of the VBA's approach to significantly reduce risk to the payment system and support year-2000 operations. The VBA has initiated action to hire needed systems integration contract support, procure other resources, and put into place the management required to sustain payment system operations and achieve year-2000 capabilities. Notwithstanding the actions the VBA has taken, it is critical that continued monitoring of progress be maintained and that any temptation to rely upon contractor support alone to solve the problem be avoided.

Staffing May Be Reduced by a Third While Workload and Other Resource Demands Are Rising

The FY 1998 President's Budget is projecting major staff reductions through FY 2002 without adequate data and analysis. The panel, while recognizing the pressures for balancing the budget, is concerned that inappropriate reductions will serve only to make a bad situation worse, engendering the need for larger expenditures in the future.

With inadequate planning, forecasting, and estimating, the VBA budget reduces staff resources for the C&P product line, including those employees working directly on claims and related supporting staff, by 1,707 or 26 percent of FTE positions during the four-year period between FY 1998 and FY 2002. In the six-year period between FY 1996 and FY 2002, FTE allocated to the direct processing of claims is reduced by 1,335 or 31 percent. These reductions are projected to occur before the VBA has developed adequate information to reasonably support them and without good information on implementation of its BPR effort.

As described in Chapter Five, the BPR plan is based on a model that utilizes a series of assumptions applied to the current adjudication and appellate process. Under these assumptions, significant staff reductions are forecasted while at the same time the agency is attempting to meet ambitious goals for improving the timeliness and quality of service to veterans. Through a number of meetings to understand the model, which is maintained by a contractor, the NAPA study team was unable to learn how the model works nor were the VBA staff able to explain the FTE impacts of each proposed BPR change. In addition, the VBA assumptions about the future results of BPR initiatives have not been tested and evaluated in an operational setting. Of particular concern are the VBA's assumptions about future workload, projected levels of participation by veteran service organizations (VSOs), and the benefits of information technology (IT).

The panel questions the general methods used by the VBA in estimating aggregate future workloads. Individual claims for compensation may encompass one or a number of disabilities that must be assessed. The primary driver of the complexity and volume of the C&P workload is the expanding portfolio of service-connected disabilities that must be serviced by the VBA, not solely the size of the veteran population and the number of claims submitted, as assumed by the VBA in its workload projections. The panel supports the VCAC conclusion that informed decisions on improving the claims process should be based on a thorough analysis and understanding of service-connected disability data.

The combination of unverified BPR assumptions applied to questionable estimates of basic program workloads is not an adequate basis for formulating a 31 percent staff reduction. The panel believes that the VBA has developed staff reduction plans far in advance of knowing with reasonable assurance that such reductions can be achieved. The panel's main concern is that BPR has not been proven through implementation testing. While the VBA intends to pilot component parts of the BPR proposal, these pilots are just now getting underway and will take up to 18 months to complete. Only when these pilots are completed will the administration know if staff reductions of the projected magnitude are possible while at the same time achieving ambitious BPR goals of timeliness and quality.

Large and Unmanaged Appellate Workloads Threaten to Overwhelm the System

The panel also is concerned about ineffective management attention to appellate workloads in the ROs. Although more than one-fourth of the compensation claim cases pending in ROs are in long-standing appellate status, the VBA has not treated them as a nationwide problem needing concerted attention. The VBA has not established performance goals for processing this work or regularly tracked progress

in reducing the backlog of cases involved. Since the end of FY 1995, the number of BVA remands pending in the ROs increased by 85 percent to more than 26,000. These cases have been pending for an average of about a year. RO performance in this area is highly variable. The panel is concerned that without adequate attention the ROs will continue to focus on new and reopened claims and that appellate workloads and lead times will reach crisis proportions. Such a crisis would unleash new hostility towards the agency that potentially could inhibit implementation of BPR and other improvement initiatives.

MAJOR INITIAL CLAIMS AND APPEALS-PROCESSING PROBLEMS CONTINUE

Apart from these threats to program integrity, the VBA continues to struggle with mixed success with major problems described in previous reports.

Regional Office Adjudication Decisions are Too Slow and of Insufficient Quality

Chapters Eight and Nine detail numerous problems in the claims and appellate adjudication process. While showing some improvement in the last several years, processing time for claims continues to be far higher than the BPR goal of 60 days. The VBA continues to have difficulty making quality decisions early in the adjudication process, and quality remains a point of major concern and contention between the VBA and the various veterans service organizations (VSOs). The BVA remand rate peaked at a level of 50.5 percent in FY 1992, and has come down slightly to 45.7 percent as of the end of May 1997. The combined total of BVA allowances and remands peaked at 67.1 percent in FY 1995 and is down to 62.6 percent as of the end of May 1997, far higher than the BPR goal of 25 percent.

Failure to Treat Initial Claims Adjudication and Appeals Adjudication as a Single Process Results in System Breakdowns

The actions taking place in one part of the process impact other parts of the process. Failures in RO adjudication impact BVA workloads, while unexplained BVA remands impact RO workloads but do nothing to solve initial quality failures. Training and quality programs developed in isolation will be suboptimal at best. Cooperation in the working relationship between the VBA and the BVA has been weak. Although cooperation is improving, greater efforts are needed to ensure that these two organizations share responsibility for effectively and efficiently acting on veterans claims.

Information Resources Management – Stronger Management Needed

While substantial progress has been made in providing individual automated work stations to the VBA staff, the VBA is having difficulty in managing the complexity of its system modernization efforts effectively. The VBA must gain the ability to develop a clear, prioritized business plan within which resources are allocated only to critical priorities and must improve its ability to plan and manage its more complex software projects. These management failures are jeopardizing year-2000 operations and underlie a significant aspect of the panel's concern about the VBA's ability to deliver on its BPR promises.

THE VBA NEEDS TO DEVELOP THE CAPACITIES ESSENTIAL FOR CHANGE

The panel concludes that there are three interrelated reasons underlying the VBA's management difficulties. First, the organization is bounded by a culture that looks primarily to short-term needs without sufficient concern over long-term implications. Second, this short-term outlook has led to insufficient planning, implementing, and reviewing capacities that are essential to the successful management of complex programs in large organizations. Third and perhaps most basic, the VBA's leadership has not developed a fundamental and deeply-felt vision of how the organization as a whole should be performing and consequently has not developed a basic body of organizational principles or institutional doctrine for achieving that performance.

The Institution Lacks Capacities Essential for Strategic Planning and Management

As outlined in Chapter Three, the VBA lacks a set of general strategic planning and management capabilities that are necessary for leadership to define where the organization wants to be, enable development of specific operational plans for getting there, and provide a set of coordinating and integrating capacities for implementing planned initiatives. These coordinating and integrating capacities include the ability to plan and conduct complex programmatic activities, measure progress against performance goals, and hold key executives accountable for making their part of overall plans happen on time and within budget. Key organizational capacities involve a planning staff and corporate evaluation, actuarial and other information capacities. An annual plan, implement and review cycle normally is the way in which these capacities are exercised. During this cycle those parts of the organization responsible for human resources, information technology (IT), budget planning, training and executive development, quality assurance, and outreach and communication activities are integrated into operational plans to fulfill the institution's goals.

The Need for Aggressive Leadership

Despite some progress since 1996, the potential for a cohesive, well-functioning leadership team is uncertain. The VBA Strategic Management Committee (SMC), established in 1996, is a good step in the right direction, but the SMC is lacking a clear purpose, a long-term agenda for reform, an ability to integrate and oversee complex activities, and a clear vision of what strategic management means. Recent efforts to implement the Government Performance and Results Act (GPRA) and conduct BPR are laudable but insufficient in that they do not provide structure for accomplishing what they prescribe as needing to be done.

Major gaps in accountability within the leadership team are described in Chapter Four. Staff and operational responsibilities between the central office (CO) and field organizations need to be clarified. This is exemplified by the assignment of responsibility for implementation of BPR, a quintessentially operational activity, to the C&P service, a staff office within the VBA. C&P does not have a strong impact on the performance of the area and regional offices. There also are cultural short circuits to accountability. These include a bias against developing a systematic corporate information capacity

and a reactive and decision-averse culture in which senior executives are reluctant to take a tough stance against a failing colleague. The VBA also is a closed organization which historically has not sought information and expertise from stakeholders or others outside of the organization.

A Fundamentally Different Configuration of Field Operations Should Be Explored

The VBA is under pressure to dramatically improve its service to veterans and reduce its administrative budget. To achieve these twin goals, the VBA has launched BPR to redesign the claims adjudication process. The heart of the service improvements envisioned in BPR is a core set of highly trained adjudication personnel. If successfully implemented, this core set of personnel not only would improve service, but also would provide the basis for an entirely new organizational structure by facilitating formation of small, stand-alone adjudication teams capable of being dispersed across the nation and managed from fewer central locations than the current 58 ROs. Existing communications technology enables claims processing by small teams at any location, and modernization efforts described in Chapter Six would further enable remote processing. The strategic management capacities recommended in Chapter Three, if put into effect, would facilitate development of the integrated and phased planning and improved performance data necessary for successful implementation of a new restructuring plan.

The panel believes that as BPR is implemented, the VBA should be analyzing the further benefits of service to veterans in terms of quicker access to information and more consistent decisions that could be achieved through a dramatic reduction in the number of existing regional decision centers. A fundamental re-configuration of field operations will be not only possible but necessary to provide for more efficient and timely claims processing. The under secretary, as the executive in charge of analyzing the implementation of the BPR, should begin planning a new effort to restructure the field service delivery network with the objective of improving service performance on behalf of veterans, managing within more stringent staffing levels, and identifying funding for investment in BPR and information technology service improvements as well as in enhanced strategic management capacities.

ACTION IS NEEDED TO ACHIEVE RAPID AND EFFECTIVE IMPROVEMENTS

The panel has concluded that, while the VBA has made some progress in planning for future improvements in its adjudication process, there is insufficient time to allow that progress to take its natural course. The secretary must act to assure that the VBA plans are realized. The long-term cycle of complaint about VBA performance is a major problem for the secretary, and improving the agency's performance must be a top administration priority.

The panel believes that a capable leader/manager as envisioned by the Senate Committee on Governmental Affairs in 1988 can successfully address the problems facing the VBA.

The Next Under Secretary Must Be a Change Agent

Action is needed by the administration to achieve rapid and effective change through selection of an under secretary for benefits who can build the necessary strategic management capacities that enable needed change. The secretary should give the new leader an unequivocal charge to “fix the place.”

Congress Should Provide the Resources Necessary for the VBA to Solve Its Problems

Congress should ensure the resources necessary to guarantee continued benefits to the veteran and not hastily reduce VBA resources. Congress should be satisfied that estimates of workload for reduced staffing are based on sound analysis and that the validity of reengineering efforts is demonstrable. Congress needs to provide a stable environment in which the VBA can accomplish long-term improvement in performance and should work with the VA and VBA leadership as they develop comprehensive plans for improvement. Congress should insist on continual reports of progress against these plans and, as progress is made and good information becomes available, should act to provide resources which match the organization's investment needs and ongoing workload requirements.

THE TIMELINESS OF APPEALS AT THE BVA IS SHOWING IMPROVEMENT

The panel believes that improvements put in place to improve the timeliness and quality of decisions by the BVA are working and show promise of reducing the backlog to acceptable levels by the end of FY 2000. The statutory provision in 1988 for judicial review of VA decisions on claims for veterans benefits caused major stress in the entire adjudication and appellate process, resulting in waves of remands and rework throughout both the VBA and the BVA. As the BVA's productivity declined, backlogs of cases pending review increased from about 17,000 in FY 1991 to more than 60,000 at the end of FY 1996. During this period, average elapsed time to final BVA decisions on substantive appeals, including time during which ROs processed remanded cases, increased almost three-fold, from about 400 days to over 1,100 days.

Both the backlog and average days to final decisions are now being reduced. Chapter Nine describes the actions the BVA has taken to improve its productivity. Principal actions involved acquiring increased staff resources, implementing improved training and performance evaluation programs, increasing the ratio of professional decision staff to support staff, and dispensing with consideration of appeals by a panel in favor of decisions by a single board member.

Analysis shows that, if a number of assumptions concerning workload, resources and performance are borne out, with its current level of staff resources the BVA will be able to reduce the backlog of cases to about 20,000 or the equivalent of six months' decision production by the end of FY 2000. At that time, average time for a BVA decision from the time an appeal is ready for its review should be six months or less. The panel believes this is acceptable given the complexity of appellate cases and the time needed by VSOs to participate in this stage of the appellate process.

PANEL RECOMMENDATIONS

Comprehensive change and institutional capacity-building is a long-term three to five-year process. But change must begin immediately. A long-term plan of action with carefully integrated and sequenced actions must be developed and given sustained political and resource support. The panel's recommendations include steps that must be implemented immediately and those that can be phased in over the next several years (see Figure P-1, page xi).

Leadership.²

- **Immediately.** The secretary should initiate development of an urgent change management strategy starting with selection of a change-agent under secretary for benefits with a clear charge to "fix the place."
- **Immediately.** The secretary needs to select a capable leader/manager as the new chair of the BVA with a charge to work closely with the under secretary for benefits to develop systemwide solutions for adjudication and appellate problems.
- **Immediately.** The under secretary for benefits, assisted by the department, must adopt a change strategy including action to strengthen the VBA leadership team by developing:
 - An organizational structure that promotes a high degree of accountability for performance including greater influence by the director of the compensation and pension service over field claims adjudication operations.
 - An action plan that integrates all actions required to improve performance and details a schedule for accomplishing the plan with responsibilities assigned for the actions required.

Strategic Management.³

- **Immediately.** The secretary should instruct the under secretary for benefits and appropriate departmental component managers to prepare a plan for developing an integrated and fully resourced set of strategic planning and management capacities within the VA, the VBA's Office of Resource Management (ORM), and the C&P service as recommended in Chapter Three. This plan should be prepared by March 31, 1998.
- **By September 30, 1998.** The secretary should insure that this plan is fully operational and resourced and includes:
 - An effective plan, implement, review, and revise cycle within the office of the secretary and the VBA.
 - Effective and robust corporate evaluation, actuarial and other information gathering capacities.
 - An accountability-based implementation system of goal-setting, performance measurement, and regular tracking of results.

² For these leadership recommendations, see Chapter Four.

³ For these strategic management recommendations, see Chapter Three.

- Stronger coordination among VBA components and with VBA stakeholders such as the BVA, VHA and key staff offices within the office of the secretary.
- Closer communication and collaboration between the VBA and key stakeholders such as VSOs, the Department of Defense (DoD), Congress and the Office of Management and Budget (OMB).
- *Ongoing.* As these capacities are brought on line, the secretary and the under secretary for benefits should fully employ them in continuously improving and annually updating departmental and VBA strategic plans with fully integrated, measurable action goals designed to achieve performance improvement.

Business Process Reengineering⁴

- *Immediately.* The under secretary for benefits should act to reexamine and improve the analysis, approach, and management of the BPR program. The current BPR program must be based on a more complete and detailed analysis of new workloads coming into the organization and their effects on appellate workloads in the VBA and the BVA. Further, the BPR implementation plans must be carefully evaluated in an operational setting and their effects on program performance and staff requirements measured. This effort should become a major focus of the new leadership team and should be completed by March, 1998.
- *In the FY 1998 appropriations process.* Congress should ensure the resources necessary to guarantee continued benefits to the veteran. The VBA's proposed reductions are premature and put at risk current operational capability to sustain performance of the claims processing system. Given panel doubts about the validity of the VBA's estimating methods, it recommends that Congress not reduce VBA resources solely on the basis of those estimates. Congress should insist on continual reports of progress and refinement of estimated resource requirements. As progress is made and good information becomes available, Congress should provide for investment in the resources needed to support performance improvements.

Information Technology⁵

- *Immediately.* The secretary should follow through on actions recently taken by the deputy secretary to assure uninterrupted payments to veterans for the year 2000. This includes the VBA's plans to acquire DPS-9000 systems (processors, operating system software, and peripherals) and operating system software upgrades for IBM 3090s for both the Hines and Philadelphia benefits delivery centers to support year-2000 processing, and the suspension of plans for consolidation of VBA's Hines and Philadelphia benefits delivery centers into the Austin Automation Center.
- *Immediately.* The under secretary for benefits should reallocate the VBA's existing, experienced software workforce to implement FY 1996 legislative changes and hire a systems integration contractor with responsibility for total system performance and all year-2000 modifications.

⁴ For these BPR recommendations, see Chapter Five.

⁵ For these information technology recommendations, see Chapter Six.

- **Immediately.** The under secretary for benefits should stop the VETSNET program and project office and reallocate those resources to support higher priority information resources management (IRM) operational support needs. The under secretary should pursue alternative technical means to achieve VETSNET goals based on using the DPS-9000 and the proven BDN database.
- **By March 1998.** The under secretary for benefits should initiate an effort to reprioritize its IRM projects as identified in this report; establish rigorous processes for IRM requirements determination and configuration control; and improve IRM leadership and management. The under secretary should hire an experienced IRM program manager who has demonstrated ability to plan, manage and evaluate complex programs and systems integration contracts.

Regional Office Restructuring⁶

- **Immediately.** The panel believes that, with implementation of BPR and planned budget reductions, a fundamentally different configuration of field operations may not only be possible but necessary. As BPR is being put in place, the under secretary must begin the analysis and planning necessary for restructuring the field service delivery network to improve service performance on behalf of veterans, manage within more stringent staffing levels, and identify funding for investment in BPR and IT service improvements as well as in enhanced strategic management capacities.
- **In the FY 1998 appropriations process.** Congress should require the secretary to report by March 31, 1998 on the results of this analysis and planning effort; the under secretary for benefits should report to Congress on progress twice yearly; to provide a third party assessment, the VA Inspector General (IG) should also review and report periodically on progress to Congress.

The Appellate Adjudication Process⁷

- **Immediately.** The secretary should establish a goal of reducing by the end of FY 2000 the number of appellate cases ready for BVA review to the equivalent of no more than six-months' decision work for the Board. By March 31, 1998, and at least annually thereafter, the secretary should report to the Congress on progress toward achieving that goal. If the degree of progress falls below acceptable levels, the secretary should take necessary management action to accelerate progress and advise the congressional committees of the actions taken.
- **By October 1, 1997.** To address large appellate workloads in the ROs, the under secretary for benefits should establish performance measures and standards for these workloads, hold managers accountable for meeting the established performance standards and report quarterly to the secretary on progress in reducing the backlog of cases involved.
- **Ongoing.** The secretary, with the under secretary for benefits and the chair of the BVA, in an expanded BPR study, should consider the concept recommended by

⁶ For these regional office restructuring recommendations, see Chapter Seven.

⁷ For these appellate recommendations, see Chapter Nine.

the VCAC as well as other options for revising the basic design of the administrative appellate process.

The Initial Claims Adjudication Process⁸

- **Ongoing.** The under secretary for benefits should implement key VCAC and Academy panel recommendations including rule simplification, improving the quality process, developing an evaluation capacity, fully funding the BPR training effort, and continuing to focus on the disability rating examination adequacy issue.
- **Immediately.** The under secretary for benefits, with the chair of the BVA, must initiate development of:
 - A joint, robust quality measurement strategy and process.
 - A joint training and workforce development strategy.

The Initial Claims Adjudication and Appellate Process Is One Process

- **Upon Their Appointment.** The secretary should ensure that the new under secretary for benefits and the new chair of the BVA treat initial claims adjudication and appeals adjudication as one process with two highly interrelated components and that they cooperatively develop the joint activities necessary to manage the process from the perspective of its customer – the veteran.

Development of a Comprehensive Reform Plan

- **Immediately.** The secretary should direct the under secretary for benefits to prepare a comprehensive performance improvement plan for presentation to Congress no later than March 31, 1998. This plan should describe how the secretary and under secretary intend to revamp the VBA leadership and create the strategic planning and management capacities the VBA needs for sustained, long-term performance improvement. The plan should also address the other key issues raised in this report including VBA plans to fix the year-2000 computer problem, manage the large RO appellate workloads, improve the existing BPR effort, improve IRM management, hold the chair of the BVA accountable for reducing BVA backlogs to acceptable levels by 2000, and undertake the analysis and planning necessary to restructure field operations. This plan should establish formal performance baselines and improvement goals with milestones for goal completion.

Progress Tracking and Reporting

- **Ongoing.** The panel believes that reporting to Congress in the annual budget cycle is insufficient and that self-reporting is not fully informative. The secretary should report semi-annually outside of the budget process on progress in implementing the comprehensive performance improvement plan. For at least the next three years, the VA IG should monitor the plan and report on progress being made.
- Congress should request that the General Accounting Office (GAO) periodically review this progress.

⁸ For these claims adjudication process recommendations, see Chapter Eight.

CHAPTER

1

Introduction

In FY 1998 the Department of Veterans Affairs (VA) expects to provide \$21 billion in compensation, pension and education assistance benefits to about 4 million veterans and their families. In addition to the dispensation of benefits in cash, the department provides life insurance to veterans in the form of almost 5 million policies in force and a housing program that manages approximately 280,000 guaranteed loans amounting to \$28 billion.

Within the department the dispensation of these benefits is managed by the Veterans Benefits Administration (VBA) headed by the under secretary for benefits (USB). In FY 1998, the VBA expects to have full-time employee equivalent (FTEE) employment of 11,400 work years and an administrative budget of \$885 million. In addition to a central office (CO), these employees are organized into 58 regional offices (ROs) which are supervised from four area offices by area directors who report to the USB.

The benefit programs are currently being organized into five major product lines: compensation and pensions (C&P), educational assistance, loan guaranty, vocational rehabilitation and counseling, and insurance. C&P is by far the largest, engaging 6,612 or 58 percent of VBA's cumulative work years in the processing of claims and related support. (See Table 1-1 on the following page.)

LEGISLATIVE BASES

Veterans' benefits and the statutory framework for their administration are codified in title 38, United States Code. The range of benefits is quite broad. The principal C&P benefits provided for in title 38 are briefly described below.

- **Chapter 11:** Provides compensation for disability resulting from personal injury suffered or disease contracted in line of duty, or aggravation of a preexisting injury suffered or disease contracted in line of duty, in the active military, naval, or air service. Provides for certain rebuttable presumptions relating to soundness of veterans' condition at time accepted for service, and to the service connection of certain diseases and disabilities. Separate but similar provisions cover disabilities resulting from injuries suffered and diseases contracted or aggravated in wartime and peacetime. Disabilities are rated by the VA in accordance with a schedule of ratings

TABLE 1-1: VETERANS BENEFITS ADMINISTRATION BY SERVICE

*Summary of Administrative Obligations and Employment – FY 1998
(in Thousands of Dollars)*

Services	Obligations	Employment	Employment as % of Total
Compensation and Pension	\$ 548,640	6,612 ¹	58%
Education Assistance	69,976	937	8%
Loan Guarantee	156,208	2,267	20%
Vocational Rehabilitation and Counseling	70,000	1,002	9%
Insurance	40,363	582	5%
Total	\$ 885,187	11,400	100%

¹ 6,612 is the estimated fully allocated employment level for the compensation and pension product line in FY 1998. Employment for direct processing of compensation and pension claims was estimated at 3,836.

adopted by the secretary providing for ten grades of disability ranging from 10 percent to 100 percent. Compensation amounts are established and periodically revised by law for each grade of disability reflecting loss of income (on average). Increased compensation or allowances may be provided in the case of specified conditions involving anatomical loss or other impairments, or conditions where veterans need regular aid and attendance or are housebound. Additional compensation is paid on account of dependents. Chapter 11 also provides for compensation to survivors of veterans who died before January 1, 1957, as a result of injury or disease incurred in or aggravated by active military, naval or air service.

- **Chapter 13:** Provides dependency and indemnity compensation to survivors of veterans who died after December 31, 1956, from a service-connected or compensable disability.
- **Chapter 15:** Provides needs-based pensions to permanently and totally disabled veterans who meet specified period-of-war service requirements and to survivors of veterans who meet specified period-of-war service requirements and who were receiving or entitled to receive compensation or retirement pay for service-connected disability at the time of death.¹

¹ Other benefits directly related in whole or in part to veteran disability include hospital, nursing home, domiciliary, and medical care (Chapter 17); specially adapted housing for disabled veterans (Chapter 21); automobiles and adaptive equipment for certain disabled veterans and members of the armed forces (Chapter 39); and training and rehabilitation of veterans with service-connected disabilities (Chapter 31). Other principal benefits include insurance (Chapter 19); burial benefits (Chapters 23 and 24); educational assistance (Chapters 30, 32, 34, and 35); housing and small business loans (Chapter 37); and job counseling, training, employment, and job placement assistance (Chapters 41-43).

The law clearly provides for a framework of administration in which potential beneficiaries are provided assistance in understanding the benefits to which they may be entitled and in developing their claims for such benefits. Chapter 77 of title 38 charges the VA with the affirmative duty to seek out eligible veterans and eligible dependents and provide them with timely and appropriate assistance to aid and encourage them in applying for and obtaining benefits for which they may be eligible. Chapter 77 also provides for outreach services including the establishment of veterans assistance offices and the utilization of other agencies to achieve the purposes of informing and assisting persons eligible for benefits.

Chapter 5 includes more specifics for assistance to claimants. Section 5103 provides that in the case of an incomplete application for benefits, the VA must notify the claimant of the evidence needed to complete the application. Section 5107(a) provides that the claimant has the burden of submitting evidence sufficient to justify a belief by a fair and impartial individual that the claim is well-grounded. Section 5107(a) provides also that the VA must assist a claimant in developing the facts pertinent to the claim, including requesting from other federal departments or agencies information needed for the purposes of determining eligibility for or the amount of benefits or verifying other information related to the claim.

Section 5107(b) provides that when, after consideration of all evidence and material of record, the VA finds there is an approximate balance of positive and negative evidence regarding the merits of an issue material to the determination of the matter, the benefit of the doubt in resolving each such issue shall be given to the claimant.

Section 5104 provides that the VA must provide the claimant, on a timely basis, with a notice of any decision affecting the provision of benefits, including an explanation of the procedure for obtaining review of the decision. In any case where the VA denies a sought benefit, the notice must include a statement of the reasons for the decision and a summary of the evidence considered.

Chapter 71 provides for administrative appellate review of decisions on claims, first by the RO that made the initial decision in response to a notice of disagreement (NOD) filed by the claimant, and then by the Board of Veterans' Appeals (BVA) in response to a substantive appeal of the RO decision. Where an RO does not grant the benefit sought after receiving an NOD, it must issue a statement of the case (SOC) summarizing the evidence pertinent to the issue or issues with which disagreement was expressed, citing pertinent laws and regulations and discussing how such laws and regulations affect the decision, and stating the decision on each issue and a summary of the reasons for such decision. BVA decisions must be based on the entire record in the proceeding and upon consideration of all evidence and material of record and applicable provisions of law and regulation. The BVA is bound in its decisions by the regulations of the VA, the instructions of the secretary, and the precedent opinions of the VA general counsel. Each BVA decision must include a written statement of the BVA's findings and conclusions, and the reasons or bases for those findings and conclusions, on all material issues of fact and law presented on the record, and an order granting appropriate relief or denying relief.

Chapter 72 provides for appeal by the claimant of final BVA decisions to the United States Court of Veterans Appeals (COVA), which may decide questions of law and set aside findings of fact that it determines to be clearly erroneous. COVA decisions may be appealed by the claimant or the secretary to the United States Court of Appeals for the Federal Circuit (CAFC). Either party may petition the United States Supreme Court to review CAFC decisions.

A HISTORY OF DIFFICULTIES

The VBA has been the subject of a number of critical studies and reports. These have documented problems of timeliness and quality in the processing of initial claims, untimely appeal processing, general weaknesses in management capacities and, in particular, management of VBA information resources. Table 1-2 provides a listing of these studies and reports by general subject area. Many come from the General Accounting Office (GAO), while others have been prepared by the VA inspector general (IG), internal groups, and a congressional commission. Included in Table 1-2 are several reports from congressional appropriations and authorizing committees expressing their concerns about these ongoing problems. These and other reports are cited as appropriate in the individual chapters of this report. A complete listing is included in Appendix D.

CONGRESSIONAL TASKING

Congress has expressed ongoing concerns about the VA's performance of the C&P claims adjudication and appellate process. The Senate Committee on Governmental Affairs expressed its observation of numerous problems in this process in 1988. In 1995, the Senate Committee on Appropriations, in its report accompanying the FY 1996 VA appropriations bill², expressed its concerns about the backlog of claims at the VBA and shortcomings in the VBA modernization effort. The committee provided funding for the National Academy of Public Administration to conduct . . .

“ . . . a comprehensive assessment of the Veterans Benefits Administration with particular emphasis on specific steps necessary to make claims processing more efficient and less time-consuming.”

The committee instructed the Academy to evaluate:

- the modernization initiative and its link to strategic goals and priorities
- efforts to reengineer the claims-processing methodology
- efforts to simplify rules and regulations
- performance measures for critical program areas and systems modernization efforts
- the regional office structure
- the roles of the BVA and the COVA

² *Report to accompany H.R. 2099*, Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations bill, 1996, Subcommittee on VA, HUD and Independent Agencies, Senate Appropriations Committee, September 13, 1995, pp. 29–30.

TABLE 1-2: FINDINGS FROM PAST STUDIES

Past Studies	Key Themes			
	Claims Processing	Appeals Processing	Management	Information Technology
Congressional Commission, 12/96	■	■	■	■
Internal VBA Reengineering Document 12/96	■			■
Senate Appropriations Committee, 9/95 and 7/96	■	■	■	■
GAO Testimony, 6/96			■	■
GAO Report HEHS-95-190, 9/95	■	■		■
VA Inspector General, 3/95	■	■		
GAO Report HEHS-95-25, 1/95	■			
GAO Report HEHS-94-179, 9/94	■			
Select Panel on Productivity Improvement, Board of Veterans' Appeals, 6/94		■		
VA Inspector General, 4/94	■			
GAO Report AIMD-94-26, 12/93			■	■
Blue Ribbon Panel on Claims Processing, Internal VBA, 11/93	■			
GAO Report IMTEC-93-6, 4/93			■	■
Center for Naval Analysis Corporation, 3/93			■	■
GAO Report IMTEC-91-51BR, 7/91			■	■
GAO Report HRD-90-109, 8/90			■	
GAO Report IMTEC-90-27			■	■
GAO Report HRD-90-62		■	■	
GAO Report HRD-89-24, 6/89	■			
Senate Committee on Governmental Affairs, on Establishing VA, 5/88	■	■	■	■

The committee made clear that it expects the academy review to build on and not duplicate any previous or ongoing evaluations. In the conference report on H.R. 2099, the Academy was further instructed to provide to the department and the appropriate committees of Congress a detailed and specific implementation plan for the recommendations it makes.

In 1996, the Senate Appropriations Committee amplified its tasking to the Academy in its report accompanying the FY 1997 appropriations bill adding that the Academy . . .

“ . . . should provide specific recommendations for comprehensive, strategic improvements to the organization and the many problems which have been identified.”³

The report also noted that the Veteran's Claims Adjudication Commission (VCAC)⁴ had raised questions about the basic purpose of the BVA and repeated the need for the Academy to reassess the role of the board.

HOW THIS STUDY WAS CONDUCTED

The Academy convened a seven-member project panel drawn from the Academy's fellows and other experts, based on their familiarity with the study area, experience, general insights, and knowledge of the issues under study. The panel was supported by a study team selected on the basis of their experience and other qualifications. Biographical sketches of the panel members and study team members are at Appendix C.

The panel took the view that the adjudication and appellate process is a single, continuous process which functions within a very broad matrix of institutional and environmental factors that affect the outcomes of the process. The panel instructed the study team to explore the adjudication and appellate process within the context of this larger system. (See Chapter Two.)

The study team organized its research with a view of the VBA and the BVA as an enterprise which accomplishes three interrelated functions:

- Management of a set of processes – administrative, business, claims, appeals, and modernization – within the VBA and the BVA which underlie the delivery of services.
- Operation within a larger system of numerous stakeholders and other organizations and their activities. In order for the enterprise to be successful, all of these stakeholders and external organizations must be involved with and incorporated into the enterprise mission, vision, and goal, and they must be managed by the enterprise as it conducts its core activities.

³ *Report to accompany H.R. 3666, Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations bill, 1997, Subcommittee on VA, HUD and Independent Agencies, Senate Appropriations Committee, July 11, 1996, p. 21.*

⁴ The Veterans' Claims Adjudication Commission was created by Public Law 103-446 which charged the commission “with evaluating the efficiency of current VA adjudication processes and procedures (including the effect of judicial review), and with determining the means for increasing efficiency, reducing the number of pending claims, and enhancing the claims processing system.” *Report to Congress, Veterans' Claims Adjudication Commission, December, 1996, p. 18.*

- The use of a set of capacities for defining service mission, developing service delivery strategies, and delivering services. These include the leadership capacity of the organization to plan and execute these processes: the strategic management capacities for integration of skill sets and organizational and technical process capabilities to manage the level of complexity required with a bottom line focus on performance.

The study was conducted in two phases under a contract with the VBA: Phase I was for the panel and study team through interviews and review of relevant documents to understand the full scope of VBA operations as related to the initial adjudication and appeal of C&P claims and to define the in-depth research needed to complete the study in Phase II. Phase I extended from September through December 1996. The panel received briefings from key VA officials and the study team. On September 19, 1996, the panel heard from Dr. Steve Lemons, deputy under secretary of the VBA; Charles Cragin, chairman of the BVA; Thomas Pamperin, assistant director, VBA Office of Program Organization and Design, on the VBA Business Process Reengineering effort; S.W. Melidosian, Chairman of the VCAC, on the Commission's work and interim report; and Bob Gardner, VBA chief financial officer, on VBA strategic planning.

On November 4 the panel was briefed by Carolyn E. Apostolou, professional staff member, Senate Appropriations Subcommittee on VA, HUD, and Independent Agencies, about her subcommittee's expectations for the study. The panel then heard the initial observations of the study team, and on November 5, spent a full morning with representatives from five key veterans services organizations (VSO) listening to and discussing their opinions about the claims adjudication process.

On December 18 the panel received a presentation from S.W. Melidosian, chairman of the VCAC, about the commission's findings and recommendations. The final report of the commission was released on December 11, 1996. At that time, the panel also was apprised of and discussed the study team's plans for Phase II.

During Phase I the study team concentrated on becoming familiar with current operations, planned initiatives, and relevant past and ongoing studies. The study team visited six ROs for full-day briefings, tours, and discussions with RO staff at all levels, at times including representatives from VSOs and employee unions. The study team interviewed BVA personnel, VA and VBA individuals responsible for strategic planning and information resources management, and the VBA's BPR staff. The panel chair and study team met three times during Phase I with the staff and/or chair of the VCAC. See Appendix E for a full listing of persons interviewed.

To fully ground itself in past and ongoing studies, the study team made an extensive review of available literature: GAO and VA IG reports, the interim and final reports of the VCAC, the agency's BPR plan and FY 1997 business plan, the Center for Naval Analysis report *An Organizational Assessment of VBA Modernization Activities*; the BVA Select Panel on Productivity Improvement report, the Blue Ribbon Panel's *Proposals to Improve Disability Claims Processing in the Veterans Benefits Administration*; and others. Utilizing a bibliography from the report of the VCAC, the many documents made available by the VBA CO, the BVA and the ROs, and a thorough review of available GAO and

other reports, the study team developed an extensive library of documents. See Appendix D for a listing of relevant documents reviewed by the study team.

At its December meeting the panel adopted a research and reporting plan for Phase II for the period January 1 through June 30, 1997. The panel directed the study team to focus on the C&P service claims adjudication and appeal process; on the BPR plan; and the VBA's information technology (IT) approaches including VETSNET, key IT projects assumed in the BPR proposal, and the strategy for solving the year-2000 computer problem, which if unresolved would cease date-related functions in 2000. The panel also directed the study team to examine the VA's strategic management capacity and the VBA's leadership.

The panel decided to focus on C&P claims on the basis of interviews and research that showed no problems in VBA's other program area proportionate to the magnitude and duration of those affecting C&P. The panel concurred with the VCAC conclusion that "all evidence points to the compensation and pension program as the focal point of concerns and criticisms⁵. . .".

In considering C&P issues, the panel recognized that a number of program changes could be legislated to simplify the administrative processes involved. Except for simplification of the criteria for establishing need under the pension program, the panel concluded that introducing issues of program entitlement would distract from its findings and recommendations for significantly improving administration of the C&P program.

The panel met three times during Phase II to review and discuss the findings and recommendations developed by the study team. In these meetings, the panel identified the most critical themes and issues requiring the highest priority action by the department and Congress.

⁵ *Report to Congress, Veterans' Claims Adjudication Commission*, Pursuant to Public Law 103-446, December, 1996, cover letter accompanying the report, p. 2.

CHAPTER

2

The Veterans Benefits System

INTRODUCTION

The administrative adjudication and appeal process functions within a rich and complicated tapestry of environmental factors and a complex system of interdependencies with external organizations and stakeholders. The problems with the current process and the potential for successful changes must be understood in the context of such factors as the advent of judicial review, strong and active veterans service organizations (VSO), heavy pressure from external oversight agencies, and declining budgets. Efficient service to the veteran requires that all of the many pieces of the process be connected and functioning smoothly.

The process as now constituted does not work smoothly. There are numerous disconnects between system components. These include problems in obtaining evidence from third-party organizations, troubled or weak ties with key stakeholder organizations, gaps in executive accountability for performance results, and inadequate information on which to base key organizational decisions. Unless changes in the process are designed to manage the systemic nature of the problems, efforts to improve performance will not be fully effective.

THE ENVIRONMENT IN WHICH THE VBA OPERATES

The environmental factors within which the claims adjudication process operates need to be factored into any successful plan to improve performance. Many of these factors have operated over time to define and sustain current ways of doing business. The panel notes that change will only occur when these factors are recognized and dealt with by those seeking to improve the Veterans Benefits Administration's (VBA's) performance. The panel also notes that other factors have begun to emerge as pressures to change the status quo.

Defining Factors

The oldest and most compelling factor is the debt of gratitude that the nation owes its war veterans. Few groups of Americans receive the gratitude and programmatic

attention that veterans receive. The concept of compensation for personal sacrifice during military service goes back to colonial times. Since well before the Civil War the government has had an organization in place to administer benefits.¹ While the law has evolved in numerous ways over the years, the government through its Department of Veterans Affairs (VA), is now charged with assisting the veteran in determining his or her entitlement for compensation or pension under the law and, in cases of doubt, deciding in favor of the veteran. The history of veterans programs is fully documented in a VA publication, *The Veterans Benefits Administration: An Organizational History – 1776–1994*² and in Paul Light's *Forging Legislation*.³

Together with the evolution of veterans' programs there has grown a set of politically potent and vocal national VSOs. These organizations serve as strong advocates of veterans' rights and work vigilantly to maintain and expand the benefits available to the veteran. They also have become an integral component of the claims process. While there are numerous such organizations, a core of key national players include the American Legion, the AMVETS, the Blinded Veterans Association, Disabled American Veterans, the Paralyzed Veterans of America, Vietnam Veterans of America, and the Veterans of Foreign Wars. Operating under the provisions of Title 38, Section 5902, "Recognition of representatives of organizations," the secretary has recognized several VSOs to represent the veteran in the claim adjudication process. Assistance may be provided to the veteran in completing the application and in obtaining the necessary supporting information for the claim. In the case of appellate decisions, a VSO representative may work with the veteran in preparing an appeal and go with the veteran to the appeal hearing, if one is requested.

These VSOs have become operationally intertwined with the VBA. They occupy space collocated with the VBA in government offices in the 58 regional offices (RO), and they have offices in Washington, D.C., at the Board of Veterans' Appeals (BVA).

Predictably service organizations are concerned that they not lose contact with those they are assisting and with the staffs in the 58 state-based ROs with whom they work. They perceive this contact as vital to the success of their service. They react with intense concern to proposals which would weaken links to their clients and the VBA staff in the ROs.

In addition, an extensive web of governmental veterans' service offices exists at state and county levels to advocate for and provide services to veterans. With the national VSOs, these state service agencies materially assist the ROs through their participation in the claim development and appeal process. Although there is no systematic data collected on this activity, most VBA regional directors interviewed feel that without the VSO and state and county offices they would need 15–20 more people to handle their claims workload.

¹ In 1833 Congress formally authorized the establishment of the Bureau of Pensions, the first administrative unit dedicated solely to the relief of veterans. *The Veterans Benefits Administration: An Organizational History – 1776–1994*, The Veterans Benefits Administration, Washington, DC 20420; November, 1995; p. 8.

² *Ibid.*, See footnote 1 above.

³ Paul C. Light, *Forging Legislation*, W. W. Norton & Company, Inc., New York, NY; pp. 1–25.

The assistance provided by these service organizations is a two-edged sword. On the one hand, it has become an indispensable part of the claims process. On the other, these resources are not under the control of the VBA, and at times participation by the VSOs lengthens the overall process.

Given the congruence of the RO structure with state jurisdictions and the intertwining of VSOs with RO operations, it is no surprise that the phrase "all politics is local" applies to veterans benefits. The panel believes this is a major factor inhibiting change in the claims process. Changes, no matter how small, have the potential for instant visibility in the office of a congressman or senator. There is a perception within the VBA that a career can be seriously harmed by a displeased politician. The prevailing mood is not to disturb existing benefits or to take actions which might lead to controversy.

The ROs tend to rely on their own devices for operational improvements and, in doing so, take care not to offend a congressman or senator who may complain to headquarters. This is encouraged by the way the VBA is organized and maintains accountability for field performance. The VBA contains a central office policy service for each of its lines of business, and among them is the relatively small Compensation and Pension (C&P) service. Field operations are decentralized with each of the 58 ROs reporting to one of four area office (AO) directors. The service directors and AOs report to the under secretary for benefits (USB) as do the heads of several staff functions including information technology, human resources, and resource management. While nominally organized as a traditional top-down bureaucracy, in practice there are significant gaps in this structure (described fully in Chapter Four). A major gap is one of accountability between the regional director and the central office (CO). The ROs have exceptional freedom of action and, while many perform well, they have little consistent bond with each other or with the CO through a common national vision or through implementing performance plans. They also do not perceive a compelling national plan of action backed by the VBA and the VA leadership that they must follow.

Finally, prior to the advent of judicial review, the VA had much more power over the claims adjudication process than it now does. Until passage of the Veterans' Judicial Review Act in 1988, the VA was trusted to make the right decisions for veterans and by law a veteran could not appeal a final BVA decision to the courts. With such power over the decision process, there was little incentive to seek ways to improve service or undertake efforts such as aligning internal procedural practice with core regulations or developing an accurate and dependable quality system to measure the performance of the organization.

Forces for Change

Other factors are emerging which challenge the status quo. The most urgent of these is pressure to eliminate the national deficit resulting in downward pressure on the agency's administrative budget. According to the President's FY 1998 budget, as of October 1, 1997, the VBA will enter a five-year period of prolonged administrative budget and staff contraction.

Compounding this decline in resources have been a number of factors in recent years that work to increase workloads. These include increasing programmatic complexity

due to advances in medical technology and new veteran's benefits, such as those for conditions related to agent orange exposure and Gulf War syndrome. A wave of claims had been filed as a result of downsizing of the military subsequent to the end of the cold war. Another major workload impact resulted from the Veterans' Judicial Review Act of 1988 which strengthened procedural and documentation requirements and created the Court of Veterans' Appeals (COVA). Through its decisions, the COVA from the beginning has demanded that the procedural and documentation requirements of the law be met. This has increased staff time, slowed the initial adjudication of claims, and has contributed to major backlogs of appeals in the ROs and BVA and in remanded cases to be reworked by the ROs.

By breaking the power the VA had over the outcome of the claim and appellate process, judicial review has also introduced pressures for improving service to the veteran. With its flow of rulings, the court has put pressure on the entire claims adjudication process. Both the VBA and the BVA need new management tools to jointly manage that process well. For example, a commonly accepted definition of quality and a system to measure it which is not easily manipulated are needed so that both the VBA and the BVA can identify and develop joint approaches to managing quality issues across the entire claims adjudication process. Similarly, a joint VBA/BVA information strategy to enable performance measurement and a joint training strategy to reinforce quality decisions also have become necessary management tools.

The panel also sees several trends in the larger social and political environment which are contributing to the pressure for reform. The "quality revolution," while derided by some as the latest management fad, has in fact caused dramatic change in the way individual citizens regard service. The private economy has developed an extraordinary ability to deliver quality goods with great speed at low prices and often custom-made for the average citizen. Rising consumer expectations have understandably raised citizen expectations about the quality of government services and caused irritation when those services are slow, delivered insensitively, or just plain inadequate. The total quality management (TQM) programs of the late 1980s and early 90s, which swept through the VBA and most other federal organizations, also raised employee sensitivity towards their customers and accustomed them to thinking about delivering services in a more personal and comprehensive manner. These trends were brought together by the Administration's National Performance Review, which focused on process improvement and better customer service. They are also reflected in formal legislative requirements such as in the transition assistance program and the disabled transition assistance program (TAP/DTAP) under which the VBA provides discharge counseling to service personnel before their separation from the service.

On the positive side is the growing role of information technology (IT) for improving operations and offering cost-effective service solutions not otherwise available. These improvements include expansion of the agency's teleconferencing capabilities, enhancements to the automated medical information exchange (AMIE) system, and enhanced acquisition of veterans records. While shrinking budget and staff levels in prior years likely would have resulted in a threat to the link between the VSO representatives, their clients, and the VBA staff in the ROs, IT offers solutions which preserve or enhance the contact between the veteran and service representative on the one hand and the VBA decisionmaker on the other. IT solutions are more fully explained in Chapter Six.



THE OVERALL SYSTEM WITHIN WHICH THE ADMINISTRATIVE ADJUDICATION PROCESS FUNCTIONS

The administrative adjudication process is complex, and its administration occurs in an equally complex system in which many stakeholders, such as the VSOs and Congress, and institutions, such as Department of Defense (DoD) organizations and the Veterans Health Administration (VHA), have impacts that are beyond the control of the VBA and the BVA. Solutions to system problems in service delivery must be implemented across multiple organizations and take into account many environmental factors. Executives in charge of implementing these solutions will be successful only if they develop management solutions which cut across these boundaries and factors.

As a first key step in Phase I of this study, the panel developed a full view of the overall system within which the process operates. This is portrayed in the following figures on the basic claims adjudication and appellate phases of the process, key workload and resource indicators associated with the process, the factors most immediately affecting the process, and the full system within which the process operates.

The Basic Administrative Adjudication Process

The basic steps of the process, including the initial adjudication and appellate adjudication phases, are shown in Figure 2-1, and key workload indicators are provided in Figure 2-2. These steps are described thoroughly in Chapters Eight and Nine.

FIGURE 2-1: THE ADMINISTRATIVE ADJUDICATION PROCESS

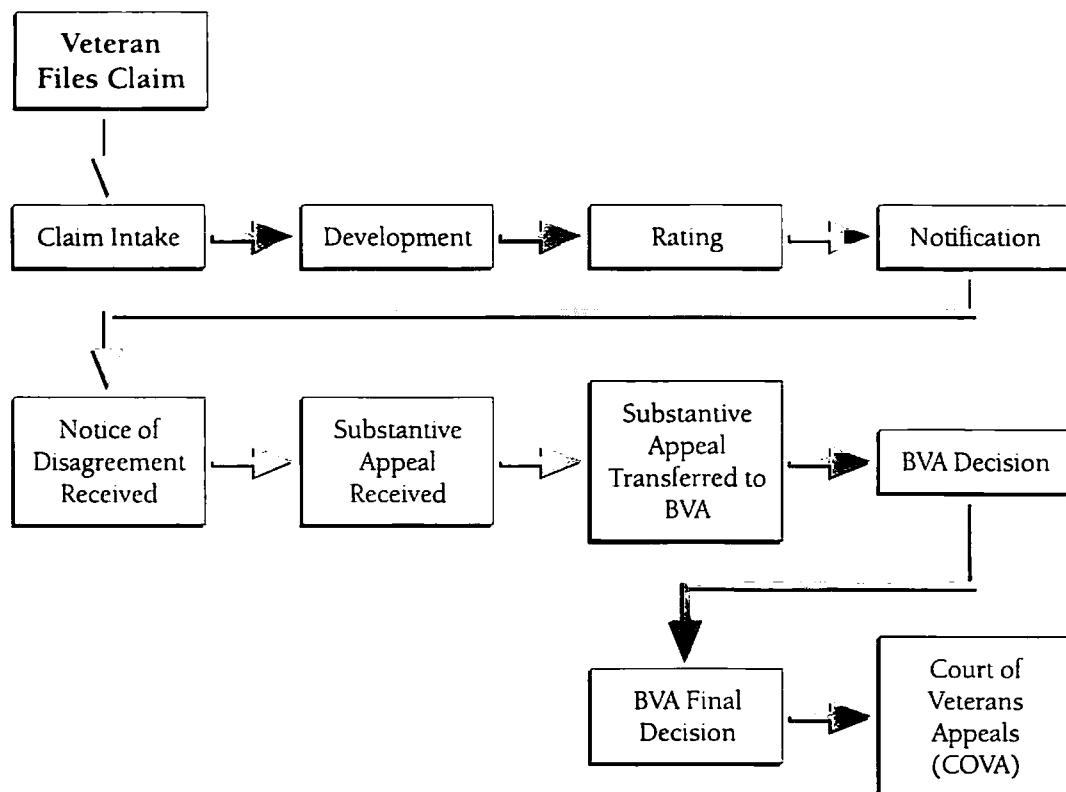
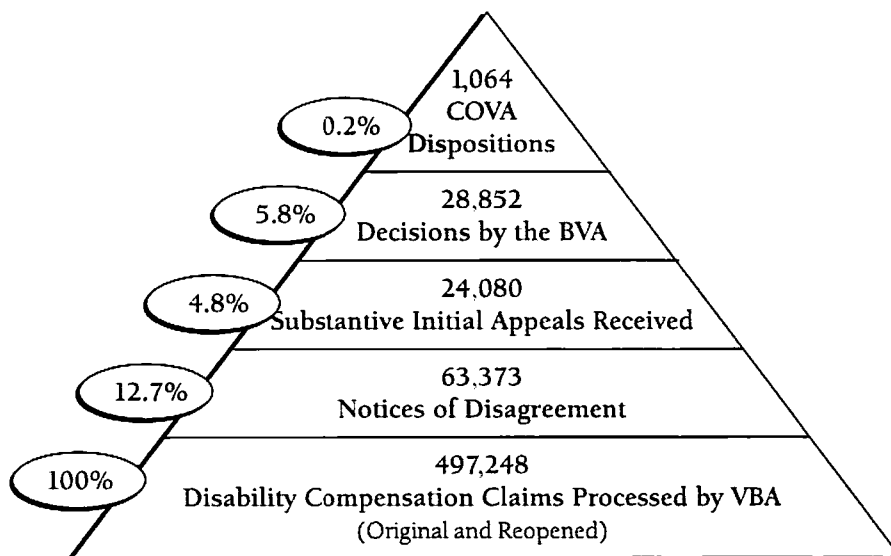


FIGURE 2-2: THE ADMINISTRATIVE ADJUDICATION PROCESS KEY INDICATORS

Disability Compensation Claims Processed FY 1996



Note: Numbers adjusted to assume 85 percent of Notices of Disagreement, Substantive Appeals, BVA Decisions, and COVA Dispositions are for Disability Compensation Claims.

Source: VBA, BVA, and COVA Statistics.

The panel sees claims processing as one process with interrelated claims adjudication and appellate adjudication components. In an ideal process, claims would be adjudicated accurately and quickly by the VBA. Errors in the initial process would be caught quickly, and those claims which proceed to a formal appeal stage would be dealt with expeditiously both within the VBA and at the BVA. Underlying such a well-functioning process would be a clear training strategy to provide all personnel with a common expertise in fundamental program policy, as well as specialized training required to accomplish specialized adjudication and appellate functions. A comprehensive and fully accepted quality assurance system would measure all aspects of the process's performance and identify areas where added training or other management action is needed to assure excellence. A comprehensive corporate information strategy and capacity would provide information that would enable process managers to measure success and pinpoint problems.

In this ideal process the executives responsible for VBA and BVA performance would understand that actions in one organization affect the actions and workloads in the other. Poor adjudications increase appellate workloads and remands. Poor feedback of information from the appellate body on the effects of judicial review and the reasons for remands contributes to poor adjudications with circular effects on appellate workloads. The absence of a comprehensive training strategy for the employees responsible for claims adjudication and appeals adjudication leads to variation in initial adjudication and appellate outcomes within the two organizations because of gaps between them in understanding and implementing basic policy. The lack of a common quality strategy leads to an inability to track performance problems in the process and the

inability to resolve them. Without a common information strategy, the two organizations manage without the same or compatible information. Without a common vision among the key executives in both organizations and a partnership in developing a common service mission and operational goals, an efficient and well-functioning process driven by a focus on service excellence is difficult to achieve.

Factors Immediately Affecting the Administrative Adjudication Process

Figure 2-3, on the following page, portrays those factors which have an immediate and day-to-day impact on the adjudication and appellate process. These are the organizations and stakeholders on which the excellence of the VBA and BVA claims process is directly dependent.

The Office of the Secretary (OS) is a key stakeholder in the success of the VBA/BVA enterprise. The OS should play a vital role with full political and resource support. Also the OS should provide the critical executive leadership to insure that the main components of the department are working well together. The OS should assure that the VBA and the BVA are cooperatively managing the claim adjudication process and that key functions in other parts of the department, such as VHA and the general counsel (GC), are all aligned with VBA/BVA strategic goals. Finally, the OS should play a crucial role in building partnerships with major outside players including Congress, the Office of Management and Budget (OMB), the DoD, and key veterans service groups.

A key stakeholder is the VHA which processes over 300,000 disability rating exams each year. The speed with which the VHA responds to requests for examinations directly affects the speed of claims, appeals, and remand processing in the VBA, while the quality of these examinations directly impacts the quality of adjudication decisions. Examinations generally take 35 days to complete, which is the standard to which the VBA and the VHA have agreed. The current measurement process indicates that the adequacy rate for these exams is generally at 97 percent; however, in a recent study of a sample of 21,000 examinations, the VBA concluded that the inadequacy rate is closer to 12 percent. This topic is covered more fully in Chapter Eight.

A number of organizations store the military service records on which the VBA is dependent for adjudication. These include the St. Louis National Personnel Records Center, the Army Personnel Center, and other DoD facilities. As with the VHA, the speed with which these organizations respond to VBA requests for records directly impacts the speed with which a claim can be adjudicated. For those medical records located at the VBA Records Management Center (RMC), the response time to the regional office is typically a week. For service records and medical records not stored at the RMC, response often takes significantly longer. In the case of the National Personnel Records Center, the response time can be as long as six months.

Other key stakeholders also have a major impact on the claims process. The national, state and county VSOs have been described in the discussion of environmental factors. While they are key political players, they also impact claims directly as assistants to veterans in initiating their claims and as an interface between the VBA and many claimants during the processing of the claim. If an appeal is deemed to be necessary, VSOs generally represent the veteran in the RO appellate process and in presenting their appeals

FIGURE 2–3: VETERANS BENEFITS STAKEHOLDER MAP

Stakeholders	Key Organizations							Role
Executive Office of the President (Key Offices)	Domestic Policy	National Security Council	Office of Management and Budget					<ul style="list-style-type: none"> Budget Priorities/Levels Defense Commitments
Congress	House and Senate Armed Services Committees	House and Senate Appropriations Committees	House and Senate Veterans Affairs Committees	House National Security Committee				<ul style="list-style-type: none"> Oversight \$ Entitlements Administrative Resources
Department of Defense	Office of the Secretary of Defense	Military Services	550 Installations	150 Hospitals				<ul style="list-style-type: none"> Personnel Policies/Levels Operations Disability/Pension
National Archives Records Agency	National Personnel Records Center							<ul style="list-style-type: none"> Records Management
Customer Base	Active Duty Service Members	Guard/Reserve (Paid Drill)	Guard/Reserve (Full-time)	DoD Retirees	DoD Disability Retirees	DoD Spouse/Family Annuitants		<ul style="list-style-type: none"> File Claim Provide Data Appeal Decisions
Veteran Service Organizations (VSO)	170 National Organizations	Approved VSOs Represent 8 Million Veteran Members						<ul style="list-style-type: none"> Advocacy Counseling Representation
State Veterans Affairs Organizations	55 State, Commonwealth, and Territory Directors of Veterans Affairs		3,000 County Veterans Offices	State Veterans Hospitals	State Veterans Retirement Centers			<ul style="list-style-type: none"> Counseling Representation Qualify State Benefits
Veterans Benefits Administration	5 Benefits Programs: <ul style="list-style-type: none"> Education Compensation/Pension Home Loans Insurance Vocational Rehabilitation 			Rules/Regulations	4 Area Directors	2 Data Processing Centers	12,000 Employees	<ul style="list-style-type: none"> Determine Eligibility Collect Medical Evidence Rate Claim Award Benefit
Veterans Health Administration	22 Medical Regions	172 Medical Centers	200 Veteran Centers	200,000 Employees				<ul style="list-style-type: none"> Medical Examinations Services to Eligible Veterans
Board of Veteran Appeals	Chairman	5 Decision Teams	344 Board/Counsel					<ul style="list-style-type: none"> Adjudicates Administrative Appeals
Court of Veteran Appeals	Established 1988	First Case 1989						<ul style="list-style-type: none"> Legal Review
Federal Court	Supreme Court							<ul style="list-style-type: none"> Legal Review

to the BVA. As the panel has noted, the speed and accuracy with which these service organizations perform their work has a direct impact on the quality and speed of service the VBA and the BVA can provide to veterans.

Finally, Congress and the OMB are major stakeholders with immediate and vital control over VBA/BVA. Their understanding and trust of the VBA/BVA's service goals and capabilities for realizing them have a direct impact on the resources they are willing to provide.

DoD Impacts on the Process

A second set of factors has less immediate but nonetheless potentially powerful impacts on administration of the adjudication process. These factors involve the DoD in several ways. The first is the demographics of the veteran population, including veterans from national guard units. The size of the military force and the nature of those leaving it as veterans have a direct impact on the service requirements of the VBA/BVA enterprise. Another factor is the set of parallel services operated by DoD for active duty personnel including health services for treating service men and women while on active duty and extensive records about those conditions. They involve a DoD disability retirement system that compensates veterans for disability incurred and detected while on duty and the VBA's TAP/DTAP program that counsels departing soldiers about post-service benefits.

A TOTAL SYSTEM CURE IS NEEDED

In performing this study, the panel focused on the factors immediately affecting the adjudication and appellate process. A full exploration of the less immediate but important DoD factors affecting the system was beyond the Academy's congressional mandate. However, the best service solution for the veteran will lie in treating as a whole all of the DoD and VA processes which provide service to the veteran and reengineering them to achieve a seamless, consistent service for active and retired military personnel. Major opportunities exist for DoD and VA to jointly review and reengineer their systems with this common purpose in mind. These include: development of plans to strategically integrate and consolidate payment systems; a single set of personnel records management requirements to satisfy both agencies' needs; and linkage of the VBA's actual workload and capacity planning to DoD's personnel policies, force structure mix decisions, and operational tempo.

CHAPTER 3

Institutional Capacity for Strategic Management

INTRODUCTION

Observers have said that the Veterans Benefits Administration (VBA) is good at generating plans, but not as good at carrying them out. It has not been idle grumbling. Numerous comprehensive studies including this one have come to that conclusion (see Chapter One). The question is why?

The panel found that the VBA lacks basic strategic management capacities needed by an organization of its size and complexity to stay homed on its mission, satisfy its customers and stakeholders, and respond to changing conditions. To the extent that these capacities do not exist at the VBA, the agency has been unable to turn its big-picture plans into action.

The VBA has attempted many times to fix itself, but management deficiencies have stood in the way of resolving the agency's most critical problems, including ongoing delays and inconsistent quality in initial claims adjudications, a lengthy appeals process, and weak management of the VBA's computer modernization program.

KEY FINDINGS

- Recently, the Veterans Benefits Administration (VBA) has launched some laudable and promising attempts to put its management on a sound strategic basis. In its Business Process Reengineering (BPR) effort, the VBA has undertaken the management challenge to achieve greater efficiency and at the same time provide better service in the compensation and pension (C&P) program. The strategic management committee (SMC) and the annual business plan are additional examples. Each has merit; together they demonstrate the agency's recognition of the need to put its operations on a strategic footing and the clear intention to do so. In order to be fully successful, however, the VBA must address certain fundamental, underlying gaps in its management capacities.
- The VBA has initiated improvement efforts in the past, but basic management deficiencies have stood in the way of resolving its most critical problems, including

ongoing delays and quality problems in initial claims adjudications, a lengthy appeals process, and lack of computer modernization program coherence.

- The VBA's leadership has not developed the strategic planning and management capacities necessary to accomplish sustained, long-term performance improvement. These include a capacity to plan in detail on the basis of all relevant information, to implement plans with discipline, and to review the progress of implementation, making revisions as appropriate. Currently the VBA's plans do not provide for the coordination and integration requisite to successful implementation and meaningful assignment of responsibility and accountability for results.
- Without a capacity to plan and manage strategically and the will to hold executives accountable for results, plans for achieving sustained improvement in the performance of the claims adjudication process are not likely to result in long-term, sustained improvement.
- With relatively plentiful resources in past years, the VBA has been able to administer the C&P program without having to accomplish sustained, long-term performance improvement. It is now essential, even critical, that it develop the management capacities needed to accomplish this. C&P's BPR plan aims to dramatically improve processing time and decision quality; however, the resources available to support the C&P program are projected to decline dramatically by FY 2002. It is clear to the panel that this challenge will not be met without major improvements in the agency's capacity to plan and manage on a more fundamental basis.
- The Veterans' Claims Adjudication Commission (VCAC) in its December 1996 report to Congress, recommended that the secretary accelerate development of an integrated departmental strategic management process and that this be informed through analysis by an actuarial staff.¹ The panel agrees fully with the Commission's findings and recommendations. The Government Results and Performance Act (GPRA) and the establishment of key management officers at the departmental level – the chief operating officer, the chief information officer (CIO), and the chief financial officer (CFO) – require a departmentwide focus on planning and management.

The panel also believes, however, that the VBA needs to act now under its own initiative to develop a strong strategic planning and management process. The panel notes that this has been accomplished to a significant degree in the past two years by the Veterans Health Administration (VHA).

DISCUSSION AND ANALYSIS

The VBA Manages a Large Enterprise in a Complex Environment.

The size and complexity of the VBA, including the C&P program, the complex environment in which the claims adjudication process operates, and the many organizations and groups with which VBA must interface are described in Chapters One and

¹ Report to Congress: *The Veterans' Claims Adjudication Commission*, December, 1996, pp. 151–17.

Two. In summary, the VBA provides \$21 billion in C&P benefits annually to about 4 million veterans and their families. In FY 1998 the VBA expects to have full-time employee equivalent (FTEE) employment of 11,400 organized into a central office (CO) and 58 ROs which are supervised from four area offices (AO) by area directors who report to the under secretary for benefits (USB). The C&P program consumes by far the largest portion of the VBA's resources with 6,612 or 58 percent of the VBA's available work years applied to the processing of claims and related support. This workforce manages a "portfolio" of approximately 5.3 million service-connected disabilities, which is growing in volume and complexity, for more than 2 million veterans.

The VBA's management of the administrative adjudication process for claims is complicated by many requirements, including:

- Under the program's concept of rating disabilities in 10 percent increments, assessing the degree of disability for many injuries and diseases often requires the exercise of sophisticated judgement complicated by the growing body of opinions from the Court of Veterans' Appeals (COVA).
- The VBA is required, when necessary, to assist each claimant in perfecting his or her claim, which may include many alleged disabilities.
- Claims are kept open for the receipt at any time up to final decision of additional supporting evidence on any claimed disability or evidence of additional entitlement.
- Claimants may file a notice of disagreement (NOD) with a decision reached and later formally appeal the decision, requiring additional consideration and processing by the staff.
- Programmatic complexity is growing due to advances in medical technology and new veterans benefits, such as for conditions related to agent orange and the Gulf War syndrome.

The VBA must manage this complex program in an equally complex environment composed of many groups, organizations, and pressures which have a direct stake in VBA performance. These are described in detail in Chapter One. Some of the more important are:

- Organizations on which the VBA is dependent for information needed to adjudicate claims. In addition to statements filed by veteran claimants, corroborating or new evidence to support claims must be collected from numerous sources not controlled by the VBA – the Department of Defense (DoD), VA hospitals for medical data and claim-specific medical examinations, other federal agencies, private medical practitioners, and others.
- The Board of Veterans' Appeals (BVA), whose actions affect the actions and workloads in the VBA and vice versa. Poor adjudications increase appellate workloads and remands. Inadequate feedback of information from the appellate body on the effects of judicial review and the reasons for remands contributes to poor adjudications with circular effects on appellate workloads.
- The politically potent and vocal national veterans' service organizations (VSO), which serve as strong advocates of veterans' rights, work vigilantly to maintain and expand the benefits available to the veteran. They have become an integral component of the claims adjudication and appellate process by representing the

veteran in the claim adjudication process and, in many cases, occupying space collocated with the VBA in government offices of the 58 ROs.

- **Congress:** At the RO level, individual representatives and senators have a strong interest in maintaining staff levels in the ROs, and regional directors (RD) take great care to maintain harmonious relations. At the national level, key legislative and appropriations committees are actively involved with both policy and administrative aspects of the VBA and, in recent years, have been calling for performance improvements.
- **Deficit reduction:** Budgetary pressure to eliminate the national deficit is resulting in downward pressure on the agency's administrative budget. According to the President's FY 1998 budget, as of October 1, 1997, the VBA will enter a five-year period of prolonged budget and staff contraction.
- **Pressure for reform from internal and external government oversight organizations:** As described in Chapter One, the organization has had a history of difficulties, including repeated criticism for the same problems, and an ongoing inability to develop and implement an effective performance improvement strategy.
- **The VCAC report of December 1996:** The VCAC identified seven weaknesses in the department's strategic management including: that "strategic and business planning activities have been weak in both VBA and BVA"; that there is a lack of a consistent and effective accountability mechanism; that consultation with its "customers" is inadequate; that information for supporting a "rational, businesslike management process" including the results of actuarial analysis is inadequate; and that there is insufficient communication and cooperation among organizational elements "particularly among the Veterans Benefits Administration, the Board of Veterans' Appeals, and the Veterans Health Administration."²

Why Are Strategic Planning and Management Important?

The panel has concluded that without effective strategic planning and management the VBA will have difficulty (1) developing and sustaining a long-term, comprehensive plan for improving the organization's performance; (2) preventing BPR, the latest performance improvement plan, from becoming another plan without long-term results (see the recommendations in Chapter Five on organizational capacities needed to implement BPR); (3) arriving at accurate estimates of the resources the organization requires to accomplish its mission; (4) preventing the rise of new problems; and (5) eliminating problems in the organization's management of information resources.

GPRA provides a clear blueprint for the kinds of management capacities that are needed. This act, which must be implemented by the VA beginning on October 1, 1997, embodies key elements of good management — goal setting, performance measurement, and regular reporting — that are exactly what is needed at the VBA. The act's requirements include:

- **Strategic Planning.** Each federal agency must submit a strategic plan covering a period of five years that includes: (1) a comprehensive mission statement covering the major functions and operations of the agency; (2) general goals and objectives for these functions, including outcome-related goals and objectives;

² *Ibid.*, pp. 154–5.

(3) a description of how the goals and objectives are to be achieved, including the operational processes, skills, and technology, and the human, capital, informational, and other resources required; (4) a description of how the general performance goals are related to specific operational goals and objectives; (5) identification of key factors external to the agency and beyond its control that could significantly affect the achievement of the general goals and objectives; and (6) a description of the program evaluations used in establishing or revising general goals and objectives with a schedule for future evaluations.

- **Annual Planning.** Each agency must prepare an annual plan covering each program activity in its budget. The plan: (1) establishes the level of performance to be achieved by a program activity; (2) expresses performance goals in an objective, quantifiable, and measurable form; (3) describes the operational processes, skills and technology, and the human, capital, informational, or other types of resources required to meet performance goals; (4) establishes performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity; (5) provides a basis for comparing actual program results with the performance goals; and (6) describes the means used to verify and validate measured values.
- **Annual Reporting.** The act also requires that the head of each agency submit annual reports to the president and Congress that provide a thorough review of performance for the previous fiscal year. Each report must: (1) review the success of achieving performance goals for the fiscal year; (2) evaluate the performance plan for the current fiscal year relative to the performance achieved toward the goals in the prior fiscal year; and (3) where a performance goal has not been met, explain why the goal was not met and what is being done to better manage the situation.

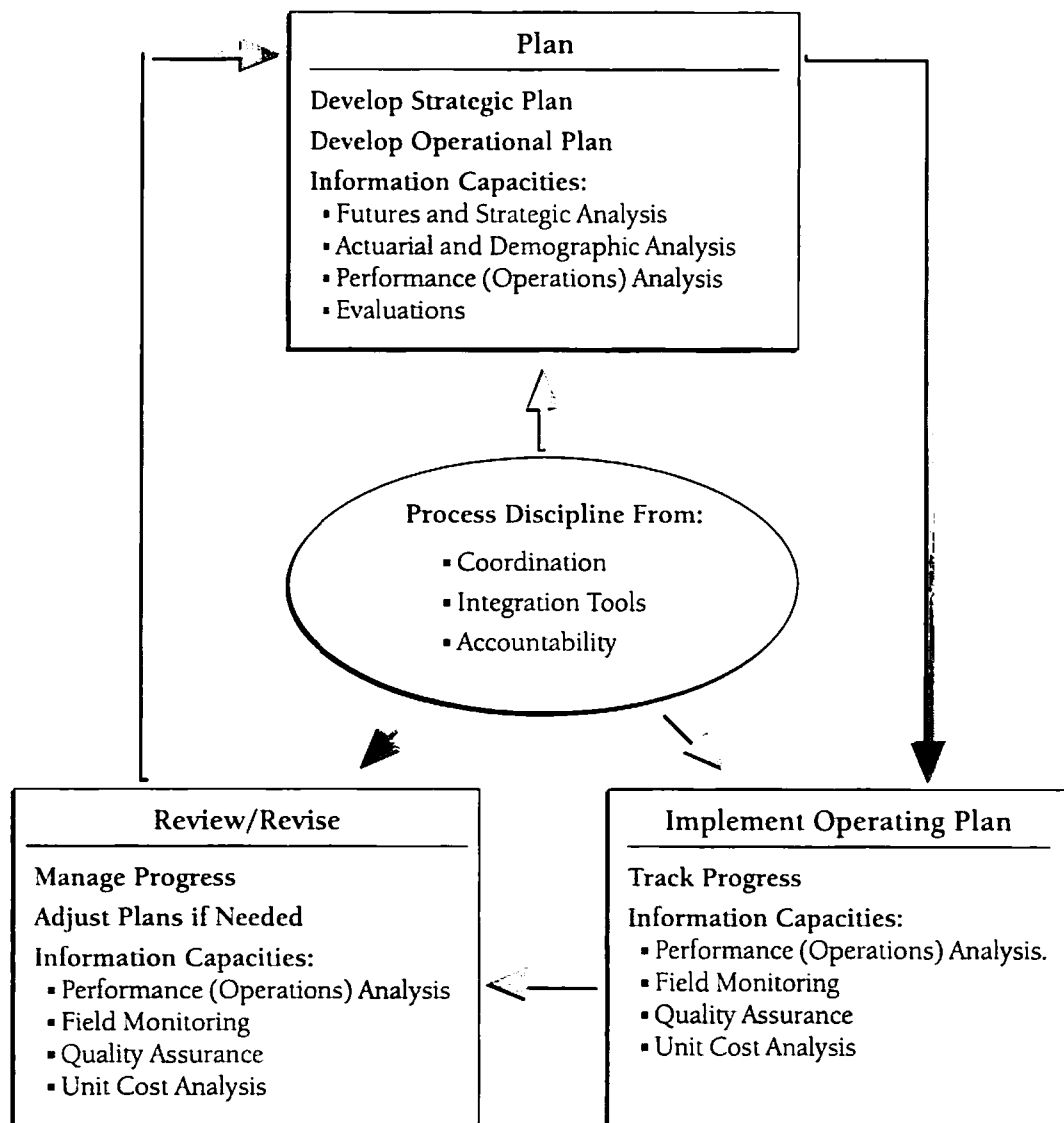
The VBA is aware of the GPRA requirements and has taken steps toward carrying them out. These requirements are the essential, core elements for building the VBA's strategic planning and management process. Contained in Figure 3-1, on the following page, are the basic elements of this process and the information and staff capacities required to support it.

The Strategic Planning and Management Cycle

A strategic planning and management cycle consists of three elements: planning, implementing, and reviewing and revising. An effective management cycle depends on: (1) coordination of activities and resources to reach desired outcomes within schedule and resource estimates; (2) integrating skills essential to establishing coherent operational plans and tracking implementation activities; and (3) the will to hold executives accountable for the accomplishment of plans.

In the planning phase, leadership defines a general strategic vision and outline of a plan for the level of performance expected of the organization in the long-term and establishes the specific near-term operational actions needed to move forward constructively. Decisions are informed by relevant data on every key factor affecting the organization's performance. Implementation includes all of the activities necessary for assuring that operational goals are reached and progress is tracked. Review and revision is not a single stage but a continuous effort to gather information on how implementation is proceeding and to manage problems as they arise and adjust plans as needed.

FIGURE 3-1: THE STRATEGIC MANAGEMENT CYCLE



Coordination assures that the actions of organizations are aligned in a cause-and-effect sequence which proceeds from the initial planning through the accomplishment of goals. Coordination is crucial to the identification of problems and their resolution during implementation. Coordination requires integrative skills, such as use of basic project management, an annual management calendar, configuration control, and "critical path analysis."

Accountability is the key. A no-nonsense approach to accountability disciplines the strategic management cycle. Top leaders must establish clear, unequivocal accountability for performance and provide full support to executives and organizations charged with accomplishing goals. However, leaders also must be willing to discipline those who are not succeeding.

A full description of the elements of a strategic planning and management cycle is provided at the end of this chapter.

TABLE 3–1: CAPACITIES NEEDED TO SUPPORT STRATEGIC MANAGEMENT AT THE VBA

Capacity	Plan	Implement	Review
Planning	■		
Corporate Information Capacity:			
▪ Futures Analysis	■		
▪ Strategic Analysis	■		
▪ Actuarial/Demographic	■		
Operations Analysis:			
▪ Field Analysis		■	■
▪ Quality Assurance		■	■
▪ Unit Cost Analysis	■	■	■
Policy Analysis	■	■	■
Program Evaluation		■	■
Corporate Management Information	■	■	■

Information and Staff Capacities are Required to Support the Cycle

In summary, these capacities include: (1) a planning staff to support all phases of the cycle; (2) a strategic information capacity for making informed decisions in all phases of the cycle including capacities to conduct actuarial, demographic, and futures analysis; (3) operations analysis to provide information for tracking organizational performance against plans and action objectives including quality assurance, field analysis, and an internal survey capacity; (4) unit cost analysis to focus on reducing costs; (5) policy development and analysis for dealing with the policy implications of issues that arise from actuarial, demographic, operations, strategic, and futures analysis and to translate the planning effort into needed changes in law and regulation; (6) a program evaluation capacity to assess whether corporate actions are having the planned effects and permit adjustment in the annual planning cycle; and (7) a corporate management information delivery system to manage the information being gathered in all phases of the strategic management process. Full descriptions of these capacities are provided at the end of this chapter.

The VBA's Current Process³

The VBA is aware of the need to develop its strategic planning and management capacities. The center of GPRA activity is the VBA Office of Resource Management (ORM), the director of which is also VBA's chief financial officer (CFO), whose responsibilities include both the planning and budget functions. ORM is using the GPRA requirements for strategic planning and performance measurement to revitalize the VBA's planning capacity and to achieve greater attention to management issues.

³ The VBA's response to the draft panel report contained an enclosure 1 which describes the VBA strategic management process. VBA's response is at Appendix F.

At a working conference in Denver in September 1996, the Strategic Management Committee (SMC), composed of key VBA executives, assembled to develop initial FY 1998 VBA goals and performance measures. With the SMC acting as the central focus and ORM providing staff support, a process was started to develop goals and measures successively at the central, AO, and RO levels. The VBA's strategy is to use the agency's budget as the vehicle for meeting GPRA requirements for strategic plans, annual plans, and annual reports. The resulting business plan (BP), is the central document providing overall management direction for the VBA. The goal is to combine specific agency goals and performance measures with resource allocations through the budget process, enabling top management to infuse discipline into the management process. The SMC is to be the coordinating and driving mechanism for developing and implementing the BP.

For many years the management process at the VBA was highly decentralized and lacking strong CO direction. The SMC is intended to provide a CO management capacity to implement the performance-based management required by GPRA. The SMC is chaired by the deputy USB and is composed of top-level civil service executives, including the four AO directors, the directors of VBA's five business lines, the CFO, the CIO, and the Director of the Office of Executive Management and Communications. The purposes of the SMC, as defined by its charter are to: (1) articulate and promulgate the VBA's strategic goals; (2) build a strong and effective strategic infrastructure; (3) oversee at the strategic level such areas as policy, planning, restructuring, and training; (4) ensure the linkage and integration of VBA activities and initiatives; (5) provide a means for resolving high level issues; and (6) communicate policy actions and status of initiatives. Meetings of the SMC are held monthly and typically last one to two days. On a quarterly basis, the SMC reviews progress against the year's planned activities.

The emergence of the SMC within the VBA is a reflection of a broader departmentwide effort to establish a clearer strategic management focus. At the department level there are two counterpart management groups, the strategic management group (SMG), which deals primarily with the secretary's priority issues and the strategic management steering committee which focuses mainly on departmentwide issues. The three groups do not represent a continuum of management responsibility and are, at this point, only loosely related.

The major achievement of the SMC to date has been the redesign of the VBA budget format to be the platform for the strategic planning, annual planning, and annual reporting requirements of GPRA. Reflecting these requirements, the BP includes a mission statement, general goals and objectives, and an initial effort at VBA performance measures. The strategy is to use the BP as guidance for a process of cascading the planning process downward through the VBA, with each successive level developing congruent goals and performance indicators. The AOs and ROs will track progress through monthly reports, and these will be rolled up into quarterly reports to the SMC. The USB will present a monthly "snapshot" report to the secretary.

Performance-based management is in the early stage of implementation and initial experience is uneven. The SMC has held three quarterly reviews as of the publication of this report. Given that the performance goals and indicators at the AOs and ROs are

not fully in place, these early meetings represent only the beginning of performance-based management.

The VBA has also begun to conduct surveys of customer satisfaction to get a better sense of how veterans define “good service” and to assist in measuring progress against planned goals. Such a survey is required by the Office of Management and Budget (OMB). In 1995 VBA conducted a series of 16 focus groups with both veterans and VBA front line staff around the country to gather initial information for the design of a VBA-wide customer satisfaction survey. In mid-1996 a survey was designed with the help of the Gallup organization and Data Stat, Incorporated, and was administered to veterans in all regions. This survey is intended to be a baseline for an annual customer satisfaction survey.

At the departmental level in September 1996 the assistant secretary for planning initiated an environmental scanning process defined as a “periodic monitoring and analysis of an organization’s external and internal environment” to identify major strategic issues facing the department. While the survey report has not been completed and released, a preliminary copy was made available to the study team. It presents an unusually candid summary of responses which frankly expressed the need for change.

PANEL ASSESSMENT

How Well Does the VBA Manage C&P and the Program’s Environment?

Based on the conclusions reached throughout the research and analysis for this report, the panel’s answer to this question is that the VBA has been working hard at administering the C&P program; it has not been managing it as well as it should. It has been administering the C&P program from an insular perspective, addressing issues on an ad hoc basis. The evidence for this is laid out in the panel report. Briefly, it includes:

Systemwide disconnects exist between the VBA and the outside organizations with which it must interface. These include: (1) numerous gaps between the VBA and the BVA that contribute to inadequate processing of initial claims, major backlogs in appealed cases, and high numbers of remands; (2) continuing problems between the VBA and the VHA in connection with the quality of medical exams, and between the VBA and military records organizations in obtaining timely receipt of veteran medical records; and (3) an ongoing skepticism on the part of key stakeholders in the ability of the VBA and the BVA to solve problems and deliver quality service.

The VBA has difficulty in developing comprehensive reform plans that transform vision into results. The VBA has outlined a series of positive visions for change that promise major improvements in service performance. However, little systematic change and improvement have occurred because these visions have not been accompanied by concrete, well-conceived operational plans that would move the organization forward.

The BPR plan, which forms the basis of the FY 1998 C&P business plan and which holds much promise, is in danger of becoming the latest of these visionary plans without results. As outlined in Chapter Five, the BPR plan suffers from the same lack of

operational planning that has prevented implementation of prior improvement attempts. It was developed with minimal input from the many key organizations and groups whose work and opinions strongly affect the claims adjudication process, including the BVA, the VHA, and the VSOs. In addition, preparation of the plan by the central office (CO) was done without sufficient RO coordination. Finally, the methodology that the VBA used to estimate resource savings, including those related to BPR, leads the panel to conclude there is not a solid basis for the proposed budget and that premature staff reductions could require larger expenditures in the future. The study team also observed a belief on the part of VBA executives that estimates included in the annual president's budget are not binding and can be easily revised upwards should the assumptions on which they are based turn out to be incorrect.

The management of information resources has been inadequate. A series of particularly critical reports has found extremely weak management and a very high risk of failure in the VBA's efforts to modernize its IT programs (see Chapter Six). This report confirms prior findings.

Leadership has not met these challenges with precision and discipline. Efforts to develop comprehensive performance improvements have failed due to lack of precision in planning and the discipline required to push a generalized vision through to operational reality. There have been no comprehensive operational plans consisting of carefully planned, resourced, and sequenced activities integrated in support of general performance improvement goals. There has been inadequate systematic oversight, tracking, and coordination during the implementation process, and there has been no systematic cycle in which the results of implementation are reviewed for effectiveness with management action taken to keep the organization focused on achieving its goals. These are the strategic management tools which permit any organization to manage a disciplined process, and they are not evident at the VBA.

The VBA's Capacity to Plan and Manage Strategically Needs to Be Improved.

One of the most fundamental conclusions in this report is that the VBA does not have a clear concept of the planning and management capacities that are needed to carry out its operations.

Planning at the VBA Has Limited Effectiveness

Study team research indicates that the strategic management cycle needs to be enhanced at the VBA. Planning is a bright spot because the Office of Resource Management (ORM) has developed a capacity to support it. However, planning has not developed into a management tool that can be wielded by leadership to drive comprehensive organizational improvements. The planning function – despite good initial effort – has limitations. While the BP reflects a good understanding of the GPRA requirements, its effectiveness is constrained by the lack of participation by key parts of the organization, including department level components, the BVA, and the VHA. For example, the BP was prepared before the VA strategic plan and budget were developed, and the BVA and VHA did not play a role in developing the BP. In addition, the study team learned in interviews that the schedules for various activities in the BP (which in C&P's case is primarily based on the BPR plan) were a collection of schedules reported by individual offices to the ORM with little or no cross-organization integration by the SMC.

The SMC must play a stronger role in leading the VBA strategic planning and management process. The SMC is just getting underway and at this stage is primarily a deliberative group where the primary value added is having key decisionmakers together in dialogue. The committee has not developed a long-term agenda to conduct a disciplined strategic planning and management cycle or the specific tasks required including strategies for achieving better quality, outreach/communication/inclusion, training, workforce management, executive development, information technology, organizational structure, and resource allocation. The SMC has not yet pulled together all of the components the VBA needs to make the C&P BPR plan work. For example, there is no training strategy to plan for and provide the training required to support the new set of adjudication positions and skills in the ROs that is envisioned in BPR. There is no quality strategy to develop a fully balanced set of performance indicators with which to measure progress in improving the claims adjudication process. There is no strategy to evaluate implementation of BPR as well as the progress of similar pilot initiatives underway in various ROs. A long-term VBA leadership agenda for strategic management is laid out in detail in Chapter Four.

Finally, key capacities to conduct and support a planning process are deficient. These are described later in this chapter.

Need for a Coherent Implementation Phase

The VBA does not adequately coordinate the disparate but interconnected elements in such efforts as BPR or computer modernization that are designed to create long-term improvement in C&P's performance. Leadership and management of the BPR program is fragmented, and the complex ad hoc working groups tasked with implementation require significant integration and management control systems to be effective (see Chapter Five). The management of information resources is weak. The VBA does not have the capacity necessary to make realistic assumptions about its capabilities, required to effectively plan and manage information technology (IT) projects and track progress. The VBA has not established a disciplined requirements process for new IT projects; a disciplined process to prioritize its IT projects; and an effective configuration control process to assess, plan, and execute systemwide changes (see Chapter Six).

The executive leadership does not adequately track progress among the complex activities necessary for total-plan accomplishment. There is no operational plan accompanying the BP. The study team was advised that there is no one place where overall planning schedules and implementation progress reports could be found. Without integrated schedules for various activities in the BP as described above, there is very little to track. An indicator of the lack of an integrative mindset in the VBA is contained in a 92-page briefing book for the USB dated November 25, 1996 which is a compendium of all of the programs and initiatives in the VBA. This document does not contain a single milestone chart including one for the VBA's effort to deal with the critical year-2000 issue. The information resources management (IRM) area exemplifies this lack of tracking. Even though the IRM organization conducts numerous projects and develops milestones for them, as described in Chapter Six, it does not have the capacity to plan, integrate, and implement its complex technology programs.

Need for a Coherent Review Process

The VBA's C&P Service has lacked awareness of the enabling importance of data and analysis to inform leadership of program results and improve performance. An extensive field monitoring system for C&P operations was eliminated five years ago. Although the system was flawed by an excessive focus on procedural conformity that shifted management attention away from a customer focus and discouraged innovation, replacement with a better system should have taken place. The CO of C&P also lacks a good data capability with which to measure and assess regional operations (see Chapter Four). The new director of C&P stated that one of her goals is to develop a cohesive, comprehensive package of data to be used to analyze regional performance with the objective of identifying poor performers for improvement interventions and best practices for use nationally. She also believes, and study team research confirms, that while much information now goes to the areas and regions, it is unanalyzed and does not contain useful management information. Nor is there a field review capacity in C&P as described later in this chapter. Overall, the review that does exist is limited to the budget development process rather than being an integral and important part of ongoing management.

The VBA Does Not Hold Executives Sufficiently Accountable for Improving the Organization's Performance

Performance measurement, as required by GPRA, should lead the VBA to better measurement and analysis of performance. However, several issues limit the effectiveness of GPRA in strengthening accountability at the VBA. First, the VBA design is based on a "stovepipe" model in which performance measures are established for each of five major business lines. However, no effort is being made to review overall mission priorities at the VBA level or the relationships between business lines. Second, the BP reflects only very general performance indicators, and those are mostly related to timeliness issues. Third, GPRA performance measures have not been built into the performance management system. For accountability to be realized, consequences of both acceptable and unacceptable performance need to be established in the performance appraisal process and reflected in the performance plans and appraisals for individual executives. Finally, initial work has only just begun to assess cost-effectiveness through unit cost analysis.

Other contributors to the VBA's accountability problems are laid out in Chapter Four. There is confusion in the operational and policy responsibilities among the C&P, AOs, and the ROs. CO has insufficient influence over the performance of AOs and ROs, including: (1) a lack of good data analysis capability in C&P; and (2) a limited review capacity in C&P to conduct on-site evaluations of field operations. Also, many aspects of the VBA culture short-circuit the effective maintenance of accountability, such as a bias against systematically gathered corporate information; the VBA's reactive culture which operates on the priority of the day; and its executives' inability to discipline one another.

The VBA Must Develop Quality and Training Strategies for the C&P Program

One of the tenets of the GPRA is the development and use of performance measures which reflect operation of the entire system. One area within the VBA that requires more development is adjudication quality assurance. As explained in Chapters Eight and Nine, the adjudication process starts at the RO when a claim is filed and continues there until a decision is reached. If the veteran files an appeal which is not resolved by

the RO, the BVA takes over the claim until it reaches a decision to either uphold the RO's original position, reverse this position and grant benefits, or remand the case to the RO for additional development.

Both the initial adjudication and appellate phases of this process have separate quality assurance performance measures. While similar in stressing technical accuracy, they are not the same and have no customer satisfaction component. As explained in more detail in Chapter Eight, the panel recommends that a systemwide quality performance measure be developed utilizing a balanced scorecard approach, including both the technical accuracy features of the initial and appellate perspectives as well as customer satisfaction elements, such as courtesy, timeliness, and clarity of explanation. Additional recommendations include the need for a centralized data collection point for quality performance information as well as more refined quality data relating to types of medical issues involved in each claim and geographic area.

A close link between quality and the training area is necessary to build quality into the process at the beginning, rather than relying on the examination of completed cases to assure decisional quality. Training is critical to assure the overall quality of the adjudication process, and a training strategy is critical to the success of the BPR vision which is at the heart of the agency's BP. The new adjudication positions envisioned under this plan require a concentrated training effort to ensure that properly trained staff are available by the planned implementation date of 2002.

In Chapter Eight, the panel concludes there is an absence of comprehensive quality and training strategies in the VBA and makes several specific recommendations in this regard. The panel further recommends that the two strategies be linked so that the training function receives constant feedback in the form of quality information.

The VBA's Institutional Capacities to Support Strategic Management Must Be Developed

A major conclusion of the panel about the VBA's planning capacity is that it is not supported by input from key institutional information and staff capacities. Much of the weakness in current VBA planning is related to weak information gathering and analytical capacities. The ORM has developed a capacity to support a strategic management cycle. However, as previously described, this capacity is used mainly in support of the traditional budget process rather than as a tool for the leadership team to develop and manage efforts to improve the performance of the organization.

Corporate Strategic Information Capacity Is Weak

There is little capacity in VBA's ORM, C&P or at the VA level to provide information about external factors affecting the organization. There is no futures, strategic, or actuarial analysis. Operations analysis exists but must be improved – as described in Chapter Eight, there is no comprehensive system within C&P for managing the quality of decisions. There is no field analysis capability in C&P. A unit cost analysis capability is just now being developed.

Policy Analysis and Development Need Strengthening

The VBA's policy analysis capacity is located in the ORM and consists of a very small staff which is also responsible for other functions in the office, including GPRA and

TABLE 3–2: PANEL ASSESSMENT

Capacity	Fully in Place	Partially in Place	Nonexistent
Planning		■	
Corporate Information Capacity:			■
▪ Futures Analysis			■
▪ Strategic Analysis			■
▪ Actuarial/Demographic			
Operations Analysis:			■
▪ Field Analysis		■	■
▪ Quality Assurance			
▪ Unit Cost Analysis			
Policy Analysis		■	
Program Evaluation			■
Corporate Management Information		■	

supporting the SMC process. This staff is inadequate for good analysis of the policy implications of issues that arise during the strategic management process and for translating this analysis into needed changes in law and regulation.

Program Evaluation Capacity Does Not Exist

As described in Chapters Five and Eight, the VBA does not evaluate the many pilot initiatives conducted at one or another of its 58 ROs.

A Corporate Management Information Delivery System Needs to Be Built

There is as yet no comprehensive management information within the VBA as it affects the C&P program. The SMC must develop its capacity to lead the agency strategic management process (see Chapter Four) including a coherent implementation phase and review process at the VBA (see above).

Placement of Strategic Management Capacities within the VA, the VBA and C&P

In creating a strategic management process that enables the USB successfully to manage the organization, care must be taken to specify the level within the department where the various institutional capacities should be assigned, the level of resources required, and the specific duties and interactions required from them. While the focus of this report is on the capacities needed in the VBA to lead and manage the C&P program, the interrelationships between the VBA and departmental components are complex and interdependent. The preponderance of capability must reside within the VBA, including the C&P Service; however, it is clear that some capacities are more logically situated at the department level. For example, capacities such as actuarial, demographic and futures analysis cut across the department's health and compensation and pension programs and should reside primarily at the departmental level. Operations analysis and field monitoring are focused on what is actually happening in the field and should reside within the C&P. However, information from both must flow easily to the VBA's ORM, where responsibility resides for putting accurate pro-

gram statistics and resource estimates together. All the staffs which carry out these responsibilities must be tied together in a cooperative and coherent manner to support strategic management effectively.

PANEL RECOMMENDATIONS

The VA secretary should instruct the under secretary for benefits and appropriate departmental components to cooperatively develop an integrated and fully resourced set of strategic management capacities within the VA, VBA's ORM, and the C&P service. A plan for this should be developed by March 1998 and the capacities should be fully operational and resourced by September 1998. This plan should include:

- A three-part annual management system for planning, implementing, and reviewing and revising consistent with GPRA requirements.
- Provision of the coordination skills and integration tools necessary for disciplined development and implementation of the specific and detailed operational plans necessary for sustained improvement of the administrative adjudication process on behalf of veterans.
- Establishment of an accountability-based system of goal setting, performance measurement, and regular reporting which holds VBA executives fully accountable.
- Development and resourcing of those institutional information and staff capacities needed to support the strategic management process, including designation of the location – C&P, VBA's ORM, departmental component – of these capacities.

To ensure a comprehensive, fully developed plan:

- The secretary should ensure that all key departmental stakeholders work closely with the USB in creating and implementing the strategic management capacity necessary to achieve the performance improvements that are recommended elsewhere in this report.
- The VBA should seek assistance and best-practice benchmarks from outside organizations in developing this plan. The resources of agencies with known strategic management skills and training capability should be utilized, and such concepts as critical path analysis, project management, and multiple-project management learned and made standard operating procedure within the VBA.⁴ Outside expertise engaged by the VBA should include ongoing facilitation of the process of change that will be necessary over the next two years.

DISCUSSION OF STRATEGIC MANAGEMENT CAPACITIES

The Strategic Management Cycle

A strategic planning and management cycle consists of three elements: (1) planning, (2) implementing, and (3) reviewing and revising. A robust cycle provides the precision and discipline necessary to drive general visions to measurable improvements in operational performance. An effective management cycle depends on:

⁴ A key resource is *Serving the American Public: Best Practices in Customer-Driven Strategic Planning*, Federal Benchmarking Consortium Study Report, National Performance Review, February 1997.

- An ability to provide comprehensive coordination of activities and resources to reach desired outcomes on schedule and within resource estimates.
- A set of integrating skills essential to establishing coherent operational plans and tracking implementation activities.
- The will to hold executives accountable for accomplishment of plans.

These component elements function interdependently. The planning phase is ill-informed if there has been inadequate tracking of implementation performance, inadequate review and evaluation of results, and insufficient attempts to assess the impact of outside forces and trends. In other words, poor planning inevitably leads to flawed implementation, which in turn hinders good planning. The cycle needs to be repetitive because, as implementation proceeds and conditions change, revision of original plans is usually necessary. In the federal government, the cycle is tied to annual budget and legislative requirements from Congress.

Planning Shows the Way

In the planning phase, leadership defines a general strategic vision and outline of a plan for how an organization must change over the long-term, and it establishes the specific near-term operational actions needed to move forward. Decisions are informed by relevant data on every key factor affecting the organization's performance, including information about: (1) how outside forces – population trends and changes in military policy, technology and customer expectations – are likely to affect operations; (2) trends in the numbers and complexity of claims; and (3) the organization's performance against stated goals such as the timeliness and quality of initial claims and appeals adjudication decisions. Operational plans include detailed timetables with key operational deadlines for when organizational components must accomplish their contributions to the plan. These timetables are comprehensively integrated to avoid bottlenecks. The accomplishment of objectives and meeting of deadlines are made the basis of the individual executive performance plans.

Implementation Turns Plans Into Accomplishments

Implementation includes all of the activities necessary for assuring that operational goals are reached. Progress is tracked against planned activities, budgets, and timetables. Key executives coordinate their implementation activities through the exchange of information and periodic dialogue among themselves and top agency leaders. Implementation is enabled through an energetic effort to track progress, continual coordination of management capacities to achieve goals, and by holding executives and staff accountable for carrying them out.

Reviewing and Revising Permits Corrective Action

Revision is not a single stage in the cycle but a continuous process which becomes more comprehensive toward the end of the year. This phase is characterized by a constant flow of information on how implementation is proceeding from a variety of sources including: (1) regular monitoring of progress based on ongoing performance measures relating to the entire management process; (2) intensive monitoring of field operations in the form of CO analysis of program performance data and surveys of individual field office operations; (3) evaluation of results to determine whether programs are performing as planned; (4) evaluation of pilot programs to determine

whether they have sufficient merit to warrant application program-wide; and (5) continuing assessment of the impact of outside forces and trends. Information gathered in the reviewing and revision stage identifies any conditions that require adjustment to the long-term strategic plan or near-term operational goals.

Coordination and Integration Discipline the Strategic Management Cycle

Coordination assures that the actions of organizations are aligned in a cause-and-effect sequence which proceeds from initial planning through the accomplishment of goals. Coordination is crucial to the identification of problems and their resolution during implementation. Without coordination, an activity may be proceeding well in regard to some components while others may be experiencing unexpected problems. Through coordination, problems are dealt with to prevent them from bringing the activity to a grinding halt.

Coordination requires integrative skills. Activity managers use basic project management skills to develop detailed plans, budgets, and schedules for achieving their goals. They continually track progress to identify problems and formulate corrective actions to stay within schedule, budget, and program goals. Continual face-to-face contact and comprehensive documentary evidence of progress and problems reinforce the need to stay on plan.

Through the use of other tools, effective leaders integrate the activities of many organizational components into a comprehensive whole. Leaders often are guided by an annual management calendar containing the schedule of the strategic management process and the responsibilities of key executives. A formal configuration control process (1) integrates changes across the organization as they impact production policies, procedures, training, quality assessment, and information system support and (2) enables assessment of all resources, activities, projects, training, and information systems impacted by a given decision. "Critical path analysis" permits tracking of key actions through a comprehensive and integrated "road map," showing what is to happen, who is to make it happen, and by when it should happen. Leadership continuously tracks progress against the critical path and manages problems.

Accountability Is the Key to Success

A no-nonsense approach to accountability disciplines the strategic management cycle. Top leaders must establish clear, unequivocal accountability for performance and provide full support to executives and organizations charged with accomplishing goals. However, leaders also must be willing to discipline those who are not succeeding. Maintaining accountability requires a system of performance measurement, regular reporting, and the holding accountable of executives. This system includes: personal performance agreements with key executives; performance elements in individual performance plans at the staff level; and routine information on progress of implementation of: (1) key operational plan milestones and (2) key program performance indicators (see Chapter Four).

Information and Staff Capacities Support Strategic Management

The VBA needs to develop a set of capacities that provide the human talent and necessary information for strategic management (see Table 3-1, page 25).

A Planning Capacity

The capacity to conduct a strategic management process starts with leadership's interest in using the process to manage (see Chapter Four), but it requires a capable staff to support all elements of the cycle. In the planning stage, staff is needed to assemble and interpret the information and lay out the action options necessary to enable good leadership decisions. Once top-level performance goals are established, staff needs to lay the groundwork which enables leadership to coordinate the specific action plans of all the organization's components into a fully integrated operational plan. In the implementation stage, staff tracks progress and reports on performance, thus enabling leadership to periodically assess how well the organization is doing and to hold executives accountable for performance. In the review and revision stage, staff is essential to laying out options to the leadership for correcting problems or taking advantage of new opportunities.

A Corporate Strategic Information Capacity

Comprehensive information is necessary for making informed decisions at all phases of the strategic management cycle. A corporate strategic information capacity is comprised of an array of capacities necessary to support different phases. The planning phase requires information about external factors affecting the organization. These capacities include:

- **Actuarial analysis** is the primary and most fundamental capacity needed to improve the performance of the C&P claims process including the BVA. In the words of the American Academy of Actuaries as quoted by the VCAC, actuarial analysis "can be used for planning; to warn of hidden costly spikes in future costs or in future legislation; to identify and curb abuse; to justify legislative proposals; and to respond to queries from stakeholders."⁵ In the VBA's case it would permit accurate estimation of the number and types of claims for disability and death that C&P is likely to receive. A key example is cited in Chapter Five in the discussion on the growing complexity of compensation claims being reviewed by the VBA. Actuarial analysis includes analysis of *demographic* information to estimate the effects of broader social trends that will impact the claims process, such as the numbers of women and minorities likely to enter military service and their estimated impact on the claim process. Actuarial analysis also can be used to estimate the effects of alternative methods of doing business identified in *futures analysis*.
- **Futures analysis** identifies alternatives. The search for alternative futures begins with an awareness of best practices in similar lines of business in both the public and private sectors. These best practices could help in suggesting alternative future directions for management improvement.
- **Strategic analysis** permits assessment of outside influences. Forces that affect VBA operations include: the growing emphasis on the use of information and communication technology; the governmentwide trend toward smaller, fewer, and more flexible field office structures; the trend toward greater operational responsibility for state and local government; and the likely effects of reduced resources at the federal level.

⁵ *Ibid.*, p. 172.

A Capacity to Perform Operations Analysis

Operations analysis informs planning and implementation. Information on the time, manpower, and budget required to accomplish specific activities is necessary to (1) permit leadership to match its plans with the organization's ability to deliver, and (2) to track organizational performance against plans and action objectives. This kind of analysis permits the organization to measure the cost-effectiveness of existing and proposed activities and develop performance measures for tracking the accomplishment of specific activities. Operations analysis carries over into the implementation phase as executives track and assess performance against plans. Three key parts of operations analysis include:

- **Quality assurance:** A vital part of an operations analysis capacity is the ability to conduct a comprehensive corporate quality assurance program to rate service from the customer's perspective. It asks such questions as: "Did we pay the veteran the correct amount from the correct date or was our denial correct?"; "Did we tell the veteran clearly and concisely what we did and why we did it?"; or "Did we process the veteran's claim in a timely manner as permitted by our resources?" (see Chapter Eight)
- **Field analysis:** The best set of performance goals, objectives, and indicators will not yield maximum return in improved management without a regular field monitoring system to fill in the spaces and meaning between and behind the numbers. A monitoring system is needed to provide a rich, regular flow of data from the ROs through the AOs to the CO. This could be organized in many ways, including formation of teams of field office specialists under the direction of CO to review individual ROs.
- **An internal survey:** This capacity is needed for in-house mail, phone, and in-person surveys. Such a survey is a low-cost approach to a variety of evaluative functions, such as monitoring, rapid feedback studies, quick assessments, and early, non-technical looks at the outcome of program activities. A small staff is needed for the design and analysis of surveys. Actual gathering of data would be done through AOs and ROs. The survey function should include the capacity for both in-depth and "quick" surveys. Survey analysis is a widely used information-gathering technique in the public sector.
- **Unit cost analysis:** The use of "unit costs," a standard practice in business, enables a manager to focus on costs with a view towards reducing them. GPRA has forced unit-cost consciousness on government agencies. The BP identifies unit cost as one of the five core performance measures to be developed for the business plan for each product line. However, at this time the only unit costs identified in the BP are for direct labor costs for C&P, and, as such, are incomplete and do not include other costs such as overhead or other direct costs, such as for office space.

A Capacity for Policy Development and Analysis

Policy development and analysis are needed for leadership to come to grips with the policy implications of issues that arise from actuarial, demographic, operations, strategic, and futures analysis and to translate the planning effort into needed changes in law and regulation.

A Program Evaluation Capacity

Evaluation is necessary to assess whether corporate actions are having the planned effects. It also is used to conduct pilot tests of potential innovations and assess their

likely results. The results of evaluation feed into the annual planning cycle. This includes a short-term evaluative capacity to bring a quality analytical capacity to bear on important issues that arise during the management cycle with an ability to produce credible work in time frames ranging from 30 to 90 days. It also includes a long-term evaluation capacity. GPRA requires a management focus on program outcomes which, as opposed to outputs, represent the broadest and most fundamental products of the program delivery system. In the case of the VBA, the compensation of veterans with disabilities compared to those without disabilities in similar occupations. The assessment of outcomes takes more time than the assessment of outputs, such as the number of training courses held, which are easy to track. However, assessing whether the training had any positive effect on competence, employability, or other "outcome" requires a more sophisticated analytical capacity.

A Corporate Management Information Delivery System

Management information keeps leadership in touch. A systemic capacity needs to be established by the leadership team and delivered by the information resources organization to routinely collate, analyze, and report on the information being gathered in all phases of the strategic management process. This is the management information system through which leadership remains in touch with operations as they proceed in implementing the organization's plans.

CHAPTER

4

Institutional Capacity for Leadership

INTRODUCTION

Chapter Three outlined the actions that the Veterans Benefits Administration (VBA) needs to take to create a strong strategic management process, including a robust planning, implementing, and revising cycle, the institutional capacities to support this cycle, and the coordinating and integrating skills necessary to make the vital connections required for an effective process.

This chapter outlines what the VBA's under secretary and senior executives need to do to develop the management capacities the VBA needs and make good use of them. Leadership and strategic management are inseparable. Leadership is the vital force that makes strategic management work. A finely tailored, fully staffed set of strategic management capacities cannot be structured and will not work well without a skilled leader and leadership team who understand how to manage strategically. Likewise, a skilled leadership team cannot function well without the necessary capacities. Strategic management is the "body" which enables action, and leadership is the "mind" that directs it.

KEY FINDINGS

- The panel has concluded that the forces of inertia within the VBA have been more powerful than the forces for the progress that the VBA has made to date. Given three to five years and consistent leadership, the existing strategic management committee (SMC) process has the potential for developing into a robust strategic management function. However, the VBA's history of halting progress made to date strongly suggests that to be successful it must undertake a concerted effort directed unequivocally toward developing the requisite capacities.
- VBA leaders are not held firmly accountable for high levels of performance because lines of accountability are not clear. There is often major intermixing of operational and policy responsibilities among the Compensation and Pension Service (C&P) in central office (CO), the four area offices (AO) and the regional offices (RO), causing confusion as to who is responsible for what. C&P has

insufficient influence on field performance. Many aspects of the VBA culture short-circuit effective maintenance of accountability.

- A change-management strategy must be developed. The VBA needs to call on the knowledge and expertise of federal and private sector organizations for assistance in improving its management and performance.
- While progress towards improving leadership has been made, the potential for strong leadership in the future is uncertain for several reasons: A sense of powerlessness to take action permeates the organization; the new strategic management committee is an incipient effort requiring significant improvement to be successful in the long term; and current leadership team members feel that they do not have the time to undertake comprehensive change.
- The VBA's leadership needs to develop a clear and compelling strategic vision for improving the agency's performance accompanied by articulation of the steps needed to achieve realization of the vision.
- The VBA leadership needs to manage the larger system within which the adjudication and appellate process operates. The VBA does not operate a comprehensive strategic management process which coordinates the actions of all related organizations and key stakeholders but instead relies on many individual, uncoordinated project and team activities to carry out its initiatives.
- Communication of vital information about performance expectations and progress needs to be improved at every level within the organization.
- The secretary has a rare opportunity to dramatically improve performance of both the VBA and the Board of Veterans' Appeals (BVA) by filling the top leadership vacancies in each organization with individuals of demonstrated leadership and management skills.

DISCUSSION AND ANALYSIS

A recent summary of the work of 12 writers on the subject of leadership¹ shows remarkable agreement on the idea that effective leaders:

- initiate and manage change to improve performance
- develop vision and mission to clearly identify performance expectations
- plan and set goals for attaining desired performance levels
- use communication skills to ensure that all employees, executives, and stakeholders are continually tied to the achievement of performance goals

Based on this synopsis and building on past Academy reports², the panel has identified in Table 4-1 the elements of successful leadership in large organizations such as the VBA.

¹ Lois B. Hart, Ed.D., *Faultless Facilitation: The New Complete Resource Guide for Team Leaders and Facilitators*, 2nd ed., HRD Press, Amherst, MA, 1996.

² *Renewing HUD: A Long-Term Agenda for Effective Performance*, Chapter Six, "Sustaining Management Leadership and a Long-Term Institutional-Building Agenda," National Academy of Public Administration, 1120 G St., N.W., Washington, D.C. 20005; July 1994, p. 177. *Coping with Catastrophe: Building an Emergency Management system to Meet People's Needs in Natural and Manmade Disasters*, Chapter Four, "FEMA: An Institution Not Yet Built," National Academy of Public Administration, Washington, DC 20005, February 1993, p. 41.

TABLE 4-1: KEY ELEMENTS OF LEADERSHIP

1	The VBA Leadership Team Should Champion Change: <ul style="list-style-type: none"> ▪ Have a "Can Do" Attitude Toward Change ▪ Spend Sufficient Time and Resources to Achieve Change
2	The Team Should Develop a Vision for Improving Performance: <ul style="list-style-type: none"> ▪ Share a Clear and Compelling Agenda for the Organization ▪ Balance Client Service With Taxpayer Interest
3	The Team Needs to Think and Manage Systemically: <ul style="list-style-type: none"> ▪ Plan and Set Goals Which Encompass the Full System in Which the Organization Operates ▪ Develop Long-term Institutional Capacities Necessary to Integrate Planning and Execution of Goals
4	The Team Should Continually Communicate Within Itself and With Stakeholders and Employees
5	The Leadership Team and Its Individual Members Should be Firmly Held Accountable for High Levels of Performance

The panel has added a fifth crucial dimension, which is the ability of an organization to hold its executives accountable for high levels of performance. This chapter analyzes progress made to date by the VBA to improve its performance in these five areas.

The VBA is Making Progress

The VBA's leadership understands the need to improve the management and performance of the organization, and the steps it has begun to take represent progress. The study team has observed a growing understanding on the part of some of the SMC members of the need for changing the way the VBA does business. Most often these individuals expressed this need based on the constant criticism that the organization has faced in the recent past. The study team heard repeatedly that, in response to this criticism, the VBA needs to develop integrated plans and integrated implementation processes and to form much better working relationships with the organization's stakeholders, including national veterans' service organizations (VSOs) and Congress. Interviewees also expressed concern that the vacancy in the USB position and the acting status of the deputy under secretary in the USB position constitute an inhibiting factor in the active development of the SMC's potential.

The study team research also shows an effort by the VBA leadership to return to a more centrally planned and managed organization. The formation in early 1996 of the SMC is an effort to begin to deal with major issues affecting the VBA on a cross-cutting basis at the top. Formally chartered in October 1996, the SMC:

Provides strategic management and leadership in the realization of VBA goals. The Committee institutes policies to ensure the coherent coordination and integration of VBA efforts, and establishes priorities for initiatives such as reengineering, modernization, VETSNET, streamlining and other strategic issues.³

In interviews, SMC members frequently stated that the SMC is the only mechanism in the recent past that has attempted to perform this integrating activity within the VBA. The SMC meets monthly. The committee conducted an intensive three-day planning retreat in Denver in September 1996 to begin development of the FY 1998 business plan. From a review of past agendas and observation at the SMC meeting of February 19, 1997, it is clear that issues of importance to managing the VBA are addressed by the SMC, including the need for FY 1997 performance plans for field components and linkage of these plans to budget allocations, planning, and execution of a uniformly administered buy-out plan for the agency, and the need to develop a comprehensive training strategy.

The VBA and its current leadership should be commended for a number of accomplishments. First, establishing the SMC process is a first step in developing a more integrated, well-functioning management process. Extensive efforts to implement the Government Performance and Results Act (GPRA) described in Chapter Three are also promising, and as described in Chapter Five, the business process reengineering (BPR) activity is a worthwhile first effort. In the judgement of the panel, these efforts should be encouraged. The question remains, however, whether or not the VBA will implement successfully the initiatives being discussed.

PANEL ASSESSMENT

Leadership Element 1: The VBA Leadership Should Champion Change

The VBA's leader and leadership team must see their jobs as effecting the kinds of changes required for implementing sustained performance improvement. To be effective, this team needs a "can-do" attitude – it must believe it really can improve performance. The leadership must focus its energy and time on the complex planning and implementation activities necessary to achieve this improvement.

In the panel's opinion, there is a much work to be done to develop a cohesive, well-functioning leadership team within the VBA and between the VBA and key players in the secretary's office, the Veterans Health Administration (VHA) and the BVA.

A Sense of Powerlessness Pervades the Organization

Many key officials do not believe that they have the power to achieve change. One aspect of this is fear of offending powerful political interests. David Osborne and Peter Plastrik in their new book *Banishing Bureaucracy*³ describe the culture of public bureaucracies and state that:

Government organizations are creatures of the political sector. Inevitably, they are the target of incessant public demands channeled through elected officials. They become footballs in political contests, kicked from one end of the field to the other. . . . Typically, they blame elected officials and interest groups for whatever is wrong with government.

³ From the official SMC charter.

⁴ David Osborne and Peter Plastrik, *Banishing Bureaucracy: the Five Strategies for Reinventing Government*, Addison-Wesley Publishing Company, Inc., Reading, MA 01867, December, 1996, pp. 257–9.

In numerous interviews, the study team repeatedly heard echoes of these sentiments. There is a palpable fear of taking strong action among some executives, whether it is to ask the kinds of analytical questions that are necessary to fully inform agency planning and implementation efforts (see Chapter Three) or to initiate new efforts to restructure ROs. On the latter subject, most interviewees stated that the organization will take no further action to articulate a restructuring plan without a strong push from outside the organization. One of these individuals recalled the angry intervention in the 1996 restructuring plan and stated humorously that “to discuss this within the VBA is like participating in a circular firing squad.” Many interviewees cited past phone calls from congressmen to one or another regional office (RO) and the power of these calls to block actions deemed hostile to the district’s interests.

Another aspect of this feeling of powerlessness is a concern about antagonizing the VSOs. As described in Chapter Two, these organizations are a powerful and vigilant voice in veterans affairs. Because personnel from these organizations work and are located in the same buildings as the ROs, the VBA more than most government organizations lives in a fish bowl in which its every move is observed and critiqued. Not inappropriately, these organizations are extremely vigilant in analyzing proposals which they perceive could in any way be hostile to veterans’ or the VSOs’ interests, and they do not hesitate to voice their opposition to Congress and the VA.

A third aspect of this powerlessness frequently expressed by field personnel was their perception that the central office (CO) is incapable of taking firm action. There is a perception within the VBA that CO is, for whatever reason, incapable of action. This perception is often phrased in pejorative terms such as “impotence,” or “can’t ever get anything done.”

The SMC Needs to Become a Well-Functioning Leadership Team

The SMC needs to become a cohesive, well-functioning leadership team that collectively achieves a high level of organizational performance and spends sufficient time focusing on achieving that performance. While establishment of the SMC is a form of progress, many factors are operating to limit its effectiveness. Given several years many of these factors could be overcome, but the panel is not convinced that the VBA has the luxury of a long lead time. One crucial problem is that a number of the SMC members do not support the collective leadership process. The study team heard in every interview with an SMC member from the acting USB on down that there are some players who simply do not like the process and participate only reluctantly. While these individuals were generally unnamed, the unanimity of opinion that key members are involved because they were ordered indicates a real problem.

A second problem is that its members, even those who support it, do not seem to have a clear idea of what the purpose of the leadership team is. Although this is understandable in an organization that does not have a tradition of such leadership, it is a problem requiring remedy. Despite the charter and agenda items described below, there are indications of this lack of clarity of purpose and role. For example, there is confusion within the group as to when they should be simply receiving or sharing information and when they should be focused on needed actions. The charter and the acting under secretary are very clear that the SMC’s role is advisory, that is the SMC is to make recommendations to the under secretary. Most of the agenda items reviewed by the study

team, however, are identified as “information items” and do not identify issues upon which SMC recommendations would be appropriate. The study team observer at the February 19 SMC meeting noted that almost all discussion of “information” agenda items included some effort to arrive at recommendations for decisions, but that in most cases clear recommendations were not formulated.

There are also indications of problems in the logistics of the SMC process. Agendas are not prepared well in advance and informational materials related to the agenda items often are not passed out prior to meetings. Early receipt of agendas and background materials is important so members can develop an understanding of the issues to be discussed prior to the meeting. In one instance in February, without any prior notice or staff work, a decision was requested to select one of three strategies for improving tele-

TABLE 4–2: LONG-TERM VBA LEADERSHIP AGENDA

General Strategic Management Process	Specific Strategic Tasks to be Solved by VBA Leadership Team on an Ongoing Basis Include Developing
<ul style="list-style-type: none"> ▪ Planning ▪ Implementation ▪ Reviewing/Revising ▪ Coordinating ▪ Integrating Actions ▪ Assigning Accountability 	<ul style="list-style-type: none"> ▪ A Leadership Process: Developing Clear Team Charter, Long-term Agenda, Member Expectations, Delegations, and Supportive Staff Logistics Process ▪ A Strategic Management Process and Capacities to Support It (see Chapter Three) ▪ An Improved Long-term Plan for Achieving Budget Cuts and Improving Services, re: BPR (see Chapter Five) ▪ A Performance Measures/Performance Accountability Strategy/Program (see Chapter Three) ▪ A Quality Strategy (see Chapter Eight) ▪ An Outreach/Communication/Inclusion Strategy/Program Including: <ul style="list-style-type: none"> ▪ Internal Communications ▪ A VSO Approach ▪ A Congressional Approach ▪ A Training Strategy and Program (see Chapter Eight) ▪ A Workforce Management Strategy and Program (see Chapter Five) ▪ An Executive Development Strategy and Plan ▪ An Information Technology Strategy and Program (see Chapter Six) ▪ An Organizational Structure Most Effectively Supporting Operations (see Chapter Seven): <ul style="list-style-type: none"> ▪ Regional Restructuring ▪ Role of Area Offices ▪ Role of CO Staff Units ▪ A Resource Allocation Strategy to Support All of the Above

phone access by veterans to the ROs. There also appears to be little understanding on the part of members about the need to develop integrated action plans across the agency. In discussions on training strategy, training needs assessments in two area offices, and adjusting budgets across the four areas, several SMC members repeatedly reminded the group that integrated action was required in these areas across the agency. To the study team observer, it appeared that this message was not heard. These problems lead to confusion about what actions need to be taken.

The most important indicator of unclear purpose and role, however, is not the logistical or other factors cited above but the nature of the work being done by the SMC. The SMC is having difficulty in asserting its strategic management leadership role. One strong indicator of this is that there is no long-term agenda that identifies future topics the SMC will need to resolve and schedules the discussion and relevant staff work far enough ahead to prepare the SMC to work those topics. From interviews and a review of the agendas, it is clear that the SMC needs to develop a strategic management model (described in Chapter Three) to guide it and to help it develop the long-term agenda necessary to perform successfully its leadership role.

Key Leaders Must Devote the Time Necessary for Effective Leadership

In its interviews, the study team heard from many of the SMC members that they simply do not have enough time to think about leadership issues. The huge volume of daily administrative and other requirements have a tendency to preclude attention to more basic matters of organizational management and performance. The study team frequently heard such testimony. One key player said that only about 2 percent of time was available for the kinds of leadership issues cited above because of the daily crush of people needing attention, and administrative burdens.

Leadership Decisions Need to be Executed Uniformly

The study team observed that leadership decisions are not executed as if “owned” by all team members so that there is uniform implementation throughout the organization. This point has been made fully in Chapters Three, Five and Eight. There is also uniform opinion among the individuals interviewed, both in CO and the ROs, that the real drivers of RO behavior originate more in response to local considerations than to CO plans and visions.

Leadership Element 2: Leadership Should Develop a Vision for Improving the Organization’s Performance

The SMC Needs To Develop A Clear and Compelling Agenda For Improvement

The VBA has a strategic plan which calls for service excellence on behalf of the customer and a BPR plan calls for major improvement in performance in the C&P program. However, the panel believes that the VBA needs to develop a clearly defined, long-term, compelling vision of the need to change. The existing plans, as described in Chapter Three, are generally stated goals without, for the most part, explicit, detailed, and integrated action plans for achieving them. Nor is there a clear chain of accountability directly from the top through the leadership team for dramatic improvement in performance.

The VBA Is a Closed Organization That Needs to Think Beyond Its Conditioning

Study team interviews also make clear that the VBA is a closed organization that needs to develop a greater capacity for learning new ideas from outside of the organization. The study team found little evidence that the VBA has gone outside of the organization to seek advice or opinion or to find the best practices of other organizations and adapt them for the improvement of performance.

The Balance Between Client Service and Taxpayer Interest Is Not Clear

Any public organization must chart a course that provides the best service possible to its clients but at the same time is mindful of the taxpayers' general interest. Programs must be run efficiently while providing excellent service. In many of its interviews, the panel study team asked for information on allowance-versus-denial rates including such data as current national rates and trends over time – in total and by key medical conditions – and similar information for each of the 58 individual regions. The team was repeatedly told that the organization does not collect such information. A number of managers frankly stated that the organization does not want to collect such information because of fears it would be used inappropriately to pressure adjudicators to deny claims.

The panel does not accept this premise. All other federal agencies that run major benefit programs collect this kind of information routinely without a hint of the kind of pressure feared by opponents at the VBA. The organization needs to know if allowance rates are going up or down, both on a national basis and RO by RO. Without information on allowance/denial rates, this major government agency and Congress are flying blind. Developing this kind of information is not only critical to forecasting good estimates of future program costs, it also provides a key window into the performance of the program over time. Significant changes in the trend lines would serve as the basis for analysis and possibly lead to early corrective action when warranted.

That such variance might exist is demonstrated in Paul Light's *Forging Legislation*, which describes the "Fact Pattern Study" conducted by the VA in the late 1980s. The Office of Program Planning and Evaluation (OPPE) took 16 actual claims, erased all identifying information, and sent them to 52 of the 58 ROs to be adjudicated. Light reports that there was a great degree of variation in adjudication outcomes. He cites as an example: "On the same post-traumatic stress disorder, two offices gave a zero-percent rating, 16 gave a 30-percent, 13 gave a 50-percent, and one gave a 70-percent."⁵ Light notes that the OPPE was abolished in 1989, "a victim of both political pressure and personnel cutbacks within the VA."

Leadership Element 3: Leadership Needs to Think and Manage Systemically

The 12 leadership scholars cited above agree that a leader plans and sets goals. The panel expands that concept to the need for thinking and managing systemically. Having established its vision and general mission, the VBA leadership team needs to plan and set goals which encompass the full system in which the organization operates. Consistent with a "can-do" attitude, the team needs to manage multi-dimensionally

⁵ Paul C. Light, *Forging Legislation*, W. W. Norton & Company, Inc., New York, NY; 1992, pp. 119–120.

(1) to involve departmental superiors and key sister organizations in the development and accomplishment of its plans and goals; (2) to involve key external stakeholders such as client groups, the Congress, and OMB; and, (3) to develop the long-term institutional capacities necessary to conduct integrated planning and action implementation within its own organization as discussed in Chapter Three.

VBA Leadership Must Manage the Full System Within Which the Claims Process Functions

The VBA leadership understands the larger system within which the initial adjudication and appellate adjudication process functions but is weak at managing it. As described above, there is fear of rocking the boat and little outreach to others, whether they be within or outside the department. Also, initial planning efforts such as BPR have been severely bounded by the exclusion of an essential portion of the operational equation, the BVA, or representation on the planning team from the VHA during the preparation of the plan. The VBA needs to develop formal cooperative arrangements with main stakeholder organizations such as the DoD, BVA and VHA and key components at the department level. The agency needs to work with the BVA to implement a view of the claims adjudication and appellate process as one highly interrelated set of activities requiring joint development of training, quality, and other organizational strategies. Together, they need to cooperatively develop strategic and operational plans for fundamental change to improve this process.

Institutional Capacities for Strategic Management Need to Be Built

Finally, as Chapter Three concludes, the VBA has almost no institutional capacity for planning and implementing in an integrated manner. This is a critically important point because, as stated in the introduction to this chapter, without the needed capacities, leadership cannot function well. The two are inseparable. It is through these capacities that a leadership team executes its vision for the organization.

Involvement of External Stakeholders Needs to Be Strengthened

Results of team interviews are replete with comments about the VBA's inability to work with its external stakeholders including Congress and national veterans' service organizations (VSO). Opinion is unanimous that the VBA has done little to work with Congress to spell out the agency's accomplishments and goals, report routinely on progress, and build the good will and support needed to implement change.

The VBA needs to improve its working relationships with the VSOs. In the ROs visited by the study team, relations between the service organizations and the VBA appeared to be reasonably good; however, at the national level, the service organizations are highly critical of the VBA. Opinions voiced to the study team by these organizations range from a belief that field workers do not communicate well with the veteran and their service organization representatives to strong criticism of the quality of initial adjudication and about the timeliness of decisions. When asked if the service organizations were systematically included in major activities such as the BPR effort and the 1996 restructuring effort, the study team was informed that these efforts did not include service organization involvement until the efforts were concluded internally. An outreach effort did occur after the secretary's approval of the BPR package including lengthy briefings for service organizations and key congressional staffers.

Leadership Element 4: The VBA Leadership Needs to Improve Communication with Employees and Stakeholders

The VBA leadership needs to develop a capacity to communicate its goals and progress broadly within and outside of the organization. Communication functions as the glue that binds component pieces within the overall system. It enables management of the system and must occur at all levels. Within the leadership team itself, communication is critical to arriving at sound strategic plans and implementation strategies. Communication of the vision and results, especially successes, to the organization's employees is critical to gain their support and engage their productive efforts in the change process. Communication with sister agencies is necessary for developing solutions for problems which cross boundaries and require outside support. Communication with stakeholders is necessary if there is hope of obtaining their understanding and support. Communication must be continual in all phases of activities undertaken by the organization. Inconsistencies and gaps in the transfer of key information in any of the above situations cause skepticism and negative reactions to future communications.

The VBA needs to improve its communication at all levels. As described above, significant confusion and logistical problems exist within the SMC itself. Communication between the CO and field stations is poor in significant areas. Study team interviewers heard numerous complaints about field offices being told at the last moment of major changes to be announced by the CO. One RO director stated that he had been called by the CO only several moments before an announcement about the results of the 1996 restructuring plan and how it reduced his staff levels. In all the regions visited by the study team, none of the ROs had received the BPR package which had been in the team's possession for weeks, nor did they know what was in it. While considerable numbers of RO staffers were involved in development of the BPR plan, there clearly was inadequate communication with regional management as the plan was developed.

An internal report prepared by a high level subcommittee of the department's strategic management group in the fall of 1996 confirms much of the study team observations. The report concludes that:

- There is no departmentwide VA communication plan or strategy.
- There is a lack of effective interorganizational communication throughout the department.
- The Department does not "speak with one voice" to its stakeholders.⁶
- There is a lack of effective interorganizational communication throughout the department with regard to coordination, integration, information sharing, and collaboration. This has resulted in a fragmented and sometimes opposing presentation of the VA internally and externally.⁷

⁶ *Report on VA Communication*, Ad Hoc Working Group on Communication, VA, undated, p. 2.

⁷ *Ibid.*, p. 5.

Leadership Element 5: Leaders Are Held Accountable for High Levels of Performance

Accountability Within the VBA Is Weak

Major gaps in the accountability structure in the VA, VBA, and C&P cause lines of accountability for performance results to be unclear.

The USB is the only executive in the VBA with line authority over field operations. The only way for the policymaking service directors to have a strong impact on the quality of field implementation is through the USB and/or his deputy. While this arrangement could work well, it does not for reasons discussed below.

Operational and policy responsibilities among the C&P, AOs and the ROs are unclear. While the stated roles of the various organizations are clear – policy is the responsibility of the CO services and operations is the responsibility of the AOs and ROs – there is often major intermixing of the two. For example, the director of the C&P service says that her main tasks are program “administration and integrity,” which constitute the fundamental policy tasks of her organization. However, she has been given responsibility for implementation of the BPR recommendations, clearly an operational responsibility. This causes confusion as to responsibilities within the organization.

The study team observed other lesser examples. These include efforts by one or another AO to independently develop training strategies for their areas. At least two AOs are developing training needs assessments and a third has developed a training program for a key new adjudication position. Still another example is the effort by two of the regions to develop an agreement with a key military records center for faster turn-around of the military records required for full development of claims. As discussed in Chapter Eight, individual ROs frequently initiate innovative pilot or other activities on the basis of their individual interests and abilities. While many of these pilots have potential nationwide application, they are largely unmonitored and unevaluated.

C&P has little impact on performance of the AOs and ROs. A review of the FY 1997 performance plan objectives of the USB, AO directors, and C&P director indicates there is no clearly defined accountability for the organization's most important objectives in these formal documents that establish performance expectations for the senior executive service. Not a single area director had a performance plan with BPR as an element of performance. The C&P director's plan merely mentions BPR in a non-critical catch-all element containing nine other sub-elements. The C&P director's influence over field operations through these performance plans is insufficient. In a January 30, 1997, interview the director said she does not participate in the annual ratings of the four AO directors but she assumed that at some point she would be involved in setting their performance objectives.

While the VBA may have the best of intentions for implementing BPR from the USB down to the areas and regions, the agency's executive performance plans – the formal documents of accountability – do not reflect them. Should tough action become necessary to manage poor performance during implementation, these documents would be an inadequate basis for action. That there is a confusion of roles was borne out in the

February 19 SMC meeting at which the C&P director requested area directors to volunteer their sites for BPR pilot implementation. She did not appear to the study team observer to be in a position to simply direct the formation of pilot sites. One of the area directors simply refused to offer any pilots unless "ordered." These anecdotes indicate a confusion of roles.

A second indicator that C&P has little impact on field operations is in the absence of good data capability. In the January 30 interview, the C&P director stated that one of her goals as a new director is to develop a cohesive, comprehensive package of data with which to analyze regional operational performance – both good and bad. She said that "people respect what you inspect." The panel agrees with her that this kind of information is vital for the CO to take the pulse of field operations and influence them where necessary to assure excellent implementation of policy. The panel encourages her goal to develop this kind of information and analysis that will help the agency identify best practices for use nationally and identify poor performers who need intervention.

At the February 19 SMC meeting, the C&P director disseminated data showing that 27 percent of regional workloads are in the appellate stage. She received considerable negative feedback from several area directors who inquired as to whether she was trying to alter in mid-stream the FY 1997 workload performance goals which do not now include RO appellate workloads. To the study team observer, this was misdirected negativity because the C&P director was attempting to call attention to growing and unmanaged appellate workloads. Whether growing and unmanaged workloads are or are not in performance goals is irrelevant to the fact that workloads need to be managed.

A third key indicator of limited C&P impact on field operations is inadequate review capacity in C&P. As described in Chapter Eight, this capacity existed prior to 1990 but was abolished for "economic reasons." The area directors interviewed by the study team on February 19 stated that these reviews focused too rigidly on administrative form over the substance of operations. However, they agreed that a well-conceived review designed to assess operational performance and provide information on how to improve performance would be highly desirable. The C&P program does not have this capacity.

Execution of C&P direction among the AOs and ROs is not uniform. Chapter Eight describes a number of pilot initiatives which are not connected to an overall, integrated evaluation plan. A coherent plan, which includes both baseline information and evaluation criteria, would substantially increase C&P's ability to measure these efforts and learn from them. The lack of uniformity in execution is also evidenced by the variability and absence of integration of AO activities described in Chapter Eight. These comments are not intended to reflect negatively on regional and area initiatives, only that they should be monitored and evaluated by C&P for potential use nationally.

Another potential contributor to the accountability problem in the VBA is that the five service directors are treated as equals in the SMC when it is clear that C&P is the major driver. The greatest proportion of agency resources are allocated to C&P, and the program is significantly more complex and problematic than the others (see Table 1-1, page 2). Of the total staff resources of the VBA, 58 percent is allocated to C&P. Also, the

study team's review of recent reports on VBA programs other than C&P indicates no problems proportionate to the magnitude and duration of those affecting C&P. The other programs have relatively simple rules and execution compared to the highly complex rules that underlie adjudication and appeals of C&P claims. Treating all five programs as equals has the potential for diverting resource and management attention from solving the main problems, which are in the C&P program.

Many aspects of the VBA culture short-circuit effective performance accountability. There is a bias against the development of a systematic corporate information capacity, as described in Chapters Three and Five. This is due, in part, to an organizational disposition to avoid collecting information on allowance/denial trends. The apparent reason is concern about manipulation of the adjudication process by a less-than-well-intentioned central management, reinforced by a belief that VSOs would not want this kind of information known because an upward trend could trigger congressional or internal departmental review of program costs.

A second cultural contributor to insufficient accountability is the VBA's tendency to operate on the priority of the day. The agency proudly tackles what is coming in the door at the expense of planning for the long term, developing long-term implementation plans, and sticking to those plans or revising them as necessary. The culture of "rolling" priorities may change as a result of the SMC and BPR. The panel hopes this will be the case.

A third cultural element is decision-averse executives. A number of executives interviewed by the study team indicated that the VBA executives have difficulty giving each other bad news or disciplining one another. As one senior executive stated in an interview, "We all know each other." He further stated that added discipline would be necessary in order for the SMC to become a well-functioning body.

A fourth factor is the closed nature of the VBA. The agency does not regularly seek outside information, whether from key stakeholders or to benchmark best practices at other organizations within or outside of the department. It is seen as not only closed but resistant to such information even by some of the SMC executives interviewed by the study team. The isolation reaches through the ranks down to the RO level. A number of RO and AO directors repeated such phrases as "we are all different," or "you can't compare LA to Togus, Maine." This attitude suggests that good ideas for improving performance in one RO cannot be implemented in all other ROs thereby blocking ideas and practices that would enrich a well-functioning organization.

Almost without exception, the study team found an attitude to the effect that the only "good guys" are in one's own office. The intensity of negative comments made by interviewees in one location about sister locations was very high. Personnel in the ROs express resentment of CO and the AOs; the area directors commented about "much too powerful" regional directors; and the managers of BPR in C&P were critical of sister organizations with whom they had to collaborate. Among the large body of VBA interviewees, there are negatively held opinions about the BVA, and certain VBA staff offices who work with the secretary's office complained about a lack of support and respect. While a certain level of negativity about outsiders is common to many organizations,

the panel believes the level is disproportionately high in the VBA, especially given that it is not offset by a well developed formal set of professional interrelationships.

The largest factor contributing to the weak accountability within the VBA is the almost total lack of strategic management capacity as described in Chapter Three. If there were no other gaps in accountability, the inability to manage strategically would deprive the leadership “mind” of its operational “body.”

Congress Laid Out Strong Leadership Expectations in the VA Organic Act

The VA Act, P.L. 100–527, enacted October 25, 1988, contains a statement of Congress’ expectations about the management qualifications for the USB, then called the chief benefits director. These qualifications were stated as follows:

“The Chief Benefits Director shall be appointed without regard to political affiliation or activity and solely on the basis of demonstrated ability in –

- (1) fiscal management; and
- (2) the administration of programs within the Veterans Benefits Administration or programs of similar content and scope.”⁸

While these qualifications are brief, the report of the Senate Committee on Governmental Affairs accompanying the act went into considerable detail about the problems that the Committee found at the VBA and made very clear its intent that the first USB appointed under the act be selected on the basis of demonstrated ability to provide the management leadership needed to address the numerous problems identified in its report⁹. These problems bore a strong resemblance to those the VA is dealing with today.

PANEL RECOMMENDATIONS

The Secretary and USB Should Initiate a Change-Management Strategy for the VBA

- The secretary should work to ensure selection of individuals to the top VBA and BVA leadership positions who can lead a long-term performance improvement process. He should give the new executives a clear charge to work together to achieve this.
- The secretary should require the new USB, working with key stakeholders, to develop a long-term reform plan which includes a detailed, integrated, sequenced timetable for achieving planned objectives and the costs associated with key actions.

Key Actions Are Needed to Strengthen the Leadership Team

- The USB should explore other federal agencies and private sector organizations that have a proven ability to improve organizational management and performance.¹⁰
- The USB should consider appointing a temporary group of senior change agents from within and outside the VBA to help revamp the leadership structure. The

⁸ The VA Act, P.L. 100–527, October 25, 1988, Section 306(a)(1) and (2), p. 101.

⁹ *The Department of Veterans Affairs Act of 1988, Report of the Committee on Governmental Affairs*, United States Senate to accompany S. 533; Senate Report 100–342; 100th Congress, 2d Session, p. 11.

leader of this group should be a professional administrator skilled in change management and running large organizations from outside of the VA. Through this group or by other means, the USB should ensure:

- development of a highly accountable, simply-designed organizational structure
- development of clear and non-conflicting charters for individual leaders and their organizations within this structure
- redesign of the leadership team process for long-term effectiveness
- design of a learning organization. The organization should develop such skills as: (1) team-building tools and practices; (2) general organizational skills for learning and creative thinking; (3) identification and development of potential future innovative leaders and managers; and (4) integration techniques necessary to manage complex organizational components and performance improvement implementation plans

The Influence of C&P Over Field Operations Needs to Be Strengthened

- The USB should develop a formal organizational charter for the VBA and its components that closes gaps in accountability between the field and the CO.

The Secretary Should Direct the USB to Develop a Comprehensive Reform Plan

- The secretary should direct the USB to develop a comprehensive performance improvement plan for presentation to Congress no later than March 31, 1998. This plan should describe how the secretary and USB intend to revamp VBA leadership and create the strategic planning and management capacities the VBA needs as the basis of sustained, long-term performance improvement.
- The plan should also address the other key issues raised in this report including VBA plans to: (1) fix the year-2000 computer problem, (2) manage the large RO appellate workloads, (3) improve the existing BPR effort, (4) improve information resource management (IRM), (5) hold the chair of the BVA accountable for reducing BVA backlogs to acceptable levels by 2000; and (6) conduct the analysis and planning necessary to restructure field operations.

The Secretary and Congress Should Track and Fund Progress

- The VA secretary, accompanied by the USB and the chair of the Board of Veterans' Appeals, should report to Congress on their progress against the comprehensive reform plan at least semi-annually and outside of the budget process.
- For at least the next three years, the inspector general (IG) should monitor progress and report semi-annually to the secretary and Congress on his assessment of overall progress.
- Congress should request that the Government Accounting Office (GAO) periodically review this progress.
- As Congress is assured that the VBA is making progress, it should provide necessary funding in support of the VBA's efforts.

¹⁰ An excellent source for benchmark strategic management practices in the federal government is the National Performance Review's *Serving the American Public: Best Practices in Customer-Driven Strategic Planning*.

CHAPTER

5

Business Process Reengineering: The VBA's Strategy to Improve Claims-Processing Performance

INTRODUCTION

The VBA's FY 1998 budget proposes an ambitious business process reengineering (BPR) program that assumes dramatic mission performance improvements across the agency's decentralized 58 regional office (RO) network. Indeed, the FY 1998 budget for the compensation and pension (C&P) program and the associated Government Performance and Results Act (GPRA) performance goals are based on the VBA's assumptions as to the operational outcomes of BPR. These BPR goals are commendable. Many of the proposed initiatives appear to have merit and should improve the claims process if successfully implemented throughout the VBA. While the VBA should continue its aim of implementing BPR, a number of factors need to be taken into consideration. A summary of VBA's BPR goals appears in Table 5-1.

The BPR program is comprised of a number of legislative, process, training, and technology initiatives for an estimated investment of approximately \$313 million. The VBA's assumption is that BPR initiatives are so intertwined and interdependent that the organization cannot achieve the projected performance improvements unless the entire BPR initiative is funded and implemented.¹ Another assumption is that implementation of BPR initiatives will reduce C&P claims by 1.1 million between FY 1996 and FY 2002. Rules-simplification in the pension program would account for 45 percent of that reduction; a new phased-in process for ROs to handle appeals would account for 39 percent of the reduction; and changes in compensation rules would account for the balance.²

The VBA also estimates BPR will produce a 68 percent improvement in the time involved in processing C&P claims. With BPR, the FY 1998 budget assumes that in FY 2002 the VBA can reduce its C&P and veterans service workforce by 19 percent below the 1997 level, a decrease over and above the 5 percent reduction projected without BPR.

¹ *Reengineering Claims Processing: A Case for Change*, VBA, December 1996, p. ES-1.

² Reconciliation of As-Is and To-Be Workcounts, January 1997 budget worksheet, VBA BPR analysis, March 1997.

TABLE 5-1: VBA'S BUSINESS PROCESS REENGINEERING GOALS AND MEASURES

BPR Goals	As Measured By . . .
<ul style="list-style-type: none"> ▪ Respond to Customer/Stakeholder Needs ▪ Process Claims More Accurately ▪ Process Claims More Quickly ▪ Reduce Operating Costs for Claims Processing ▪ Maintain a Highly Skilled, Motivated, and Adaptable Workforce ▪ Ensure Program Integrity by Reducing Errors in Benefit Payments ▪ Improve Communications and Outreach to All Veterans 	<ul style="list-style-type: none"> ▪ Less Than 3 Percent Appeal Rate With High Customer Satisfaction ▪ At Least 97 Percent Accuracy Rate With 25 Percent or Fewer VBA Decisions Remanded for Further Work or Overturned on Appeal ▪ Average 60 Days to Complete Original and Reopened Claims ▪ Less Than \$100 Direct Labor Cost per Compensation Claim/Others \$25 per Claim ▪ 100 Percent Trained and Certified Professionals With High Employee Satisfaction ▪ At Least 97 Percent of Payments Correct and Claimant Properly Notified ▪ Customer Satisfaction (Measures to be Determined)

KEY FINDINGS

- The BPR program needs to be better planned and managed. The VBA is not adequately postured to carry it out efficiently. In many respects, the VBA's BPR program shows signs of the same deficiencies that have troubled its information resource management (IRM) programs. There is a high risk that the program will not be successfully implemented as currently envisioned. The VBA needs to create key organizational capacities necessary to effectively plan and manage the implementation of so complex an effort.
- Some VBA regional offices have innovated independent, locally oriented management approaches and pilot projects that have significantly improved the claims process, but the VBA has not documented or evaluated these initiatives. The VBA is missing opportunities for the improvement of systemwide performance through better management of the current process and replicating existing initiatives that have proven beneficial.
- The VBA needs to prioritize its BPR initiatives and develop a master plan for integrating projects into discrete solutions for specific problems.
- Leadership and management of the BPR program are fragmented. Accountability and responsibility are diffused.
- The VBA proposes to reduce the C&P and veterans service division workforce before BPR initiatives have been designed and operationally tested and evaluated. The size of these reductions and their timing significantly put at risk the VBA's capacity to sustain the incremental improvements now being made in its

performance, and its ability to free up personnel to plan and manage BPR at each location and meet training requirements.

- The VBA based its budget and process improvement decisions on the results of an analytical model developed by a support contractor based on untested assumptions.
- The VBA forecasts the volume and complexity of its workload based on the estimated size of the veteran population. However, it is the level of service-connected disabilities that must be adjudicated by the VBA, not the size of the veteran population, that determines the volume and complexity of the C&P workload. The VBA's budget forecasts may underestimate the complexity and volume of the agency's workloads, creating major operational and resource risks. The panel concurs with the conclusion of the Veterans' Claims Adjudication Commission (VCAC) that informed decisions on improving the claims process should be based on a thorough analysis and understanding of service-connected disability data.³
- The VBA has made critical and uncertain assumptions about expanding the claims-processing roles of state departments of veterans services and national membership veteran service organizations (VSOs) without including these organizations in its BPR planning efforts or determining the resources they would need to assume an expanded role.
- The VBA is developing new training courses without determining the key characteristics or quality required and whether, even with training, the planned levels of quality and performance can be achieved with the projected workforce composition and skills.
- The BPR initiatives do not adequately deal with the acquisition of veteran medical and military service data which is the most work-intensive step in the claims process and holds the most potential for early and aggressive performance improvement.
- BPR estimates a 30 percent improvement in unit costs, while the VBA's business plan assumes a substantially higher estimate. While the VBA has initiated several activity based costing studies, significant work remains before the agency will have a reliable method and unit-cost baseline for BPR analysis.
- The VBA's rule-simplification initiatives have potential for translating vague and legalistic regulations used in the claims process into clear, understandable language. However, it is doubtful that the VBA's four-month analysis and implementation planning effort has been adequate to deal with the complexity of this issue.

DISCUSSION AND ANALYSIS

The primary objective of the panel's assessment was to determine the scope and magnitude of BPR to impact the C&P process, evaluate the quality of the analysis and planning effort, establish the linkage of the BPR initiatives to other VBA modernization initiatives, and analyze BPR implementation plans and risks.

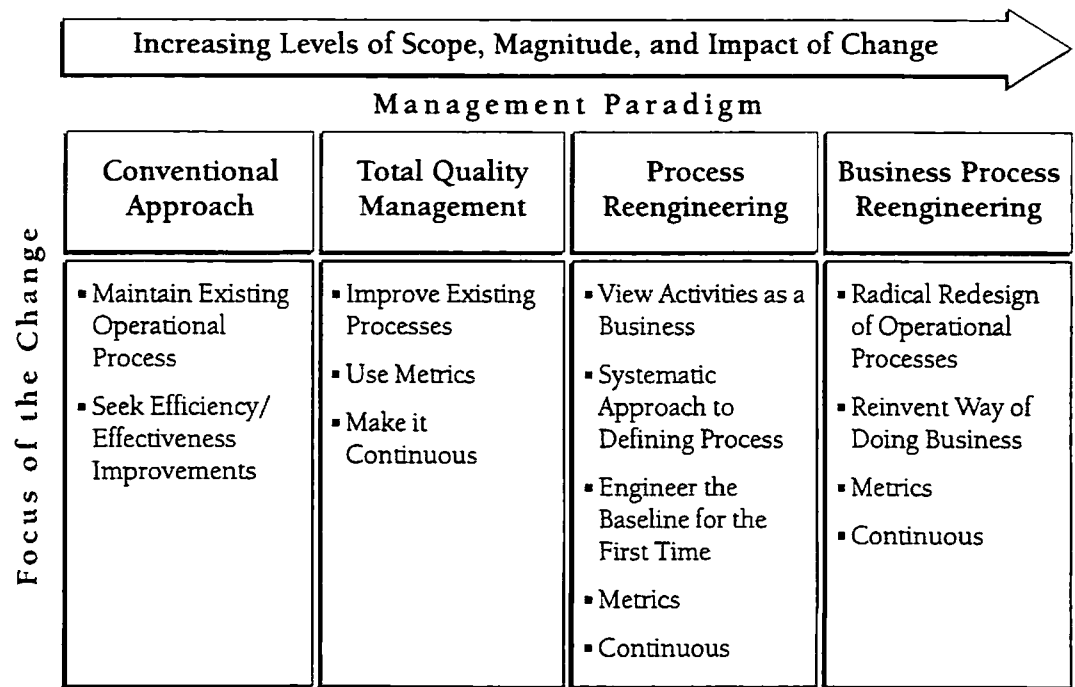
³ Veterans Claims Adjudication Commission, Report to Congress, December 1996.

BPR Examines, Rethinks, and Redesigns

Most of the BPR elements emphasize key processes, the type and scope of the change in these processes, and resulting performance improvement. The nature of BPR in the government context is reflected in the National Academy of Public Administration's (NAPA) definition of government BPR, which highlights the key success factors that should operate in VBA's approach to BPR:

"... a radical improvement approach that critically examines, rethinks, and redesigns mission product and service processes within a political environment. It achieves dramatic mission performance [GPRA] gains from multiple customer and stakeholder perspectives and it is a key part of a process management approach for optimal performance that continually evaluates, adjusts, or removes processes."⁴

**FIGURE 5-1: SPECTRUM OF MANAGEMENT PARADIGMS
AND PROCESS CHANGES**



The VBA's change strategy for BPR lies on a spectrum of possible management changes described in Figure 5-1. At one end of the spectrum is the conventional management focus on efficiency and effectiveness. The VBA believes that its strategy for claims-processing improvement lies at the other end of the spectrum with a focus on radical redesign of its C&P business processes. As discussed in Chapter Two, the C&P claims process nests in a larger system in which the performance of day-to-day claims-processing operations is dependent on the nature of the benefits program being administered as well as the performance of outside stakeholders. This does not mean that all the variables which impact the performance of the claims process are driven by forces outside of the VBA's control. What it does mean is that to substantially re-

⁴ *Reengineering for Results: Keys to Success From Government Experience*, National Academy of Public Administration, August 1994.

engineer, not simply fine-tune, the current process requires taking the external forces into account.⁵

Each proposed improvement has different implications in terms of cost, risk, organizational capacity requirements, performance, and expectations. It is critical that there is agreement internally on the scope, content, and implications of the change management strategy selected. The panel is concerned about launching the BPR program without having developed the capacities to plan, integrate and execute activities as complex as those involved.

VBA Difficulties in Planning and Executing BPR

The VBA's Attempts at BPR Are a History of Starts, Stops, and Failures to Follow Through

The current BPR vision can be traced to the VBA's Vision 2000 initiative beginning in November 1989.⁶ The major goal of Vision 2000 was to "provide quality benefits and service delivery systems that are responsive to veterans and their dependents." In 1990, the VBA refined the functional requirements for a modernization program and identified four major modernization goals: (1) faster and better service to the veteran; (2) streamlined internal claims processing; (3) improved communications and information access; and (4) a system restructured with the user in mind. Although the VBA has continued to refine and rephrase its goals over time, these four goal statements still represent the essence of what the VBA has been trying to accomplish.

- **The VBA's business model working group lost its focus.** In 1992, the VBA's business model working group developed an enterprise business model which identified 39 goals, including 14 classified as high-priority.⁷ The work of the business model working group was planned and led by the VBA's central office for IRM as an effort to support IRM information engineering needs rather than business requirements. The momentum behind this effort dissipated as the IRM office shifted its focus to technology modernization.⁸ One of the most visible products of the initiative was a vision of customer-driven service presented in a 1993 videotape titled "VBA Modernization Business Model: A Model for the Future." The study team found the tape to be a powerful and relevant vision to guide the redesign of VBA's business processes. During the course of the study, the study team found that the VBA staff now working on the BPR program were unaware of the tape or its vision.
- **Business Process Reengineering Working Group efforts were not completed.** In 1992 the VBA chartered the Business Process Reengineering Working Group (BPRWG) to identify high-impact processes and activities to be reengineered within three years. This group met during 1993 and 1994 to consider a number of issues and possible actions.⁹ This effort resulted in a report to the

⁵ *Veterans Claims Adjudication Commission, Report to Congress*, December 1996.

⁶ Vision 2000 Workshop Working Notes, November 7–9, 1989.

⁷ *VBA Business Model: Defining the Modernized Environment*, Vols. I and II, VBA Model Working Group, October 5, 1992.

⁸ *An Organizational Assessment of VBA Modernization Activities*, Institute for Public Research Report IPR 95-5020, CNA Corporation, March 1995, p. 47.

⁹ Business Reengineering Work Session, memos and reports, VBA, May 3, May 10, December 6–9, 1993; February 22–24, March 29–April 1, 1994.

under secretary for benefits (USB) in the fall of 1994 that recommended 18 reengineering initiatives to be accomplished in one-, two-, and three-year time periods.¹⁰ The VBA assigned these 18 initiatives to specific program services (C&P, education, vocational rehabilitation, loan guarantee, and insurance) for action. This BPR activity was not sustained and the last formal update on the status of its initiatives was in January 1995.¹¹

- **Recommendations of the Blue Ribbon Panel on claims processing are no longer being tracked.** The deputy USB established the Blue Ribbon Panel in June 1993 to make recommendations on acceleration of decisions on disability claims and reduction of the pending workload, which had reached critical levels.¹² The VCAC assessed the extent to which the VBA has implemented the Blue Ribbon Panel's 43 recommendations and attempted to evaluate the effects of the recommendations that had been implemented. The VCAC noted that the VBA had made some progress in implementing the Blue Ribbon Panel's recommendations between the time of the VCAC's preliminary report in February 1996 and its final report issued in December 1996. However, the commission reported that the VBA was not tracking the progress of the Blue Ribbon Panel's recommendations in an organized manner and, as a result, it was difficult to determine the status of the VBA's actions and evaluate the impact of those actions.¹³ The Academy study team attempted to follow up on the earlier work of the commission, but could not track the status of VBA implementation actions or find indications that the VBA had attempted to evaluate the impact of actions it did implement.

The 1995 proposal for improved compensation claims-processing was limited to a short-term BPR analysis and planning effort. The earlier BPR working group effort was followed in November 1995 with release of the VBA's *Plan for Improved Compensation Claims Processing*, developed by a team led by the VBA's chief information officer (CIO).¹⁴ This plan again refined the goals to improve service to veterans and assumed that information technology (IT) initiatives and process improvements would result in significant reductions in the time required to process claims. The 1995 plan also established a milestone action plan for the VBA to: (1) institutionalize a BPR infrastructure during a 40-day period; (2) accomplish an analysis of the "as is" C&P claims process; (3) develop a set of "to be" claims processes; and (4) develop a business case and an implementation plan in 116 days. BPR is a product of these steps.

The VBA's central office (CO) has not evaluated its previous process change experiments. During this same period, the VBA initiated a number of projects to support the agency's business model activities, explore the Blue Ribbon Panel's recommendations on organizational reconfiguration as a means of achieving improvement and pilot local RO

¹⁰ Business Process Reengineering Report to the Under Secretary for Benefits, VBA, not dated.

¹¹ Reengineering Initiative Assignments, January 12, 1995.

¹² *Blue Ribbon Panel on Claims Processing: Proposals to Improve Disability Claims Processing in the VBA*, November 1993.

¹³ *Veteran's Adjudication Claims Commission, Report to Congress*, Appendices, December 1996, pp. Y1-Y37.

¹⁴ *Plan for Improved Claims Processing*, Veterans Benefits Administration, November 1995.

initiatives.¹⁵ There was no formal planning for these prototype projects and their results have not been formally evaluated. The best known of these projects is what is called the "New York regional office lab project," in which the scope and magnitude of the changes represent a fundamental change in the VBA's approach to organizing and managing claims operations. The New York experiment should have provided valuable data for the VBA to use in considering enterprise-wide improvement strategies, yet there has been no formal evaluation or documentation of resulting lessons for corporate learning. Evaluation of the New York experiment and its consequences for the VBA have been further complicated by the agency's structure. Although the New York experiment is radical and lies at the far end of the spectrum for change, the VBA has elected to continue considering it as just another regional effort. The VBA should consider reassigning the New York RO from VBA's eastern area office to the office of the under secretary to provide the visibility and focus needed to sustain and evaluate this important effort. Continuing to categorize the New York RO workload and performance statistics with those of the rest of the eastern area may bias reporting and fail to provide a clear picture of the situation.

The VBA's underdeveloped capacities to plan and manage complex process change was known earlier. In 1985, the VA sponsored a prospective assessment of the VBA's capacity for process improvement with recommendations for a modernization action plan.¹⁶ This assessment concluded that "success . . . will depend as equally upon the capacity of the agency to manage the process of change as upon the soundness of the technical solutions." Ten years later, a 1995 modernization study concluded that before starting its modernization programs the "VBA did not put in place the necessary management infrastructure improvements for implementation." This study also concluded that the VBA's skills and experience to manage complex change programs was limited and that responsibility for integration and management of complex change programs was diffuse, with no one responsible and accountable.¹⁷

The VBA needs to address fundamentals to provide for the success of BPR. The VBA has had a number of visions or projects aimed at improving the claims process. The major issue consistently has been the VBA's difficulty in effectively planning and managing project execution. A close examination reveals several recurrent themes that have significant implications for the future of VBA's FY 1998 BPR proposal.

- The VBA's dominant approach to change has relied on ad hoc groups of short duration to develop plans.
- Each plan is rapidly replaced with a new plan proposed by another ad hoc group.
- The VBA's central office (CO) has not aggressively managed, tracked, and followed through on the details of analysis, planning, integration, and implementation.
- Independent experimentation in the VBA's regional offices has not been accompanied by systematic evaluation and dissemination of lessons learned.

¹⁵ *An Organizational Assessment of VBA Modernization Activities*, Final Report, CNA Corporation, Institute of Public Research, Report IPR 95-5020, March 1995; VBA Plan for Improved Compensation Claims Processing, November 1995.

¹⁶ *Modernization Implementation Plan*, Department of Veterans Benefits, McManis Associates, Inc., Washington, DC., October 25, 1985.

¹⁷ *An Organizational Assessment of VBA Modernization Activities*, Final Report, CNA Corporation, Institute for Public Research Report IPR 95-5020, March 1995, pp. 1-13.

- The leadership and management of these various attempts has been fragmented.
- The VBA has not been able to sustain corporate and enterprise focus long enough to execute project improvement initiatives across all 58 regional offices.

To an extent, the previous improvement initiatives undertaken by the VBA have been, as described by the VCAC, "administrative in nature and peripheral to the essential problems facing the claims processing system."¹⁸ The VBA's track record in executing even these initiatives clearly suggests that there have been fundamental and systemic deficiencies in the VBA's strategies for change and in the agency's capacities for leadership, integration, and management of complex agencywide initiatives. The VBA's improvement strategy appears to have relied on informal coordination of complex activities and minimum central planning and control. Until the VBA changes its strategy and management style to correct fundamental and systemic deficiencies, the agency will not be able to execute the changes proposed in some of its BPR initiatives.

BPR Provides a Potential Foundation for Improvement, but Major Risks Remain

While the current BPR program seeks to move in the right direction, it is premature for the VBA to view the results of the BPR analysis reflected in the FY 1998 budget as being complete. The VBA's analysis should be viewed as the first iteration of a more detailed effort at data collection and analysis which should then form the basis for process redesign.

A number of the C&P process change concepts being considered appear to have merit, but their ability to substantially impact claims processing performance as assumed by the VBA is uncertain. The VBA has described its BPR proposal as a product of "out-of-the-box thinking."¹⁹ The BPR analysis, however, was based on existing C&P data on various end products (EP). The analysis did not look deeper to determine the complex factors that drive workload. Additionally, the VBA narrowly bounded its analysis by not including processes owned and roles played by the BVA, the VHA, the Department of Defense (DoD), or the VSOs. This is a critical issue because the VBA's ability to improve system performance depends upon how well it can plan and orchestrate changes across organizational boundaries.

While many of the initiatives proposed by the VBA make sense, most of the BPR initiatives are not new. The VBA has essentially repackaged many of its previously planned and attempted projects under a BPR program umbrella. This fact should not detract from the merits of the initiatives, but it does suggest why the VBA has not been able to solve the problems that have persistently impacted the agency's ability to effectively plan and execute projects.

The VBA's C&P Service Has Limited Capacity to Lead BPR Analysis

The study team attempted to gain from the VBA a working knowledge of the analytical simulation model and the assumptions used to generate BPR process and benefits estimates. Early on it became clear that the C&P service did not understand the analytical

¹⁸ Veterans Claims Adjudication Commission, *Report to Congress*, December 1996, p .5.

¹⁹ VBA Business Process Reengineering Guidance Team *Progress and Issues Briefing*, Department of Veterans Affairs, December 14, 1995.

process used to develop these estimates and could not identify or explain the key assumptions underpinning the analysis. The study team discovered that the VBA had not made an effort to determine how the results of the simulation model might vary depending on changes in these key assumptions. The VBA also has not maintained configuration control of the baseline assumptions and source data for the model. The results of the model were incorporated into the VBA's budget process without the analysis necessary to determine the reasonableness of the assumptions or their risks.

The key factor with any model is how well it reflects the problems at hand and the explicit and implicit assumptions that determine the quantitative values used to calculate desired outputs. The VBA did not attempt to inform this BPR analysis with data from its many ongoing pilot projects.²⁰ The simulation model used for the BPR analysis is end-product-based and generates four types of performance data: (1) claim process cycle time; (2) the number of pending end products; (3) direct labor costs; and (4) data to support estimates of the reductions in the C&P workforce. A number of key variables and judgements made about the quantitative values to assign to these variables drive the model. For example, judgements were made about factors such as the percentage reduction in processing times that could be achieved as a result of changes, the size of the reduction in personnel that could be achieved, and reductions in workload based on the assumed benefits of certain initiatives.

Using such analytical tools to study and understand complex issues is appropriate. The C&P service estimates of future workload are based, however, on projections of the historical workload rather than an analysis based on the increasing complexity of the workload, the trends in the portfolio of disability claims, and the relationship of veteran demands to the DoD's personnel, force structure, and operational policies. The panel believes that the VBA should reengineer its analysis capability to create a comprehensive capacity for operational, workload, and actuarial analysis to improve its forecasting abilities.

Underestimation of C&P Workload is a Major Risk Factor

The VBA's approach to estimating its workload as well as its BPR analysis may underestimate the complexity and volume of current and future C&P workload. If the VBA's estimates are inaccurate, then resource decisions and claims processing changes based on them can underestimate future workload.

The VBA's End Product Code System Obscures the Actual Workload Drivers

The VBA manages its C&P workload and calculates work performance based on an end product code system. Upon receipt, each veteran claim is assigned an end product code based on type and number of issues claimed. For example, initial disability compensation claims for eight or more issues would be assigned the end product code of EP 010.²¹ The system includes 37 different end product codes for C&P. In terms of the distribution of these codes, compensation has 14 end product codes and pension has seven for which each is the only user. The other 16 codes are shared, but in all of these but one compensation is the principal participant.

²⁰ Interviews with the VBA contractor and demonstrations of the model simulation.

²¹ Veterans Benefits Manual M21-4, Change 61, Appendix C, June 16, 1995.

The C&P workload and workforce estimates are based on the forecast of the number of claims to be submitted by veterans and how these claims will translate into labor hours based on the end products that describe the work process. The VBA's work and productivity measurement system are designed to support this approach. The VBA's general operating expense budget to support the C&P workforce are based on its estimates of end products or claims in a BPR environment. For example, in preparing its FY 1998 budget, the VBA assumed that in FY 2002 it will receive an average of 20 percent fewer compensation claims than forecasted for FY 1997. Using this baseline, the VBA then reduced each fiscal year forecast based on its assumptions of BPR benefits.²²

The panel believes that focusing on the number of end products is not a reliable approach for analyzing complex C&P work processes and designing process improvement projects. A claim form is the administrative vehicle for establishing a veteran's claim for benefits. However, it is the number, scope, and nature of the issues the claimant is raising that determine the labor skills and hours that will be needed to complete the claim. It should also be noted that the VBA's chief financial officer (CFO) develops current and out-year budget estimates for benefits payments to veterans based on the case-load of service-connected disabilities.²³ However, there is no effort to use this type of information to estimate future workloads and staff resource requirements.

The VBA's Workload Is More Complex than Assumed in Its Estimates

The VBA's workload focus on end product codes appears to obscure the underlying factors and trends that may provide a more accurate basis for process analysis. The VBA's general workload estimating does not focus on the actual drivers of workload such as service-connected disabilities, their trends, the implications of the type and nature of the disabilities and operational outcomes. The BPR analysis accepted the VBA's incomplete set of forecasted data as a basis for analysis.

The preponderance of the evidence suggests that: (1) The principal driver of the VBA's compensation labor effort, which is approximately 75 percent of C&P's total labor hours, is the number of service-connected disabilities claimed by a veteran and the number of service-connected disabilities finally rated by the VBA, not the number of claims submitted or the VBA's counts of end products; (2) the VBA's assumption that the C&P workload will decline because the veteran population is declining may be inaccurate because the agency is not focussing on service-connected disabilities. The panel believes there are major risks in accepting the VBA's estimates as the basis for making decisions on C&P workforce reductions and process improvement.

Disability Claims Becoming More Complex, Portfolio of Claims Increasing

The Complexity of the Work to Complete Compensation Claims Has Increased

The introduction of judicial review has had procedural and documentation impacts on the administrative decisionmaking process (see Chapter Nine). In brief, The Court of Veterans Appeals (COVA) has demanded that the procedural and documentation requirements of the law be met to a higher degree. For the VBA, this means operational application of legal principles and requirements for issues, such as duty to assist, duty

²² Department of Veterans Affairs FY 1998 Budget Submission, Vol. 4, February 1997, pp. 70-74.

²³ VBA FY 1998 budget and interviews with VBA Resource Management analysts.

to inform, well-grounded claim, burden of proof, etc. On the documentation side, the VBA must provide evidence to support opinions on ratings and other judgments. These impacts have changed the character of the claims adjudication process and added substantial labor hours. The VBA has not focused analytically on how these changes have impacted the scope and complexity of its compensation work. Using the VA's database and reports from the VBA, the study team began to develop a picture of the increasing complexity and volume of the VBA's workload.

From FY 1990 through FY 1993, the task time to complete original compensation claims increased 70 percent. It was not until FY 1994 that the VBA began to recognize the relationship of claims to the number of service-connected disability issues. Until then, the agency's end product code system assigned only one code (EP 110) to all original disability claims. Beginning in FY 1994, the VBA created a second end product code (EP 010) for original disability claims. EP 110 is used for claims that have seven or fewer rated issues and EP 010 is used for claims that have eight or more rated issues. From FY 1994 through FY 1996, the task times for EP 110s (seven or less issues) have increased 11 percent while during the same period the task times for EP 010 (eight or more issues) increased 20 percent. Assuming an average task time for EPs 110 and 010, the increase in task time from FY 1990 through FY 1996 has been 122 percent. From FY 1990 through FY 1996, the task times for reopened claims increased 75 percent.²⁴ This has occurred during a period when the VBA has increased the number of rating specialists by 152 percent by increasing the ratio of rating staff to support staff through reallocation and training.²⁵ The VBA has been able to offset this increase in the complexity of claims processing and reduce overall processing times by allocating more rating specialists to the inventory of work.

The cumulative result of the changes that have occurred since the advent of the court have had significant implications at the RO level, where compensation specialists must separately research, examine, and rate each service-connected disability a veteran identifies on a claim form. Although the VBA's compensation specialists have always had to consider each disability claimed by a veteran in making a decision as to service connection and the degree of disability as well as the combined rating, the court has demanded, as the law describes, that there be evidence of record to support rating opinions. The VBA's rating officials therefore have had to apply these legal principles to each discrete service-connected disability and document their actions, a process that takes considerably more time.

The impact of this new requirement can be seen in the rating evaluation forms that appear in veteran claims folders. Before these procedural and documentation requirements, most rating evaluation forms summarized the rating specialists evaluation of all the disability issues in a brief statement. Now, rating specialists must document the evidence and rationale for each separate disability issue, greatly increasing the content and scope of work to complete a claim. An example illustrates this point: In FY 1995, 98,664 veterans were added to the disability compensation rolls and were found to have 262,775 service-connected disabilities, an average of 2.7 rated disabilities per

²⁴ *Plan for Improved Claims Processing*, VBA Compensation and Pension service, November 1995, p. 15.

²⁵ VBA Report COIN PAI 243-102, Office of Human Resource Management, for FY 1986 through FY 1996.

veteran. Before, compensation specialists would have considered each claimed disability in arriving at a decision and would have summarized the evaluation and rating of the disabilities in aggregate form. Under the new requirements, compensation specialists must separately describe each of these disabilities including the nature of the issue, evidence supporting the issue, decision based on the evidence, and reasons and logic for the rating decision. In effect, compensation specialists must now fully document 262,775 service-connected disabilities instead of their summary evaluation and rating of 98,664 claims.

The BPR analysis aggregated the VBA's end product codes into nine categories and did not include an analysis of the underlying impact of changes in complexity in the content and scope of work.

The VBA's Portfolio of Disability Claims Is Increasing As the Veterans Population Declines

During the study team's research on the VBA's workload, the staff was frequently told by managers that because the veteran population is declining future C&P workload would decline. This view seems rooted in at least three assumptions that the study team believes may be inaccurate.

The first possibly inaccurate assumption is that the claim workload is closely related to the size of the total veteran population. The study team was unable to find clear evidence to support this assumption. Within the various cohorts which make up the veteran population, certain populations of veterans are declining. However, the panel believes that to assume that claim activity will decrease is an unsupported conclusion. The concept of a direct relationship between the size of the veteran population and the number of claims does not take into account factors such as defense force structure, force mix decisions, and operational issues. For example, after the Persian Gulf War some DoD guard and reserve unit members went together in groups to file claims upon their return.²⁶ The panel noted that although the veteran population declined 5 percent during the period 1990 through 1996, the number of veterans on the disability payment rolls increased 3 percent.²⁷

The second possibly inaccurate assumption is the VBA's focus on end products instead of recognizing that C&P labor hours are driven by the number and type of service-connected disabilities and the trends associated with these disabilities. During the same period (1990–1996) discussed above, when the veterans population declined 5 percent and the number of veterans on the compensation rolls increased 3 percent, the inventory of service-connected disabilities managed by the C&P workforce increased by 13 percent to 5.3 million service-connected disabilities.²⁸ It is important to understand that even this increase does not reflect the additional work driven by the scope and magnitude of any increase in the number and type of disabilities initially claimed by veterans but denied by compensation specialists.

²⁶ Interview with the director, Florida Department of Veterans Affairs.

²⁷ VBA Report COIN PAI 243–102, Office of Human Resource Management, for FY 1986 through FY 1996.

²⁸ Data extracted from RCS 20–0227 Reports for 1989–1996 provided by Demographics division, VA National Center for Veteran Analysis and Statistics.

This increase in the overall portfolio of service-connected disabilities seems to be accompanied by a similar trend with regard to individual veterans. Data from 1989–1996 indicates that the average number of service-connected disabilities per veteran receiving benefits has increased from 2.10 to 2.33, or by 11 percent.²⁹ Recent data from the VBA separation physical examination test conducted at three U.S. Army installations appears to further illustrate this trend. Males claimed 5.7 service-connected conditions per person with 3.4 disabilities per person deemed service-connected. Rates for women in the test were slightly higher.³⁰ This data is consistent with a sample analysis performed in 1993 on veterans released after 1990, which indicated that the average number of service-connected disabilities per person was as high as 4.5 for military retirees and that women have more separate service-connected conditions than men.³¹ As the ratio of women in the military increases and with an increase in the number of occupational positions open to women, it seems that this trend may correspondingly increase the number of women who eventually will file disability compensation claims and the portfolio of disability issues.

The objective of the separation physical exam test is to explore the feasibility of conducting medical examinations of separating service members at VA and service medical facilities before discharge. This concept is designed to remedy a deficiency in separation examinations conducted by the DoD. Since the VA relies on these exams when evaluating claims, the agency is working with the DoD to improve discharge exam quality. The concept of beginning the claims process closer to the time the member leaves service has advantages.³² However, the VBA has not analyzed the potential of this approach to increase the number of veterans filing claims and the size of the portfolio of service-connected disabilities.

A third possibly inaccurate assumption by the VBA is that the number of veterans seeking to have their previous ratings reconsidered will not vary significantly. Repeat claims outnumber all other categories of compensation claims accounting for as much as 38 percent and may account for a higher percentage at a particular RO.³³ Given the 5.3 million service-connected disabilities in the VBA's current disability portfolio and the compounding impact of current trends, repeat claims have the potential to result in a large volume of work for the agency. For example, recent legislation that changed the eligibility criteria for the care of service-connected and non-service-connected disabilities at Veterans Health Administration (VHA) hospitals may trigger a volume of repeat claims as veterans seek to increase their service-connected disability ratings to qualify for care under the new criteria.³⁴

Some ROs Achieve Performance Improvements Without BPR.

A number of ROs have achieved significant improvements in performance already through better management and local innovation. Experiences such as this suggest

²⁹ Calculation based on data identified in footnote 28.

³⁰ Separation Examination Test Status Reports, VBA Records Management Center, 1996 and 1997.

³¹ DoD/VA Non-Medical Benefits Task Force Briefing Book, October 27, 1993, Section 3.

³² *Veterans' Claims Adjudication Commission*, Report to Congress, December 1996, p.335–338.

³³ *Veterans' Claims Adjudication Commission*, Report to Congress, December 1996, p. 79.

³⁴ Public Law 104–262, October 6, 1996 made significant changes in veterans' eligibility for VA medical care; VA Medical Care Fact Sheet, VHA, January 29, 1997.

that claims-processing performance can be improved with aggressive and creative management at the RO level. During visits, the study team was frequently told that performance improvements had been achieved by rediscovering and implementing basic management and supervision skills and techniques. It also seems likely that the ROs which have demonstrated this kind of innovation will be in a better position to plan and manage BPR initiatives.

Although the VBA has been a place of exuberant experimentation and management initiatives, the agency has yet to demonstrate and carry through on a commitment to systematically evaluate the changes that are already underway within the organization. The Government Accounting Office (GAO) raised this concern in 1995 and recommended that the VBA initiate an evaluation of these projects to determine their operational outcomes on the claims process. As of this report, the agency still has not evaluated the operational outcomes of these initiatives to inform its BPR analysis and planning efforts.

BPR's Benefits are Driven by Key Untested Assumptions.

The panel attempted to develop a list of the BPR assumptions through a series of meetings with VBA executives and its support contractor in order to understand the direct relationship between each BPR assumption and the specific reductions in the VBA's forecast of pre-BPR end product workload. This data and information was not readily available. That which was provided was incomplete and poorly integrated.

The linkage of BPR's assumptions to the agency's budget is uncertain. The VBA's simulation model is driven by a number of key assumptions about the benefits that will result from changes to be made in the current process. For budget purposes, the VBA identified six different categories of BPR initiatives called "bundles." These bundles include: (1) survey and outreach; (2) rules and regulations; (3) legislative change; (4) IT; (5) human resources; and (6) data links. The VBA then allocated the C&P workforce reductions and timeliness improvements estimated from the BPR model to these six categories. The study team was unable to determine how the results of the BPR model estimates relate to the benefits attributed to each bundle. This is a critical issue for two reasons:

- The VBA's FY 1998 business plan (BP) assumes that from FY 1996 through the end of FY 2002, BPR will result in a cumulative reduction of 1.1 million fewer end-product claims in the system. The panel's analysis indicates that 61 percent (45 percent from pension simplification and 16 percent from other rules changes) of the cumulative 1.1 million reduction in claims due to BPR would be driven by assumptions about pension and rules simplification and that about 39 percent in the reduction is due to assumptions about the effectiveness of the proposal to implement a post-decision review officer to reduce appeals.³⁵
- The ability to trace analysis assumptions to the budget is critical if the VBA is to establish technical and program baselines for measuring actual performance improvement. Under the current approach the linkage between BPR analysis assumptions and resources provided is tenuous.

³⁵ Calculations based on data provided by the BPR support contractor, Reconciliation of As-is and To-be Work counts, March 5, 1997.

The benefits attributed to BPR are driven by unsubstantiated assumptions in the analysis. The panel has identified the explicit assumptions in the BPR analysis, as well as the implicit assumptions that can be derived from the available data. Table 5-2 summarizes the key BPR analysis assumptions. The critical role of the VBA's assumptions in this analysis and the risk associated with these assumptions is illustrated by the examples below.

TABLE 5-2: BPR ANALYSIS ASSUMPTIONS

Explicit Model Assumptions	Other Assumptions
<p>Key Simulation Model Drivers:</p> <ul style="list-style-type: none"> ▪ 40 Percent of Applications Received Through Veterans Organizations ▪ 80 Percent Reduction in pension Workload Due to Simplification ▪ 95 Percent Reduction in Time to Prepare and Notify of Award. ▪ Eliminate Claim Authorization Step ▪ 75 Percent Reduction in Application Interview Time ▪ 75 Percent of All Medical Records Received in 4 to 7 days <p>Workload:</p> <ul style="list-style-type: none"> ▪ 80 Percent Reduction in Income Related Work ▪ 80 Percent Reduction in Overpayment Work ▪ 80 Percent Reduction in Determining Eligibility for Certain Benefits ▪ 83 Percent Reduction in Notification of Status Change Work ▪ Eliminate Hospital Adjustment Work Due to Automation ▪ Transfer Chapter 31 No-rating Work to VR&C ▪ 75 Percent of Burial and Accrued Benefits Work to be Automated ▪ 50 Percent Reduction in Rework for Additional Evidence <p>Claims Flow:</p> <ul style="list-style-type: none"> ▪ 20 Percent of incoming Calls Will Not Generate a Claim ▪ Post-decision Review Process Will Resolve 50 Percent of Claim Disagreements ▪ 30 Percent Reduction in Supplemental Claims Resulting From the Appeals Process <p>Evidence:</p> <ul style="list-style-type: none"> ▪ Eliminate Written Request for SSA and DoD Service Data ▪ 50 Percent of Original Claims to be Filed Within Year of Discharge ▪ VA Hospital Summaries Available in 1 to 2 Days ▪ 75 Percent of Medical Records Received in 4 to 7 Days <p>Task Time:</p> <ul style="list-style-type: none"> ▪ 10 Percent Reduction to Rate a Claim ▪ 50 Percent Reduction to Prepare Awards (Non-rated) ▪ 95 Percent Reduction to Prepare Rated Awards ▪ 35 Minutes to Explain an Award ▪ 3.5 Hours for a Post-decision Review ▪ 1.5 Hours for Statement of the Case 	<ul style="list-style-type: none"> ▪ Analysis Results Insensitive to Number of Regional Offices ▪ VBA C&P Forecast of Claims Workload is Valid Predictor of Work Effort ▪ No Wars or Military Conflicts and Major Benefit Changes ▪ External Organizations Will Perform to Model Assumptions ▪ Simulation of 1 Percent of the National Workload is Valid for Process Analysis ▪ All State and Veteran Service Organizations Perform as Assumed by BPR ▪ No Performance Improvements Without BPR ▪ FY 1997 End of Year Pending Workload of 360,523 Claims

Resources Are Inadequate for 58 ROs

The size of the VBA's RO structure along with the mix of services provided at these sites is a key determinant of the size and makeup of the workforce. The BPR analysis did not explicitly assume a regional office structure. The BPR analysis was based on a 1 percent national workload as representative of the total national workload. The BPR model does not account for work being done at multiple locations. As a result, allocating the estimated size of the C&P BPR workforce over the existing 58-RO structure does not appear to provide adequate resources to support 58 sites for claims processing. The VBA's BPR analysis and its FY 1998 business plan do not address this issue even though the lead time necessary to plan and implement such changes are well within the planning window for the FY 1998 budget.

Contributions of VSOs and State Departments Are Uncertain and Unanalyzed

One of the more significant assumptions is the VBA's plan to expand the role of state departments of veterans affairs and membership VSOs in claims processing. The agency's BPR model assumes that 40 percent of the C&P claims submitted will come directly from these organizations and that applications received from this source will reduce by 60 percent the time it takes to interview and screen applications within the VBA. Based on data provided by the BPR contractor from a sensitivity analysis the study team requested, it appears that at least 29 percent (and possibly as much as 44 percent) of the C&P and veterans service BPR workforce reductions projected in FY 2002 are due to these two assumptions.

During the study team's discussions with C&P and BPR representatives it became clear that this was a major issue and that the consequences of these assumptions had not been adequately considered. These discussions indicated that many in VBA perceive that these organizations will develop these claims to the point of collecting evidence and provide a claim that is ready or near ready to rate. Today, the performance of the claims-processing system is the product of the collaborative efforts of the VBA and a number of outside organizations, including these VSOs. In most cases, members of these organizations have offices co-located within the ROs. The work contributions made by these organizations to the claims process is not directly accounted for in the VBA's labor and task time statistics. During panel staff field visits to the ROs the study team attempted to obtain data on the contribution in labor years provided by these organizations to the VBA. Although there is no systematic data collected on this activity, most RO directors felt that if it were not for these organizations they would need an increase in their workforce to sustain their current level of operations. The volume of the labor contributions of these organizations to the claims process appears to vary from RO to RO depending on the capacities of each organization.

There is no database that identifies the scope and magnitude of the valuable contribution made by these organizations. To estimate the total hours required to process claims, the C&P labor hours and hours expended by these organizations would have to be considered. The BPR analysis reduces the VBA's workforce based on assumptions about improvements within the VBA which apply to VBA's labor contribution only on the condition that the content and magnitude of the work contributed by the state and membership VSOs will increase.

During interviews with representatives of state departments of veterans affairs in March 1997 and previous discussions with representatives of national membership VSOs it became clear that the VBA had not formally coordinated this proposal with these organizations before it was included in the BPR program. The BPR proposal describes a vision of a partnership with these organizations to improve the claims process. This proposal has merit as a concept and there is some data emerging from Florida, where the St. Petersburg RO and the State of Florida are cooperating to improve the claims process (see Chapter Eight). These arrangements may be in the interest of the state and the federal government, but the VBA has not effectively analyzed and planned this proposal. For example, the VBA has not made a corporate effort to document the Florida experience, develop a set of lessons learned and provide this information to other states, and evaluate the operational outcomes. The VBA's estimate of the dollar resources to implement BPR does not include the resource implications of implementing this proposal nationwide or the development of the capacities of these organizations to fulfill this role.

The VBA may not appreciate the significant public policy and funding issues associated with this issue. The term "veteran service organization" is generally used to describe an organization dedicated to advocating veterans' causes and interests and assisting veterans in their interactions with the VBA. While state departments of veterans affairs and not-for-profit membership organizations can be considered VSOs, these two types of entities are fundamentally different.

- **Assistance from outside organizations cannot be mandated.** A major issue relates to the roles, charters, and accountability of the states and those of the national membership VSOs. State departments of veterans affairs must provide services to veterans in accordance with the legislative mandates of each state. As a result, each state has a set of benefits that are administered by these departments and a unique service delivery network for providing these benefits, including direct contact with the VBA to represent veteran interest. From a state perspective, the VBA's proposal may appear to be an unfunded federal mandate. Since each state takes different approaches to organizing and resourcing capabilities to deliver state and federal benefits to all veterans, the VBA would have to analyze and develop tailored plans for all 50 states in order to implement its assumption of state assistance with claims processing systemwide. The not-for-profit organizations are not government entities and are accountable to their membership, not to the VBA.
- **Assistance from outside organizations depends on interactions.** The VBA's relationships with these two entities also are different. Based on study team interviews with the VBA and representatives of these organizations, it appears that the VBA's central office almost exclusively focuses on its relationships with the national VSOs. The VBA's USB and staff meet at least quarterly with these organizations. The relationship with the state departments of veterans affairs is viewed as an intergovernmental issue for the department. Notwithstanding the fact that each year the department coordinates a meeting with the national association of state and county departments of veterans affairs at the CO there appears to be significantly less focus on the critical role of the states in service delivery and less of a felt need to include the states in planning activities. At the RO level, there is significant interaction with state and veteran service organization representatives. At the state level there are also relationships and working agreements between the states and the VSOs. If the VBA plans to expand the operational role

of the states and the VSOs, the CO will first have to significantly improve its capacity to directly interact with the states in developing policy and plans.

Claims Processing Performance Is Risked by Unproven Benefits of BPR

The proposal to reduce the C&P workforce based on the results of planned BPR improvements is a high-risk gamble for four reasons:

- As discussed earlier, a focus on the number of claims rather than the complexity of the cases as the measure of the C&P workload provides an incomplete and perhaps misleading picture of the work that must be done to develop and rate claimed disabilities. For example, between FY 1993 and FY 1996 the number of labor hours expended per disability rating increased 45 percent.³⁶ Proposed workforce reductions coupled with potential increases in the number and complexity of claims may consume the VBA's operational capacity and make investment in dedicating human resources to plan and execute BPR virtually impossible.
- A critical BPR success factor – the availability of personnel to put into the BPR training pipeline – has not been addressed by the VBA. To achieve BPR goals, personnel must be placed in training with sufficient lead time away from implementation of new process activities to insure that adequate personnel resources and skill sets are available. In reducing the workforce, the VBA is prematurely relinquishing resources it needs to retrain.
- The planning and implementation of BPR across the VBA will require dedicated personnel at each site. Experience from innovative RO's, like New York and St. Petersburg, clearly demonstrate that experienced people (5–10 or more from each site) must be dedicated to this effort for it to succeed.
- The BPR analysis assumes a waterfall of improvements beginning in FY 2000 through FY 2002 will result from a synergistic effect from all of the initiatives. This assumption is highly speculative and unsupported by hard data. Because of the size of the workforce reductions proposed there are significant risks associated with accepting this assumption.

There appear to be four alternative means of solving the possibility of a prematurely reduced workforce: (1) divert personnel from current operations and accept longer processing times and higher pending workloads; (2) fund a transition pool of personnel to support the BPR conversion period, while sustaining current performance levels and reducing the impact of the projected loss of a significant number of experienced adjudication personnel; (3) reduce the number of ROs and AOs to free up personnel to support operations and provide transition personnel and (4) action by Congress to sustain and stabilize the C&P workforce at FY 1997 levels for the near future pending the demonstrated benefits of BPR improvements. The last alternative provides the least risk to current operations and provides the VBA the flexibility to plan and implement BPR.

The VBA should consider several actions. It should more appropriately base its workforce reductions on achievement of demonstrated performance based on an integrated systems assessment of its total workforce requirements. During the study team's dis-

³⁶ Calculations based on COIN CP-145 and COIN DOOR 0026 Reports.

cussions across the VBA, it became apparent that there are many new and emerging requirements with different assumptions about the size, composition, and allocation of the workforce. For example, the BPR analysis makes assumptions about the veterans service workforce and at the same time the planning for the national customer service center concept is also making assumptions about the workforce, but there does not appear to have been a process for analysis and integration of workforce requirements. The VBA should also be planning for the potential operational impact of a large number of experienced adjudication specialists who are approaching retirement eligibility.³⁷

One additional issue merits consideration by the VBA and the BVA. The workload and process assumptions for these two organizations should be closely linked. As of the end of FY 1996, 85 percent of the BVA's appeals were disability compensation cases.³⁸ While their roles are separable, the actions of both organizations are linked in the claims-processing system. The operational goals and actions of one organization impact the performance of the other. However, it does not appear that there has been a concerted effort to optimize system performance.

Definition, Timing, and Cost of BPR Are Uncertain

The VBA has advertised that its BPR program is in the implementation phase, creating an expectation that its program is more mature than it is. In reality, the key process, legislative, and training initiatives have not yet been designed, tested, and evaluated. The VBA has indicated that the Seattle and Houston ROs will be the sites to test the BPR initiatives. However, only when these initiatives have been tested and evaluated will the VBA be in a position to consider the relative payoffs of specific initiatives, select initiatives for implementation, and then actually plan and execute their implementation. In addition to the many core concepts proposed, the VBA's program includes 17 other projects that are cited as being needed to improve efficiency and service. The VBA may be repeating its IRM experience by racing through analysis and planning to prematurely implement projects before the groundwork for success has been laid. This situation creates the potential for unrealistic expectations.

The VBA's cost estimate for BPR projects and their benefits is soft. Although this is to be expected at this early stage of the program, the VBA should make a detailed cost estimate for each of its initiatives to support affordability and resource allocation decisions. The BPR program estimate does not include estimated costs for the national customer service center concept and the non-recurring costs for equipping state and membership VSOs with capabilities to assume greater workloads. The VBA's activity-based costing initiative led by the CFO is a positive step in the process of developing a database to improve VBA's measurement of unit costs. VBA should reestablish the baseline of its BPR unit costs to be consistent with the database being developed by the CFO.

All-or-Nothing Approach to BPR Emphasizes the VBA's Weaknesses

The proposed BPR program is based on an all-or-nothing approach that assumes all of the proposed initiatives ("bundles" of initiatives) must be executed to achieve the program's goals. This is a high-risk strategy for several reasons:

³⁷ VA PAID System data, April 1996.

³⁸ Board of Veterans' Appeals statistical data (FY 1980–FY 1996).

- BPR's various business process, information technology, and training project initiatives are not integrated to provide discrete capability improvements targeted to specific improvement objective, and these initiatives are not prioritized for resource allocation and their operational payoff. The VBA asserts that these initiatives are so intertwined that they must all be implemented as a package. However, the weak link between BPR analysis assumptions and the VBA's budget suggests that the VBA has not yet integrated these initiatives. For example, BPR assumes that key online information system data interfaces such as with the Social Security Administration can not be implemented until Phase II VETSNET is operational, although this capability is operational at the New York RO.
- A target date of FY 2002 to achieve the benefits of BPR may be too far into the future to gain buy-in from the VBA's workforce without demonstrating earlier achievement of concrete steps critical to the success of BPR. As previously documented, the VBA has a history of developing plans that assume actions will be taken in the future. This bias toward planning to take future action rather than following through on near-term projects has been a hallmark of VBA management.

Leadership and Management of the BPR Program Are Fragmented

Leadership and management of the key activities necessary to improve the claims process are diffused, increasing the risk that BPR will not be realized.

- To manage BPR, the VBA established seven ad hoc working groups in January 1997 composed of a total of approximately 100 people from throughout the agency. The people serving on these teams and groups are doing so as an adjunct or ancillary duty rather than full time. These teams met at least monthly to redesign processes, develop specific initiative projects, and create implementation plans. They completed their work in April 1997 and the VBA's CO staff prepared a report on implementation of BPR, A "Blueprint for Change," for presentation to the strategic management committee (SMC) as this report was being prepared for issuance.

In preparing the "Blueprint for Change," C&P relied heavily upon self-directed teams. The Blueprint is a good first step in cataloging the issues that require attention in implementing BPR, but it does not adequately address detailed resource scheduling, integration and accountability aspects that are key to successful realization of program goals. This approach requires significant integration and management control to be effective — an area of weak capacity that the study team and others have identified within the VBA. Another concern is that it appears that most of these teams will be disbanded and that there will be little continuity as the program moves forward. A similar organizational approach was initially tried with VETSNET in 1993–94, which resulted in a complex and unwieldy organization of 12 teams located in four different geographical locations attempting to plan and execute 22 complex projects. In the case of VETSNET, the team members were dedicated to the project in contrast to BPR where the team members are not. Even so, the original VETSNET project team was disbanded, resulting in major discontinuities in the range of analysis, planning, and management of the project. Planning and management of BPR requires that people be dedicated to the effort on a full-time basis for the duration of the program. Planning and management of BPR should be accomplished by a dedicated organization that is not responsible for operational issues.

- The VBA's management approach has diffused accountability and responsibility for BPR. The C&P service, a staff organization, has been appointed to lead the effort to plan and implement a redesigned claims process. Three issues arise from this decision: (1) The C&P service is a crisis-dominated organization consumed on a daily basis with resolving a steady tide of issues. It does not have the resources to devote to BPR. (2) The C&P service views its role as being responsible for C&P program administration and program integrity with ROs and area directors being accountable for operational outcomes. (3) BPR requires that the VBA standardize operations across its ROs for systemwide success. However, operational control within the VBA is decentralized with power residing in the area and RO directors. This situation not only creates tension within the organization, it makes it difficult to gain buy-in to the VBA's operational portfolio of CO-directed and led initiatives. Until the VBA is willing to deal with this conflict and modify its decentralized management style it will not be able to effectively analyze the variations in performance and operations that exist among its ROs and achieve a more uniform level of performance (see Chapters Three and Four for more discussion).
- Accountability and responsibility for acquiring information from external organizations to support claims processing must be improved. This issue is discussed in more detail in Chapter Eight. A crucial claims development task is acquiring specific veteran service and medical information. Currently the responsibility for this key effort is fragmented and not a high priority of the organization, even though BPR makes certain assumptions about the timely availability of such information to support an improved claims process.

Of particular concern is the alignment of the VBA records management center. This center is now aligned under the central area and is treated as another RO although it performs a critical function that supports all ROs, veterans, and other agencies. VBA should realign the St. Louis VBA records management center (RMC) directly under the USB. Additionally, the VBA should make the center responsible for managing the requirements process for the acquisition of new beneficiary information, planning, and implementation of data exchange requirements and projects, and establishment of agreements for medical and personnel information to support claims processing. The responsibility of the center also should include transfer management of the benefits information record locator system (BIRLS). This includes responsibility for policies, changes, data quality, and the data entry for service discharge form DD 214. Data center responsibilities for BIRLS should remain at the Austin Automation Center.

Another key issue relates to providing the resources necessary to achieve the BPR objective of timely access to veteran records. For the foreseeable future the management and retrieval of these paper records and files will remain a labor-intensive process. Additional workforce and information system resources should be provided to the VBA's RMC to enhance its capability and to provide a dedicated capability to support VBA requirements at the National Personnel Records Center. Additionally, funding is required to procure records management and customer service information system capabilities to improve the integration of the VBA and NPRC and to provide for system interfaces with the DoD and ROs. If these resources are not provided, it is likely that the current response time to respond to VBA records and information requests will degrade.

The VBA's Capacity to Effectively Plan and Execute BPR Is Limited

The VBA is an operational organization attempting to push a growing volume and complexity of concurrent program projects through operational management. Its leadership capacities are not designed to manage complex activities. As documented in other studies, the VBA is trying to manage complex BPR activities with people whose attention is required on daily operations. The VBA has attempted to bridge this gap with the assistance of a contractor. However, the agency has limited capacity for effective program management and integration of this type of contractor support. Until the VBA invests in building an appropriate management infrastructure, chances for BPR success will not improve.

PANEL RECOMMENDATIONS

Reduce Risks to Current Claims-Processing Operations

- Congress should sustain the C&P workforce at its FY 1997 levels.

Improve BPR Planning and Execution.

To improve BPR management, the USB should:

- Realign responsibility for the BPR program from the C&P service to a dedicated program manager who reports directly to the USB and has responsibility and authority to plan, integrate, and execute the BPR program.
- Establish a dedicated office to plan and manage BPR during its life cycle with dedicated staff resources that have no other responsibilities and reconfigure the ad hoc groups currently managing BPR as implementation teams operating on a formal basis to integrate BPR activities.
- Establish and deploy a cadre of RO personnel to initiate BPR planning, organization, and training.

To reexamine the BPR analysis and its assumptions, the BPR program manager in conjunction with the director of the C&P service should:

- Reevaluate process design changes based on a detailed analysis of the underlying drivers of process complexity and workload, such as the number and type of service-connected disabilities, their trends, and a system view of the population.
- Reassess the key assumptions of the BPR analysis and analyze the sensitivity and risks associated with these assumptions.
- Redefine the boundaries of the BPR analysis to include the BVA, the VHA and the DoD.
- Create a VBA capacity to independently plan and use the BPR simulation model.
- Change the BPR all-or-none strategy by prioritizing proposed BPR efficiency improvements into projects that can be implemented independently and earlier. If necessary, defer BPR initiatives in other program services until later and concentrate VBA resources on C&P.

To improve the VBA's capabilities to reduce the time required to acquire veteran service records and information for claims development and for use by VSOs:

- The USB should:
 - Provide additional workforce and information system resources to the agency RMC to enhance its capability and to provide a dedicated capability to support VBA requirements at the National Personnel Records Center.
 - Realign the management of the St. Louis RMC from VBA's central area office to report directly to the USB.
 - Make the RMC responsible for managing the requirements process for the acquisition of new beneficiary information, planning and implementation of data exchange requirements and projects, and establishing agreements for medical and personnel information to support claims processing.
 - Transfer business sponsorship and responsibility for management of BIRLS to the RMC.
- The secretary should pursue a comprehensive effort with the state departments of veterans affairs to leverage county, state, and federal programs and resources to enhance access to veteran records, develop and implement data exchange projects, and provide resources to improve capabilities.

Create an Organizational Capacity

To implement formal processes to control change, the USB should:

- Establish a program integration office that reports to the under secretary with responsibility for VBA-wide project and initiative integration policies, control, planning, and assessment of project performance.
- Implement a formal configuration control process designed to assess, integrate, and control major changes across the VBA especially as they impact claims processing policies, procedures, process tasks, training, and information system support.
- Expand the scope and use of the C&P service decision assessment document to include an impact assessment of significant COVA decisions, including an analysis of all VBA resources, activities, projects, processes, training, and information systems impacted by the decision.

To create an organizational capacity for claims processing analysis:

- The director of the C&P service should submit a plan to the USB to build a C&P service capacity for operational analysis, planning, and project management.
- The director of the office of resources management (ORM), should:
 - Develop and implement an improved methodology and an integrated C&P and resource management analysis process for forecasting and analyzing workload and trends and for use of actuarial information to support the FY 2000 budget submission. The methodology should be based on the portfolio caseload of service-connected disabilities, disability trends, types of disabilities and their differing demands for labor output; and on DoD force structure and mix (active, guard, and reserve), personnel policies, and demographics.
 - Enhance the VBA's current end-product system, as a priority effort, to further break out disability issues for greater visibility and tracking.
 - Initiate analysis and planning for modernization of the C&P workload and performance measurement systems.

To analyze and size the C&P workforce:

- The director of the C&P service should initiate a comprehensive analysis and study of the size and skill sets required for the C&P workforce and complete this analysis in time to support the FY 2000 budget submission.
 - Base this analysis on specific criteria defining the quality of the rating process and outcomes, the underlying factors which drive workload, and current and future trends. A task and skills analysis should be included to determine if the current C&P skill sets and those proposed in BPR are adequate to provide the quality of decisions made by rating specialists to judge and document the proper application of law to each service-connected disability claimed.
 - Analyze and evaluate current case management strategies being employed at ROs to assess workforce and caseload issues.
- The USB should initiate a comprehensive VBA workforce analysis addressing future requirements, allocation among program services, and skill needs in time to support the FY 2000 budget submission.

Enhance Planning and Integration with State and National VSOs

- The USB should establish a permanent office within VBA to work with VSOs and state departments of veterans affairs to develop and implement policies, projects, and operational concepts to improve claims processing and service to the veteran.
 - Develop a comprehensive ongoing strategic planning and program development process with VSOs and state departments of veterans affairs to leverage county, state, and federal veteran programs, service delivery networks, and resources to enhance the claims process.
 - Work with the states to develop an appropriate administrative mechanism for coordination of planning and program activities.
- The secretary should allocate funds in FY 1998 for the VA to establish a pilot program to provide funds to state departments of veterans affairs for capabilities to interface with VBA systems, for certification training support by the VBA, and process improvement activities needed for integration with the VBA process changes.
- The USB should:
 - Evaluate and document the lessons learned from the project now under way between the State of Florida and the St. Petersburg RO, for dissemination to the state directors of veterans affairs.
 - Initiate a survey of state veteran programs and infrastructures in order to develop a database to facilitate claims process planning activities

Establish an Improved Oversight Capability

- Include in the secretary's comprehensive performance improvement plan to Congress the recommendations made regarding BPR improvement. Progress should periodically be reported to Congress.

CHAPTER

6

Modernization of the VBA's Information Resource Management and Information Technology

INTRODUCTION

The VBA is pursuing the modernization of its information system capabilities on a multi-track basis for compensation and pension (C&P), education, and loan guarantee. This effort includes the provision of personal computer work stations with associated off-the-shelf software packages for each employee. The VBA is rapidly approaching this goal. As of April 1997, the VBA's inventory of personal computers was 12,400. Other projects include development of business software applications for these work stations to support claims operations, development of an imaged-based processing capability for education, new software business applications for loan guarantee, and replacement of the current Benefits Delivery Network (BDN) centralized system with the Veterans Service Network (VETSNET). VETSNET is envisioned as the end state of a new modernized processing architecture, a new database, and new software applications to support the agency's business operations.¹ A critical information resource management (IRM) issue is the VBA's plan to modify its benefits delivery network (BDN) payment system to accommodate year-2000 date-change requirements so that payments to veterans will not be interrupted.

The VBA's FY 1998 information technology (IT) budget proposes an outlay of \$112 million to acquire new capabilities and support current system operations. The budget includes \$68 million for non-payroll acquisition and operations and support activities and \$54 million to fund 873 IRM personnel to support 58 regional offices (ROs) and two benefits-delivery data centers.

The VBA's business process reengineering (BPR) program proposes a \$197 million investment (estimated acquisition costs) in IT modernization projects to support and improve C&P claims-processing through FY 2002. The IT initiatives proposed in the BPR plan are not new projects identified during the BPR analysis, but rather are an

¹An *Organizational Assessment of VBA Modernization Activities*, CNA Corporation, Institute for Public Research, Report IPR 95-5020, March 1995.

aggregate of projects that the agency has been seeking to implement for some time. The VBA's BPR proposal is targeted to improve the timeliness of claims processing. The BPR analysis assumes that without implementing BPR the VBA can reduce the average days to complete C & P claims 26 percent by the end of FY 2002. The VBA's BPR proposal assumes that the IT investments alone will reduce the average days to complete these claims by 43 percent.² The VBA FY 1998 budget assumes that 47 percent of the projected reduction in C&P and veterans services employees in FY 2002 will be enabled by modernized IT technology and data-linking capabilities.³ Another IT cost driver is the VBA's strategy to establish a series of national customer service information centers. BPR initiatives assume that veterans will be provided increased access to more effective communications for getting information on benefits, filing claims, and checking the status of their claims. This plan is in the early stages of development, but preliminary estimates indicate an investment of about \$50–60 million may be required to achieve this goal. This investment is not included in BPR or FY 1998 budget estimates.

The VBA has continued to invest in complex IT modernization projects that exceed its management and technical capabilities and that have unproven benefits. While pursuing its modernization programs, IRM central office staff lost sight of the agency's core business mission, thus jeopardizing the VBA's most critical information system, the BDN payment system. This system processes and delivers about 40 million checks annually to veterans. The VBA cannot afford to allow these critical operational capabilities to deteriorate. During this study, the Academy panel also became concerned about the ineffective management of the project to correct the year-2000 computer problem for the payment system and other high-risk activities that placed the payment system operations at risk. Subsequently, the deputy secretary initiated actions to assure the payment system will continue to provide service to the veteran.

Fundamental changes must be made in VBA's IRM culture, leadership, management, strategies, priorities and capacities for executing complex programs. If these systemic problems are not addressed, it is likely that the VBA IRM program will drift from crisis to crisis with investments in projects of questionable value and with a low probability of successful implementation. As a critical first step, the VBA must make greater investments in organizational capacities (skills, processes, project management) for planning, implementation, and evaluation of complex development programs.

This chapter identifies deficiencies in the agency's IRM capacities and IT projects and provides specific recommendations to improve organizational and project performance. Although the primary focus of this study was on modernization of IT for C&P, the findings and recommendations are relevant to the VBA's capacity to plan and manage the full range of its IT modernization effort.

² This value was calculated from BPR data provided on February 4, 1997, by the VBA on the assumed benefit of modernized information technology and data-link capabilities. VBA estimates of improvements in processing days with and without BPR were based on seven types of claims (EPs 010,020,110,120,140,180, 190) which account for about 53 percent of C & P labor hours.

³ VBA FY 1998 OMB Budget Submission, IV-A-15.

KEY FINDINGS

- The VBA's efforts to install new computer work stations in its 58 ROs were successful because the agency's IRM capacities matched the level of work required. However, the technical and management complexities of providing software applications, sustaining high user performance, and logistically supporting more than 12, 000 computers are stressing the VBA's current capacities.
- The BDN payment system at the Hines data center is the VBA's major IT strength. The IRM central office has consistently jeopardized operations at Hines by diverting personnel and funding to modernization projects elsewhere without sufficient attention to what had to be done to sustain the payment system and keep it current with legislative and other necessary changes.
- The VBA has not achieved its modernization goals because it has invested prematurely in overly risky strategies, plans, and programs. The agency has not been willing to first invest in the necessary capacities (skill sets, processes, and program management discipline) to lead and manage complex development programs. Current management improvement efforts have had marginal impact and are not likely to substantively change short-term or long-term VBA IRM organizational and IT project performance.
- The VBA's management of its IRM programs and projects is fragmented to the extent that virtually no one is accountable for project performance and delivering an operational system capability. The VBA's tendency to act as its own systems technical program integrator, coupled with the agency's uncoordinated contracting and project strategies, reduces the probability of project success.
- IT project and system complexity at the VBA is rapidly increasing, and the agency has not put in place effective processes for configuration control, requirements determination, prioritization, or program evaluation. The VBA has started projects without defining outcomes or measures of success, made unrealistic assumptions about what is required to effectively plan and execute IT projects, and pursued more projects than it has the capacity to successfully execute.
- Some ROs have initiated software development projects to meet their own needs. Although well-intended, these applications have not been evaluated and are not technically integrated to achieve agency wide capability.
- The VA office of IRM initiated a series of IRM policy, planning, and process activities in 1996 to improve the planning, approval, and oversight of IT projects within the department. These initiatives are a step in the right direction, but will not sufficiently impact the current VBA situation.
- The means being pursued to achieve the VBA's end state vision called VETSNET is not a viable answer to the VBA's modernization goal, nor will it fix the year-2000 issue. The project, as currently planned and being implemented, does not evidence the key technical and program characteristics for success, even after the VBA limited the scope of the project to provide only functional capabilities equal to those of the current payment system. The systemic deficiencies in this project that have been previously documented remain, and successful completion of the project is beyond the VBA's current capacity. The VBA's modernization goals are sound, but the current technical and program strategic means to accomplishing these goals should be converted to a lower-risk approach.

DISCUSSION AND ANALYSIS

Background

The VBA's core businesses and its 58 ROs are supported by online access to centralized data-system capabilities hosted at three data centers through desk-top computer work stations. Data-processing support for the consolidated insurance program is located at the insurance center in Philadelphia. Data support for C&P programs at all 58 ROs and the education program is provided by the Hines, Illinois, benefits delivery center. Support for the loan guarantee program is provided by the department's automation center in Austin, Texas. Austin also hosts the VBA's Beneficiary Location and Records System which contains key military service information on veterans and VBA's decision-support system, which captures data on RO workload and performance. Each data center also hosts an IRM software development group for the VBA.

The core information systems that support the VBA's business operations are composed of a portfolio of business software applications that exceeds 100,000 "function points"⁴. Software applications with more than 2,500 function points are considered large. Many of the VBA's individual business applications are large by this definition. The VBA's original modernization plan not only called for replacing the business-user capabilities provided by these 100,000 function points, it planned to significantly increase the number of work activities that were supported with automated capabilities.

The VBA's information modernization approach calls for these centralized data systems to be replaced with a client-server technology environment. This approach decentralizes the database function and replicates the operation of business software applications and data processing at multiple sites, adding complexity. The VBA's C&P and education applications that are hosted at the Hines data center account for about 40 percent of the total VBA function-point inventory and support payment of \$20 billion (FY 1998 estimate) in annual benefit payments to veterans and their dependents.

The VBA's major IT initiative is the continued development of the Veterans Service Network (VETSNET Phase I) to replace the current Benefits Delivery Network and provide additional capabilities to ROs. From the inception of VETSNET through January of 1997, the VBA has invested about 250 labor years in this project. The VBA's plan and cost estimates assume that funding for enhancement to a VETSNET Phase I capability to accommodate redesigned C&P business process requirements (Phase II/III) begins in FY 1998 and continues through FY 2002. VETSNET Phase I is not operational and there is no reliable estimate as to when it will operationally support all VBA ROs.

The VBA's IT Strength – the BDN Payment System

The key strength of VBA's IRM organization is data center operations and the ability of the BDN payment system at the Hines and Philadelphia insurance data centers to provide timely and accurate payments to veterans and their dependents. This systems

⁴ Function points, which are independent of software language, are used to provide a reliable and consistent method for measuring software size and complexity. *Guidelines for Successful Acquisition and Management of Software Intensive System*, Vol 1, February 1995, Department of the Air Force, Software Technology Support Center.

capability processes more than 40 million payments to veterans per year. While the VBA has been criticized for a number of claims processing problems, making regular payments to veterans and initial payments after claims have been adjudicated has not been the source of those criticisms. Operationally, the BDN payment system supports an average of 2,300 concurrent users at the VBA's 58 regional offices. The Hines benefits data system performs at greater than a 99 percent system availability with a response time of less than five seconds for 99 percent of the transactions processed through the centralized system while the workload on the system increased 20 percent.⁵

The BDN payment system is a dynamic, high-volume transaction-processing system with more than 70 interfaces to other VA and external data systems. The system is comprised of mainframe processors, operating system software, business software applications, and data access storage devices. Although the BDN payment system began operations in 1979, it is not a static or outmoded system. The BDN payment system processes about 15 million database transactions per year and provides online access to the master records for 3.3 million veterans and dependents receiving payments.⁶ As the number of accessions to the C&P roll increases, the number of master records in the database and the number of transactions also increase. The BDN system software and database must also be continually updated to accommodate yearly legislative changes in benefit entitlement, policy decisions which impact claims processing, cost-of-living adjustments, and a host of other changes.

The IRM Organization Must be Restructured to Build Capacity for Success

Congress generally has supported the VBA's goal to modernize its information system capabilities. However, Congress and the oversight community have been critical of the means (strategies, plans, and approaches) the VBA has taken to achieve its goal. These criticisms have focused primarily on (1) the VBA's limited capacity to manage large, complex information system acquisition programs, (2) insufficient linkage of the agency's modernization programs to customer-performance measures, and (3) its plans to acquire new systems before implementing BPR.⁷ The history of the VBA's attempts to modernize its information system infrastructure and its systemic technical and program management difficulties is well documented. As early as 1985, a series of recommendations was made to the VBA concerning its IRM deficiencies and the agency's needs to prepare itself for planing and carrying out its modernization goals. Ten years later a similar study reached the same conclusions: that the VBA lacked the capacity to effectively plan and implement complex modernization projects and made recommendations very similar to those made earlier.⁸ During the intervening period, the General Accounting Office (GAO) raised a number of concerns about the agency's IT modernization program, concluding that it was premature for the agency to proceed with acquisition of

⁵ Operational system statistics for the BDN System, Hines Benefits Delivery Center, March 1997.

⁶ Data as of February 1997 from the VBA FY 1998 budget submission and Hines Benefits Delivery Center records.

⁷ "An Organizational Assessment of VBA Modernization Activities, Final Report," CNA Corporation, Institute for Public Research, March 1995.

⁸ *Modernization Implementation Plan*, Department of Veterans Affairs, McManis Associates, Inc., October 25, 1985; *Organizational Assessment of VBA Modernization Activities*, CNA Corporation, Institute for Public Management, Report IPR-95-5020, March 1995.

hardware and software without first making fundamental changes in its business processes.⁹ The VBA continued with its modernization programs.

In 1997, the panel found that the documented deficiencies in the VBA's approach persist. The problems and issues described in this analysis are symptoms of fundamental deficiencies: VBA needs to build an experienced staff to effectively plan and implement complex IT programs before committing major investments and impose the discipline required to manage such programs.

The VBA Has Neither the Capacities nor the Discipline Needed for IT Success

Although the critical and systemic weaknesses in the VBA's capacity to plan, integrate, and implement complex operational information systems are well-documented, the agency is continuing to pursue a high-risk modernization strategy and programs that exceed its technical and management capacity. "Capacity" in this case refers to the skill sets, processes and disciplines for program and technical planning and integration, and project management experience. To a large degree, these critical capacities are missing in the organization for IRM. In 1985, a key study strongly recommended that the VBA precede modernization with an investment in building program management and technical skills, structures, and processes needed to effectively plan, integrate, and implement complex technology programs.¹⁰ When in 1987 the VA administrator mandated IT modernization, the VBA acquired more than 300 automated data processing (ADP) staff members. At that time, the GAO expressed concern about the VBA's plans and how the agency proposed to organize and use this staff.¹¹ GAO also expressed concerns about weaknesses in the management and oversight of department IRM programs.¹²

Accountability and Responsibility Is Fragmented

The VBA's management approach to information system development and management of operational systems is fragmented. No one has the authority or responsibility for delivering critical IRM system and program performance.

The VBA's central office (CO) controls funding to support the agency's mission-critical systems, and holds the Hines and Philadelphia data centers and their software development centers responsible for operations. Within the VBA's central office for IRM, few staff members have operational systems and data center experience or an understanding of software development requirements and management.

Although VBA's central IRM office budgets for all VBA IRM personnel resources, IRM personnel assigned to the ROs are not responsible and accountable to VBA's chief information officer (CIO). It is therefore difficult to exercise reasonable controls on regional office IT initiatives and locally-generated software development applications.

⁹ *Acquisition of Information Resources for Modernization is Premature*, General Accounting Office, Report IMTEC-93-6, November 1992.

¹⁰ *Modernization Implementation Plan, Department of Veterans Benefits*, McManis Associates, Inc., October 25, 1985.

¹¹ *Department of Veterans Benefits Modernization Program*, General Accounting Office, Report IMTEC-88-3, October 1987.

¹² *Stronger Role Needed for Chief Information Resources Officer*, General Accounting Office, Report IMTEC-91-51BR.

The RO view is that the VBA's central office for IRM has not been responsive in delivering IT capabilities to support operational needs. As a result the ROs have little confidence in VBA's central IRM office so they have used local RO IRM personnel to develop software applications. While local innovations are desirable, it appears that IRM personnel at the ROs are so heavily engaged in local IT development initiatives to the point that the mission and size of the IRM workforce should be evaluated.

Conflicts over responsibility for operational requirements is another major issue. The agency's C&P Service defines its role as being responsible for C&P program integrity and administration. Accountability for operational outcomes of the claims process is considered to reside with the ROs. This basic conflict has created a situation in which the C&P staff and the CO decides what IT operational claims projects to start. The result is that the ROs are "out of the loop" even though they have the operational responsibility for delivering services. This dichotomy has provided the incentive for regional offices to launch their own initiatives.

This situation has evolved because (1) the VBA has not established a formal and disciplined process for developing functional requirements and specifications for new systems, and (2) IRM central office staff and the C&P service do not perceive the ROs as the customer.¹³ There appears to be a long-standing reluctance within the VBA to adhere to disciplined processes for information resources management. As a result, there is no disciplined institutional mechanism for the ROs to identify operational requirements, systematically track how those requirements are being met, and evaluate the operational outcomes of the initiatives. The agency's IRM central office staff and the C&P service have no responsibility or accountability for operational field outcomes, and these two organizations initiate projects without establishing business goals, quantitative operational outcomes, or measures of success.

The development of the claims processing system (CPS) business software application is a case in point. Since 1992, the VBA has invested about \$5 million in this program championed by the C&P Service. The C & P Service has not stated business goals, operational outcomes, or measures of success for the project. Decisions on further investment and deployment of CPS should be based on the program's demonstrated ability to achieve desired operational outcomes and meet or exceed criteria for success.¹⁴

The VBA's Contracting Approach Increases Management and Technical Risks

The VBA's current acquisition management approach relies on issuing multiple task order contracts to multiple contractors to work on many pieces of various projects, putting the VBA in the role of a system technical and program integrator, for which it is not equipped. For example, the VBA typically will try to develop part of a software application with in-house resources, task one or more contractors to develop other parts of the application, and then task other contractors to provide pieces of the hardware processing system. This strategy relies on the weaknesses of the VBA's IRM organization (technical analysis, planning, and systems integration) rather than its strengths (modification and update of existing capabilities and data center operations).

¹³ Unpublished report, CNA Corporation, Institute for Public Research, November 1995.

¹⁴ CPS Project Plan, November 9, 1996; and VBA IRM budget data for FY 1996–FY 1998.

More importantly, the VBA's contracting and project strategies diffuse responsibility and accountability for project success, leaving no one in charge or accountable. This contract strategy must be changed if the VBA is to succeed. The agency should hire a systems integration contractor to develop, integrate, and deliver new system capabilities. However, the VBA must put in place an experienced team of program managers skilled in systems integration contract and program management.

IRM Strategic Planning Is Not Well Integrated

The VBA has not developed an IRM road map to modernize IT capabilities for each business line. This is particularly evident in the insurance program. Since the VBA is moving toward a more centralized structure for its strategic lines of business, the agency should begin to plan along strategic business lines for its IT system capabilities. The benefits and nature of the processes of each business line are different, making it likely that universal IT solutions may not adequately satisfy all requirements. System capabilities need to be tailored to meet specific needs.

Previous Efforts to Update the System Have Created Major Risks

Data Centers Responded When the VBA's Central Office for IRM Lost Sight of Its Core Business

Beginning in 1992, the CO staff shifted its focus from sustaining its core data systems in favor of investing in modernization. The following year the CO imposed a hiring freeze at the Hines data center, which precluded recruitment of new software programmers with more current technology skills.¹⁵ At the same time, the VBA's central office for IRM did not provide leadership to improve the VBA's software development and management capabilities or to replace aging BDN mainframe computers and data-access storage devices.¹⁶ This situation, coupled with the hiring freeze and the VBA's IRM policy to control BDN project funding significantly increased the likelihood that the performance of the payment system would deteriorate.

In early 1995, an independent study concluded that the VBA's information system development program (VETSNET) had a low probability of achieving the planned August 1996 milestone date to replace the BDN payment system. This study also recommended that the VBA sustain BDN as a core capability "insurance policy."¹⁷

The Hines and Philadelphia data centers took the initiative to creatively acquire excess government mainframe computers to provide VBA this insurance policy. These centers successfully planned and replaced their 1970s vintage Honeywell mainframe computer systems (DPS-8/70s, operating system software, and data storage devices) with more modern Honeywell processing systems (DPS-8000s and their operating system software) produced in the late 1980s and early 1990s. The first DPS-8000 system was put into operation on November 6, 1995 and the systems have performed

¹⁵ Hines Software Development Center FTE data, 1997.

¹⁶ *Software Capability Evaluation: VA's Software Development Process Is Immature*, General Accounting Office, Report AIMD-96-103, June 1996; *Veterans Benefits Modernization: Management and Technical Weaknesses Must be Overcome If Modernization Is To Succeed*, General Accounting Office Testimony, AIMD-96-103, June 19, 1996; VBA modernization program and budget data.

¹⁷ *An Organizational Assessment of VBA Modernization Activities*, CNA Corporation, Institute for Public Research, IPR Report 95-5020, March 1995.

flawlessly since, providing the VBA significant increases in system performance at a reduction in operating cost. The centers also successfully replaced older IBM computers with more modern IBM systems. These actions relieved concerns about the life expectancy of the BDN system.¹⁸ During this transition, both centers provided seamless operational support to business customers without loss of any access time or capability to the ROs.

Anticipating the deficiencies in the VA and VBA year-2000 modification plans, the Hines and Philadelphia data centers also took action to reduce the risk associated with a further upgrade to a DPS-9000 system. Introduction of the DPS-8000 and its operating system software provided a transition step for the VBA's data centers into more modern technology. The smooth and uneventful transition to this newer platform provided experience that directly related to the transition to the DPS-9000, which would be required to achieve year-2000 capabilities for the payment system. The DPS-9000 is a state-of-the art system using advanced processing technology. Its operating system and the new version of the IBM operating system also provided increased capabilities. A critical step in reducing technical risk was the successful test in November 1996 to determine the interoperability of the BDN transaction processing software with the DPS-9000 environment. This test demonstrated the robustness and flexibility of the original BDN transaction processing software design and its ability to operate in a seamless fashion with new technology.¹⁹ The need to upgrade to technologically newer versions of these systems today does not mean that the existing systems were deficient in performance.

High-Risk Year-2000 Approach and Consolidation Plans Threaten Payments

Proposed Year-2000 Fix Was Simultaneous with Major System Relocation and Upgrade

The VBA based its plan to provide year-2000 payment system capability on an assumption that the replacement system (VETSNET) with the necessary modifications built in would be available two years before the turn of the century. Secondly, the VA's office for information resource management made a policy decision to consolidate the VBA's mission-critical data systems now located at Hines and Philadelphia into the VA's Austin automation center concurrent with the timing of the modifications to assure year-2000 capabilities for the payment system.

In July 1996, the VA notified Congress of its plan to convert its payment system and provide year-2000 compliant capabilities. This plan called for the VBA to replace the BDN payment system with a new operational system for C&P by May 1998 and for replacement systems for the education payment system to be in place by the summer of 1998. As a contingency, the VBA was to begin an in-house effort at Hines to modify the BDN software applications to support year-2000 operations. This plan also called for relocating the C&P payment system to the Austin Automation Center.²⁰

¹⁸ *Evaluate Life Expectancy of Honeywell Systems Project Report*, HJ Ford Associates, Inc., November 1995.

¹⁹ GCOS 8 SR4500 Validation Test Report, Bull HN Information Systems, Inc., November 14, 1996.

²⁰ Letter from Secretary of Veterans Affairs Jesse Brown to U. S. Representative Terry Everett, chairman, Subcommittee on Compensation and Pension, Insurance, and Memorial Affairs, July 29, 1996.

The VBA's Year-2000 Plan Was a High-Risk Strategy

On paper, plans for the year 2000 and consolidation may have appeared reasonable. In reality, however, it was a high-risk strategy for three reasons: (1) Assumptions about the BDN replacement were overly optimistic and misleading. (2) The VBA's plan to rely on its in-house capabilities to modify the software for year 2000 could not be executed. (3) The VA's plan to consolidate VBA's mission critical information systems ignored the complexity and cumulative risks to payment system operations.

Although the VBA endorsed modifying the BDN software for year 2000 as a backup to its investment in the follow-on system, it does not appear that VBA seriously attacked the BDN year-2000 software modification issue. The VBA's plan for Hines was based on erroneous workload assumptions and on the unrealistic assumption that in-house software programming resources capable of accomplishing the software modifications were available. The VBA central IRM staff did not understand the nature and scope of the Hines software programming workload and the impacts of its previous work-force decisions.²¹

The VA's Data Center Consolidation Plan Further Increased the Risks

During this same period, the VA office for IRM was advocating consolidation of the Hines and Philadelphia data centers at the VA Austin automation center as part of a departmental policy decision on data center consolidation. The FY 1998 VA budget assumes funding the Austin Automation Center beginning in FY 1999 to provide data center operations of the VBA payment system. From a budget execution perspective, the activities to plan the consolidation and complete the transfer of this mission critical system to provide seamless operational support to VBA's 58 ROs would have had to occur well before October, 1998. In line with its decision position, the VA office for IRM withheld approval of the VBA's request to procure the necessary processing system hardware and software to support year-2000 modifications.²² Meanwhile, the time remaining to solve the year-2000 issue was becoming increasingly short.

Actions to Resolve Year-2000 Problem

In March 1997 the Academy panel chairman informed the deputy secretary of the panel's concerns regarding the risk to payment system operations in the current situation. The Academy panel's assessment of the situation and recommendations are summarized below:

²¹ In addition to the impacts of the imposed 1993 hiring freeze on Hines software development center capabilities, the VBA reallocated a number of its more experienced legacy system programmers to new software modernization projects. This further reduced the availability of skilled and experienced programmers to modify the software for the year 2000. This personnel problem was further aggravated in late 1996 when the VBA decided to offer buyouts but did not exempt critical legacy system programmers and senior software program managers. Because the VBA's central office for IRM had lost focus on its core business, it did not appreciate the amount of work required to make updates to the C&P and education software due to legislative and other requirements. For example, six benefits changes including a new benefit for children born with *spina bifida* made in FY 1996 legislation must be reflected in C&P payment system capabilities and require modification of the software. Annual changes such as these should not have been a surprise to the VBA's central office staff, but they were. Data is based on interviews with VBA IRM personnel; Memorandum for Record, VBA IRM 20534, Subject: SVAC/HVAC Hearing on year-2000; VBA year-2000 Plan; BDN FY 1997 Enhancement Meeting Notes, February 19, 1997.

²² Interviews with VBA IRM staff.

- The VBA's payment system capacity is the strength of the organization and is critical to its mission .
- Without constraints the consolidation of data centers would be technically and operationally feasible. Relocation of any mission-critical system while sustaining seamless operations to the operational user has inherent risks. The timing of the consolidation essentially takes a highly reliable system that makes 40 million payments promptly and reliably to veterans and places it at risk. Yet, in this case the VA's plan called for this transition and consolidation to occur concurrently for two mission-critical systems (Hines and Philadelphia) and concurrently with ongoing year-2000 modification activities, upgrading mainframe processors and operating system software, and incorporation of annual legislated changes for FY 1997, FY 1998, FY 1999, and FY 2000.
- Additional risk factors include issues related to who would be accountable and responsible for managing this complex effort, the absence of a cost-benefits and operational risk analysis, and concerns about the availability of experienced programmers and data center operations staff.
- Procurement action must be completed promptly to acquire processing hardware and software and acquire systems integration contractor software support in time to support year-2000 modifications.
- Time is critical. Because of the number of interfaces with other systems and the complexity of the system, the VBA will not know the operational success of year-2000 software modifications until the modified software has completed a system operational test. Time will be needed after this test to determine what additional programming, operational, and policy changes may be needed to reduce risks to sustaining any remaining uninterrupted payments to veterans. The VBA should anticipate running parallel test operations with pre- and post-year-2000 applications to insure seamless operations well before January 2000. The VBA should target parallel operations to begin no later than January 1999 to allow for contingencies.

The Current Situation

In late March 1997, the department deferred consolidation of the data centers and approved the procurement of necessary processing system upgrades and contractor support for year-2000 software modifications. These steps significantly reduced a number of risks to achieving year-2000 capabilities. The magnitude and complexity of the year-2000 program will require the combined commitment of the VBA's leadership, management, and personnel resources to achieve success.

The Need to Prioritize the VBA's IT Projects

The VBA's Plans for IRM, BPR , and the FY 1998 Budget Do Not Explicitly Identify Priorities for Its Portfolio of Projects, Their Precedence, or Interdependence to Support Claims-Processing Operations

It is clear, however, that the agency's IRM focus has been on major modernization projects over current operations. There is no organizing scheme in evidence to indicate what criteria may have been employed to identify the projects that are in the VBA's plan and budget. The Academy panel has inferred from the budget that the VBA's central office for IRM viewed some projects as insignificant while the actions of the ROs in

developing their own applications suggest a different perspective. In general, the VBA has emphasized development of projects sponsored by the VBA central office for IRM over projects that could directly deal with practical RO issues.

Five Recommended Priority Categories

In reviewing the agency's IT modernization projects for C&P claims processing, the Academy study team focused on identifying projects that could positively impact claims processing in the ROs and could be implemented within the next year or two, rather than the four- to five-year window assumed in the BPR plan.²³ A summary of these projects and their recommended priorities can be found in Table 6-1. These projects are discussed in more detail below:

- Priority I covers those projects previously discussed that the VBA should consider as "show stoppers," including projects that relate to sustaining current operations and solving the year-2000 problem. Operational performance of the VBA's 12,400 work stations and their associated off-the-shelf software and network capabilities are critical to supporting claims processing.
- Priority II includes those projects to enhance current operations that should be implemented in a one-to-two-year period. Based on Academy study team analysis and discussions with IRM managers and technicians, the planning and implementation requirements for these projects are more closely matched to the VBA's actual IRM capacities. Achieving this match should improve prospects for success if the VBA concentrates its capabilities on follow-through. Most of these projects are not currently high-visibility projects within the agency's IRM organization, but they have significant operational impacts. These projects are not major system development activities but extensions of current operational capabilities that need to be completed on a priority basis. The study team did not perform a cost-benefit analysis of these projects.
- Priority III projects have major implications for longer-term capabilities and are generally more complex initiatives related to core infrastructure capacities.
- Priority IV projects may have operational utility, but the VBA's business community has not established business goals, desired operational outcomes, or success criteria for these projects. Further investment should be considered based on the formal evaluation of these projects.
- Priority V projects should be dealt with as discussed in this report.

High-Impact Projects (Priority II) Needing Critical Attention

Teleconferencing Capabilities Can Rapidly Extend Veteran Access to the Regional Offices

However, teleconferencing is not a priority capability for the VBA. In FY 1996, the BVA initiated a limited teleconferencing capability to support appeal hearings. This proved to be a success in accelerating the process and achieving a better quality outcome. The

²³ Implementation schedule working paper for BPR bundles of capability, February 4, 1997. To support its BPR analysis modeling efforts, VBA grouped its assumptions about proposed initiatives into six bundles or categories: (1) surveys and outreach; (2) rules and regulations; (3) legislative; (4) IT; (5) human resources; and (6) data links. For each bundle of capability, VBA made assumptions about when these capabilities would be implemented as well as their benefits.

TABLE 6-1: RECOMMENDED IRM C&P PROJECT PRIORITIES

Priority	Projects
I. Urgent	<ul style="list-style-type: none"> ▪ BDN Operations ▪ Legislative Change Updates ▪ Year 2000 Modifications ▪ Regional Office Workstations and Performance
II. High	<ul style="list-style-type: none"> ▪ Teleconferencing ▪ VACOLS ▪ AIME Enhancement ▪ BIRLS Data Quality ▪ Records Management Center ▪ Data Requests/Customer Service ▪ BDN Access to VSOs ▪ Social Security/DMDC ▪ Online Access ▪ CATS
III. Lower	<ul style="list-style-type: none"> ▪ Accounting/Finance Subsystem Requirements ▪ Decision Support
IV. Further Evaluation	<ul style="list-style-type: none"> ▪ ARMS ▪ COVERS ▪ CPS ▪ Customer Service Center
V. Defer	<ul style="list-style-type: none"> ▪ VETSNET ▪ Data Center Consolidation

VBA should provide the ROs the policy and funding flexibility to quickly implement teleconferencing and enhanced telephone capabilities as soon as possible. The networks of state and federal agency teleconferencing capabilities and contracts that exist provide the ROs a convenient and rapid capability to enhance customer contact and improve the claims establishment and development process.

VBA User Requirements for the Veterans Appeals Control and Locator System (VACOLS) Should Be a Priority Effort

As discussed in Chapters Five and Nine, there are a number of issues associated with analysis and management of the appeals workload. The BVA has taken actions to provide the VBA's regional offices with limited access to the VACOLS database for tracking

appeals. This capability has been helpful, but many ROs have not used the system to track appeals. To date, the VBA has not developed a detailed set of requirements for the functionality the agency needs to replace the capability in its Appeals Tracking System (ATS). As a priority, the VBA should perform the data, system, and process analyses required to develop user requirements and operational concepts for an enhanced VACOLS capability before January 1998. The department should work with the VBA and the BVA to ensure that adequate resources and capacities are in place to technically implement this capability as soon as feasible.

The Automated Medical Information Exchange System (AMIE) Must Be Enhanced.²⁴

The ability to acquire information on veterans in a timely manner from VHA facilities can improve the claims process and benefits administration. The basic AMIE system was developed over a five-year period and became operational in 1991 at various ROs. This system automates the provision of information on the status of veteran medical care between the VHA medical center and the RO for benefits adjustments. Another feature of the system, called the C&P examination program, automates the C&P physical examination process data. Although this is a critical system capability for the VBA, the VBA does not own this capability and AMIE has low visibility and priority within the VA. Telecommunications constraints limit VBA access and enhancements are needed to improve functionality. Further, the decentralization of the VHA and the large number of facilities involved make it all but impossible for the VBA to effect these changes in a timely manner. Efforts to enhance AMIE should be integrated across the VA and resourced on a high-priority basis.

Investments Are Required to Accelerate and Manage the Acquisition of Veterans Records and Service Data.²⁵

These projects are examples of how quality can be built in to the claims process before a veteran files a claim. As discussed in Chapters Two and Six the acquisition of veteran medical and military service records is a critical step in the claims process. A number of organizations are directly involved in the management of these records and data. Although this is a critical operational issue for the VBA, it does not have much visibility within the IRM program or the C&P service. Changes in the management, funding, and priorities in these areas would speed and improve the quality of the claims process. The VBA records management center should analyze and plan for data exchange and system interface capabilities with these organizations to support claims processing. IRM resources should be reallocated to the records management center to accelerate the planning and execution of these data exchange and system interface capabilities. BPR assumes that 75 percent of the requested medical records will be received in the ROs within seven days of the request, but achievement of this goal will depend on the early success of the following three projects:

- **Improving the accuracy and quality of BIRLS information.** The DD 214 (DoD discharge form) is the primary source of military service data used to establish a

²⁴ Automated Medical Information Exchange (AMIE) Training Implementation Guide, 1991; interviews with C&P and VHA personnel; and VBA budget and IRM planning data.

²⁵ Interview data at the VBA Records Management Center, National Personnel Records Management Center, and Office of the Under Secretary of Defense for Personnel and Readiness; Personnel Information Access, Final Report, Office of the Under Secretary of Defense for Personnel and Readiness, June 1995; VBA IRM Strategic Plan; and VBA FY 1998 budget data.

file on a veteran in the Beneficiary Information and Locator System (BIRLS). The data in the BIRLS file is routinely accessed by RO personnel to support a host of claims-processing data needs, but the accuracy of the data is not reliable. Approximately 15 percent of all RO demands on the BDN are inquiries into the BIRLS data base.²⁶ With such a heavy demand on the BIRLS database, errors in the database cause significant and needless extra work when service information has to be verified. Several problems need to be addressed. First, there is no ownership of BIRLS and of the data quality issue within the VBA. Secondly, BIRLS is maintained at the Austin automation center which has no operational claims-processing responsibility or accountability for claims process outcomes and quality. Within the VA, the VBA records management center should have responsibility and accountability for BIRLS system administration.

- **Reducing duplication in requests for information.** The VBA generates approximately 900 requests a day for information contained within veterans records. This does not include the requests made directly by veterans and veterans' service organizations (VSOs). The VBA's records management center has made strides in piloting new procedures and capabilities (3101 requests) to reduce the rate of duplicate requests. This is another project that has limited visibility and priority within the VBA, but is critical to improving timeliness and quality on the front-end of the claims process. Resources and priority support should be provided to the records management center to develop and implement nationwide capabilities, processes, and training needed to improve this situation.
- **Providing veterans with improved access to medical and service records.** The acquisition of service and medical records should be a seamless process for the veteran, but currently the veteran must cross multiple boundaries to make inquiries or request information. Customer service and exchange of information on customer requests among the various organizations maintaining the information is critical. The VBA records management center should be provided resources to acquire automated telephone and customer service capabilities to improve the tracking of record requests and the management of the system. This capability also should be extended to include the National Personnel Records Center that supports VBA requirements.

Timely, Online Access to Social Security and the Defense Manpower Data Center Information Systems Is Needed

The VBA plans to pursue these capabilities at some time in the distant future as part of VETSNET.²⁷ This is not a priority for the VBA's central office for IRM, but the need for this access has been expressed by a number of RO directors. In New York, for example, the RO director took the initiative to establish an online link with Social Security. This capability can be implemented sooner rather than later and it does not require VETSNET to be in place. As with AMIE, this is a case where useful capabilities could be implemented with management focus and attention. The VBA should fund and accelerate the establishment of these data system interface capabilities at high-volume ROs as soon as possible.

²⁶ *Information Architecture Analysis*, Volume I, CNA Corporation, Institute for Public Research Report IPR 95-5067.09, November 1995.

²⁷ *Reengineering Claims Processing: A Case for Change*, Veterans Benefits Administration, December, 1996.

Customer Service Information System Capability Is Required to Improve Response Time and Service Quality

The ROs have a critical need for a systems capability such as a personal information management organizer, where veteran call-ins and calls to veterans can be recorded along with the information and actions discussed. This capability would solve a major issue for the ROs. This capability was a major aspect of the customer service vision the VBA created in its 1993 video tape entitled "VBA Modernization Business Model: A Model for the Future." Because of the need for this capability, a VBA regional office developed a software application called Claims Automated Tracking System (CATS) that has been placed into limited use at several locations. CATS has been designed to deal with day-to-day problems at the RO level by tracking customer service contacts and claims development information in a case-management environment. Analysis of the St. Petersburg RO's process improvement efforts concluded that a system with the features of CATS was required. None of the VBA's central office-sponsored applications are targeted to fill this need, but a number of such capabilities are available in the commercial market. The VBA should provide the resources to fully implement CATS at selected high-volume ROs, including St. Petersburg.

Provide BDN and BIRLS Access to VSOs

The VBA plans to leverage the participation of state departments of veterans affairs and not-for-profit veteran member organizations to improve the claims process (see Chapter Five). This can be facilitated by providing access to these two databases and providing a capability for electronic claims development and transmission. The acquisition of the DPS-9000 at the Hines data center will allow the VBA to increase the number of concurrent users of the BDN system including state and veterans service organizations. This capability (systems and security features) can be implemented beginning in 1998 if the ROs and the VSOs develop an operational concept for use of the systems to support claims establishment, claims development, and status tracking, and work to resolve privacy issues. Priority should be given to ROs with large workloads and state departments of veterans affairs. Another key operational capability that can be rapidly implemented is electronic claims development. Off-the-shelf software packages can be used to provide a capability for developing a claim form anywhere and transmitting it to an RO. These efforts should be accompanied by development of data and system standards for exchange of veterans information with state departments of veterans affairs.

Projects Needing Detailed and Integrated Requirements Analysis (Priority III)

The VBA Needs an Integrated Approach for Developing a Comprehensive Set of Accounting and Finance Subsystem Requirements for Its Business Applications

The VETSNET project needs a comprehensive and detailed analysis to identify the technical and program requirements for accounting and finance.²⁸ Each of the VBA's 10 major C&P and education business applications have accounting and finance subsystems. These subsystems must interface with the department's new financial management system. The VBA has been proceeding with its payment system and modernization programs without a set of documented accounting and financial subsystem requirements. This is of particular concern given that the department has made a major investment in

²⁸ Interviews with VETSNET team members, Chapter 1606 education project team, and VBA financial systems personnel; review of project documents.

acquiring a new core financial management system (FMS) and that the VBA's systems must operate seamlessly with the department's FMS.

During interviews with VETSNET team members it became obvious that they were not aware of the detailed functional requirements of the joint financial management improvement program criteria for standard government financial systems.²⁹ The payment system is a very complex program in which developing an integrated set of accounting and finance subsystem requirements is a major project in and of itself. Before the VBA proceeds further with its C&P and education modernization program, the Academy panel believes that the Chief Financial Officer (CFO) should lead a comprehensive effort to develop an integrated set of core accounting and finance requirements for all of the VBA's business applications. This would allow the VBA to focus on developing a core accounting and finance subsystem and then focus on the functionality required for the business users. This should be pursued through a disciplined requirements process which should form the basis for an assessment of the feasibility and trade-offs of a new development effort or of acquiring and modifying an off-the-shelf accounting and finance subsystem. Additionally, the BPR program needs to focus on the accounting and finance workflow process as it relates to C&P.

Modernization of the VBA's Decision-Support Information System Is Needed

The VBA's decision to base its FY 1998 business plan and future budgets on performance measures and the assumed consequences of the BPR initiative have significant near-term and long-term information system implications. While the VBA has been making investments in IT modernization, it has not focused on the need to redesign and improve its work and performance measurement process or its supporting information systems. This report has identified a number of deficiencies in the VBA's data and analysis of C&P operations (see Chapters Five, Eight, and Nine). A more robust and comprehensive capability needs to be in place well ahead of major changes in the C&P process. Currently, this is not a focused or priority effort within the VBA. In the near term the VBA should seek to further refine its end product codes to identify more specific workload issues of concern and then optimize the capabilities of the existing BDN system to track and identify these products at a more detailed level. For example, new end product codes could be established for original compensation claims to provide better visibility as to the number and types of disabilities. Similarly, analysis of the appeals issue and workload could be improved by collecting more detailed data. In the long term, the VBA should begin a more comprehensive study to develop a set of requirements for an improved decision analysis and data system.

Projects Needing Evaluation Before Further Investment and Deployment (Priority IV)

The Benefits of the Automated Reference Materials System (ARMS) and Control of Veterans Records (COVERS) Are Uncertain

ARMS was originally planned to be a transitional software application until the BDN replacement system (VETSNET) was available. It was deployed in 1994 to provide ROs with online access to C&P procedural manuals which have been stored on

²⁹ *Core Financial System Requirements*, Joint Financial Management Improvement Program Office, General Accounting Office, FFMSR-1, September 1995.

CD-ROM discs.³⁰ COVERS is a software application originally conceived in 1988 as an automated folder system using bar code technology to track veteran claims folders in ROs.³¹ This capability was deployed beginning in 1994–1995. Survey data and interviews with regional office personnel indicate that there are concerns with the operational suitability and technical integration of these applications.³² These applications were conceived by the staff of the VBA central office for IRM, but to date the VBA has not developed a set of business goals for use of these applications. The concept behind ARMS appears reasonable, but the design of ARMS should fit within the context of an overall, integrated approach to rapidly providing C&P personnel with information on COVA and VBA policy and procedures decisions. As discussed in Chapter Five, the VBA needs to develop and implement an integrated configuration control system that rapidly translates the impacts of COVA and procedural changes into useable data and information. In the case of COVERS, its use imposes workload requirements on RO personnel and many ROs have ceased to use it. COVERS may have some use in tracking the location of record folders from RO to RO or to another site, but within-office tracking requirements should be reevaluated.

Evaluate the Benefits of the Claims Processing System (CPS) Before the Decision on Deployment

CPS is a software application that has been in development since 1992–1993 to facilitate the claims development step of the claims process. CPS uses rules-based functionality (in excess of 800 expert rules) about claims development to assist in the identification and management of required evidence to support claims development for original compensation claims. This approach relies on creating expert rules in the software application for the user to respond to questions. Based on the response of the user to the question (usually yes or no), the software application will then lead the user through a specific set of logical steps or actions unique to the initial response. The initial CPS capability is designed to support only original disability compensation claims. CPS seems to be a step in the right direction, but it is premature to deploy the system. During Academy study team interviews, a number of issues were raised about this program. The two most frequent criticisms were that CPS may be designed for a problem that no longer exists and that its development has not been integrated with other VBA improvement activities and applications. As previously noted, the C&P service has developed neither a set of business goals for this project nor quantitative outcomes to assess how its application will impact the overall claims development process.

The RO directors and the C&P service director should (1) develop and implement a formal operational test and evaluation plan for CPS with specific criteria related to improvements in claims processing, (2) develop and implement a success criterion for making a decision about system wide deployment of CPS, and (3) actively participate in the oversight of this demonstration. The CIO should consider a centralized system approach for the operational test and evaluation.

³⁰ *An Organizational Assessment of VBA Modernization Activities*, CNA Corporation, Institute for Public Research Report IPR 95-5020, March 1995.

³¹ *Use of Information Technology by VA's Department of Veterans Benefits*, General Accounting Office Testimony, T-IMTEC-88-6, July 28, 1988.

³² *Veterans Claims Adjudication Commission Report to Congress*, December 1996; Academy research team interviews with RO personnel.

Additionally, the VBA has not developed an operational test and evaluation plan for the application. A number of major factors with regard to CPS need to be evaluated, such as the usefulness and payoff of rules-based technology in this application, the operational suitability of the application to support current issues in the claims process, and the ability to impact positively the outcomes of the current claims-development process. The evaluation should assess the impact on appeals and the reasons for appeals. As it stands, a list of priority changes to CPS identified functionality improvements to provide data on appeals, grants, and denials as the next-to-last priority, an indication that the VBA needs to take a fresh and broader look at the consequences of using CPS. CPS should be put through a formal operational test and evaluation program with an extensive data collection and analysis effort for at least a year to generate the volume of claims through the system necessary to evaluate its operational outcomes .

A key issue related to CPS is case management. The VBA is attempting as part of BPR to realign its C&P field structure based on a case-management approach although the concept does not have a commonly understood meaning with regard to organizational structure and work specialization. There is general agreement that case management refers to an approach in which one employee is responsible for a veteran's case during its lifetime. However, VBA has not critically evaluated the various experiments going on within the agency with regard to case management. Of particular concern are the consequences associated with the workload for C&P specialists within a case management environment. Although there is an ad hoc case management working group within the VBA, the case management concept has not been fully developed and evaluated. Furthermore, the VBA has not analyzed the scope and size of potential case loads and the workforce implications. Such an analysis would have an impact on the design of the logic of the work-flow enabling systems such as CPS.

Decisions on National Customer Information Center Needs Further Analysis

A proposed call-in center where veterans could inquire about the status of their claims is part of a VBA initiative to give veterans more access to the claims process. However, it is not clear how such a concept would directly impact operational outcomes, integrate with other initiatives, or impact the budget. Furthermore, there are questions as to its workforce requirements and the sourcing of the personnel for this capability. Before there is further investment in this strategy, the Academy panel believes that the VBA should plan, design, and implement a demonstration project and formally evaluate its operational outcomes before making decisions about implementation.

Some Projects Should Be Deferred (Priority V)

Development of VETSNET, As It Is Being Planned and Implemented, Is Beyond the VBA's Technical and Management Capacity.”

Since 1993, the VBA has invested about 250 labor years in the development of VETSNET to replace the BDN payment system with significantly increased automation capabilities. VETSNET was planned to support all VBA business operations with an integrated set of business applications and one enterprise database. The VBA's plans as early as February 1992 indicated that VETSNET would be completed in February 1995. By December

” The VETSNET assessment is based on a detailed review of previous reports, interviews with VETSNET managers and team members, and analysis of available documentation.

1993, VBA's plan called for a 24-project, 30-month program to deliver VETSNET for C&P in 1996. The VBA reduced the scope of the VETSNET development program in 1995 to delivery of only a capability equivalent to that of the current BDN for C&P with a target date for completion of May 1998. As of January 1996, the VBA had consumed 50 percent of the schedule time and expended about 78 percent of the forecasted labor for a program that called for testing of VETSNET to be completed in January 1998.³⁴

The VETSNET project is not focused on development and integration of an operational information system capable of supporting all 58 ROs. Rather, the focus is on development of a data model and a software application. None of the VETSNET team members interviewed expressed confidence that even the software would be delivered by May 1998. The following deficiencies are cited to illustrate the current situation.

Although this scaled-down version of VETSNET is supposed to provide functionality that is equivalent to the current BDN, none of those interviewed had ever seen the BDN system at Hines and were not familiar with how it works.

Accountability and management of the project is fragmented and no one is responsible for delivering operational capability. The VBA has not established any program metrics for estimating and tracking the progress of the program.

There are no documented technical and customer functional and performance requirements for the system. Therefore, there is no way objectively to determine progress against requirements. During interviews the study team asked VETSNET team members about the detailed requirements on which they were working but no one could provide them. Frequently, the team members responded: "We will know when we are through when we get there."

Additionally, the C&P service and the CFO have not developed business requirements or success criteria for measuring project performance. For example, VETSNET team members were generally unaware of the details of how the C&P and education accounting and finance functions work today in BDN, nor were they aware of Joint Financial Improvement Program System requirements and how they are being accommodated in the design of the software.³⁵ These requirements establish the technical and performance criteria for accounting and finance systems performance

A key issue relates to demonstrating achievement of requirements. BDN will have to be fully supported until such time that the full VBA business community has confidence that all 58 ROs can be supported by VETSNET. There are two principal issues here: (1) What level of confidence will the VBA's business community need to have in VETSNET to rely totally on it to support all 58 regional offices concurrently? (2) What demon-

³⁴ The history of the VETSNET program is well-documented. For a record of the program refer to *An Organizational Assessment of VBA Modernization Activities* (IPR 95-5020, March 1995) and *Veterans Benefits Delivery Network Payment System Redesign Analysis and Appendices* (IPR 96-0019.09, February 1996), CNA Corporation, Institute for Public Research.

³⁵ *Framework for Federal Financial Management Systems, January 1995, and Core Financial System Requirements*, January 1995, Joint Financial Management Improvement Program, General Accounting Office, Washington, DC.

strated operational performance and outcomes must be achieved to provide that level of confidence ? These same critical issues were raised in 1995 and still are not resolved.

The VBA has been diverting its IRM labor force to support VETSNET and investing in the procurement of contractor support and processing hardware systems. However, there is no reliable estimate of the costs of the project and how long it will take to deliver a fully operational system. At this point, the VBA should defer the project and the organization involved with it. While this would be a painful decision, it is the only way the VBA will be able to move to first focus on reengineering the organization, and then adopting lower-risk technical and program means to accomplish its goals. Anything less will only allow the status quo to continue. Fundamental changes that need to be made in VBA's IRM management will not be achieved through continuation of this project in its present form.

Recent decisions to defer data center consolidation, acquire new processing hardware and operating system software for BDN, and provide contractor support for year-2000 modifications have addressed the most critical issues threatening payment system operations. This does not mean that modernization of BDN is not desirable in order to facilitate new capabilities. In the Academy panel's view, recent decisions to sustain BDN provide the VBA the opportunity to concentrate its labor and contract resources on near-term IRM projects that could enhance the claims process and later pick up with a BDN follow-on approach that is lower risk.

As designed, the BDN system supports about 25 percent of the work activities in C&P. The fact that it supports only 25 percent of these activities does not make the system deficient. If the system did not facilitate the claims process, the VBA would not be able to consistently provide timely and accurate payments to veterans. Since 1993, the VBA has been attempting a high-risk program to replace something that works rather than concentrating first on automating critical work activities that could provide high pay-off. As the VBA's processes become more complex, the need there will be increases to provide automated support for the other 75 percent of the C&P work activities. Projects such as rating-board automation and CATS are targeted to deal with specific business problems. However, these projects were originally intended only as transitional applications until the full VETSNET capability was available. Applications such as these and specific data exchange projects (Priority II) can provide more immediate improvement to the claims process than continuing VETSNET.

Change the Means to Achieve Modernization Goals

The VBA should take the following steps to change the means to its goals:

- Focus IRM resources in the near term on the Priority I and II projects. These projects deal with current problems and the VBA's organizational capacities are more suited to accomplishing these types of projects.
- Suspend the current project and organization for VETSNET and defer this complex modernization effort to allow time to:
 - Build an organizational capacity that can effectively plan, integrate, and manage complex projects, programs, and contracts as a precedence step.
 - Hire an experienced systems integrator with demonstrated software development capability to assume total system performance responsibility for modernizing BDN.

- Develop a baseline set of functional and performance requirements for an integrated accounting and finance subsystem.

Once these precedence actions have been completed and evaluated, the VBA should redirect its modernization efforts toward developing a bridge between its existing production network capabilities and an open systems network that provides new capabilities to RO users. This approach offers at least three key advantages:

- It leverages the investment already made in the DPS-8000 upgrade and the current investment in the DPS-9000 system to support the year-2000 modifications. This system also provides open systems interoperability with other systems and relational databases.
- It reduces the potential of project failure to deliver new capabilities because it builds on the VBA's strengths and experience. The current BDN data model and database are proven and provide a low-risk approach to add new data elements to support new functional user requirements and facilitate conversion to a relational data base form if required to achieve performance requirements. The VBA has been trying to create a new, complex system from scratch. However, the proven BDN data model and database, coupled with the prototype screens that have been developed in the VETSNET project and the capabilities of the DPS-9000 provide the VBA with a much lower-risk pathway to modernization. This approach would provide a Windows-based screen environment much sooner with lower risk.
- The current well-functioning payment system is not put at risk.

Suspend Plans to Consolidate the VBA's Data Centers at the Austin Automation Center

Consolidation of data centers may in theory offer some benefits. However, the timing of this initiative should not put at risk the mission-critical operational payment system that successfully delivers financial benefits to veterans and their families. Continued efforts by the VA to force this consolidation during this critical period diverts management focus and resources from more essential tasks. From a practical standpoint, the period through FY 2001 will be critical. FY 2000 will be the first full fiscal year after year-change modifications are scheduled to be completed and operational. During this period legislative and other updates will need to be made to the system since FY 2000 legislative changes will not be made until FY 2001 and as a result, there may not be a stable baseline until some time in FY 2001. Additionally, the panel believes that the consolidation decision should be evaluated for long-term operational impacts, costs, and risks before any final decision.

KEY ACTIONS TO RESTRUCTURE IRM

The VBA needs to start and complete a number of key actions to change the means it is taking to modernize and to reengineer its IRM organization.

IRM Leadership and Management

The VBA's capacity to deal with the current and growing levels of technical and program complexity is limited. The agency has recently tried to provide some training in project management to selected VBA central office IRM managers who appear to be

interested in improving program performance. However, the VBA does not have time for its in-house capabilities to mature. The agency should hire an experienced program manager who has demonstrated success in planning and managing complex system development programs and systems integration contracts. It also should hire several experienced project managers with similar experience to design and implement project and technical management processes.

Establish Line-of-Sight Accountability and Responsibility

As a priority, the VBA should plan and implement a requirements determination process for its IT needs. This process should provide for formal coordination among stakeholders and rigorous analysis to determine how operational needs will best be met. When requirements have been determined it is critical to success that a detailed implementation plan be drawn, to include specific baseline information such as life-cycle cost, user performance and acceptance criteria, performance-based decision milestone reviews, formal risk assessments, and other elements. Implementation must be scrupulously monitored by experienced people with prompt attention to deviations from cost, schedule, and performance objectives through revisions to the plan as well as re-examination of the viability of the project and its implementation. Implementation will not be effective unless the VBA is willing to follow the disciplines of this process.

The VBA must decide who is the operational user for IT capabilities and align the requirements process accordingly. The ROs have the accountability and responsibility for operational outcomes and VBA should create a formal mechanism by which the ROs can actively drive the process and see that their needs are being met. The VBA must also assign accountability and responsibility for delivering integrated operational capabilities to specific individuals and provide them the skills and resources required to execute that mandate. In the near term, there is no easy solution to the ROs' felt need to develop their own applications given the performance history of VBA's central IRM office.

The VBA must assign accountability and responsibility for delivering integrated operational capabilities to specific individuals and provide them the skills and resources required to execute that mandate.

In the long term, decentralization of the agency's IRM staff and programming resources might well be considered. This approach would leverage the momentum already under way and provide a sense of operational urgency that does not now exist in the VBA central staff for IRM leaders. The VBA may want to consider designating selected ROs as leaders for developing requirements for new applications and limited application development. For example, the St. Louis RO might be the lead for education, with St. Petersburg the lead for C&P; Roanoke might be the lead for vocational rehabilitation, and Cleveland for loan guarantee.

The VBA should realign the Hines software development center under the director of the Hines benefits data center to integrate systems planning, system support, and management. The Philadelphia center should be realigned in the same manner. The VBA also should decentralize management of funding and decisions for these centers from the IRM to the directors of those centers. Finally, these centers should establish closer relationships among system center directors, the ROs, and the program service directors.

The VBA should assign organizational responsibility to the VBA records management center for the exchange of data and system interface associated with the acquisition of information from external organizations and from veterans. This action will integrate a number of diverse activities and provide greater visibility to critical information acquisition activities.

Estimate and Measure Program Progress

As a priority, the VBA should implement a rigorous and disciplined metrics-based process for planning IT projects and measuring their performance. In addition, the VBA should implement a software and system configuration-control process led by a formal control board which reviews and formally approves changes based on criteria that include a rigorous milestone-based decision review process. These management processes should be implemented beginning in calendar year 1997.

Resize and Reallocate the IRM Workforce

The CIO in coordination with the ROs should initiate a study to determine future IRM workforce requirements, allocations, and their composition. In the near term, the VBA should evaluate the missions of local IT groups and the current allocation of its workforce. Further, this study should deal with the appropriate responsibility and accountability for the IRM workforce. A key part of this effort should be the development of an appropriate set of metrics to assess the productivity of the IT workforce.

*The VA IRM Initiatives Are Steps In the Right Direction*³⁶

The cornerstones of VA's initiatives are a formal, integrated IT strategic planning process, a capital investment board that evaluates and make decisions on new acquisitions, and a reinvigorated oversight of IT programs. The department is aggressively staffing these initiatives and planning for their implementation. In April 1997, the department published its first IT strategic plan. The impact of these initiatives should ripple through the VBA's process for IRM and over time generate a requirement for a more disciplined process for gaining approval of new programs and more fully integrate technical and programmatic activities and capabilities.

A second initiative that will have positive impacts on the VBA's program for IRM program is the VA's plan to develop a long-term information system architecture for the entire department. The decentralized operating structure of the VHA and the VBA presents challenges, but does provide opportunities for the ROs and the 22 veterans integrated service networks to create interoperable system capabilities to better support the veteran. This effort should result in the development of technical criteria and standards which, at some point, should reduce the technical complexity of the VBA's planning efforts and make the development and implementation system interfaces with the VHA more timely. The panel believes that the VA's analyses and plans need to be comprehensive enough in scope and detail to interface with the DoD and with state departments of veterans affairs.

³⁶ Interviews with Department of Veterans Affairs IRM staff and review of draft policy and procedures documents.

However, these initiatives will not by themselves improve the relationship between the Department's and the VBA's IRM organizations. Based on interviews and observation, it appears that the relationship between the VBA's IRM and the department's IRM organizations has been contentious and counterproductive. This relationship must be changed if the VBA's cycle of IRM performance is to improve.

MANAGEMENT CHANGES NEEDED FOR LONG-TERM SUCCESS

In the view of the panel, many of the systemic and chronic problems with IRM programs at the VBA appear to be the result of the attitudes and behavior of the VBA's leadership and management. As early as 1985, McManis Associates, Inc., recommended that the VBA create the organizational capacities required to successfully plan and implement modernization programs.³⁷ Key points of the McManis report are:

- Technology modernization must be preceded by analysis and improvement of processes.
- Success will depend upon the capability of the VBA to manage the process of change and the soundness of the technical solutions.
- There must be an appropriate management structure in place with experienced technical and program management skills.
- If the VBA is unwilling or unable to invest in the structure and human talent to manage and carry out modernization, the project should not be pursued as the results would be disappointing.

The VBA has not created the organization and processes required to effectively plan and execute an agency IRM program. The VA and the VBA must commit to first building organizational IRM capacities and processes and pacing modernization investments according to their capacity to plan and then implement programs. The panel believes that continuing to make marginal changes in the VBA's existing IRM program and organization will not substantively change the current performance trend. The VBA must make three key changes to alter its culture and behavior.

Let Go of IT Approaches That Are Not Working

Key managers within the VBA have not stopped poorly performing programs. IT programs take on a life of their own once they are started and are propelled forward by bureaucratic forces. New technology is enticing but complex and difficult to control under the best of circumstances. VETSNET is an example. The VBA's goals for modernization are worthy. The principal inhibitor of success has been that the VBA continually has picked the highest-risk technical and program means to reach its goals that exceed the organization's capacities.

Implement Program Management Discipline and Aggressive Oversight

The history of the VBA's management of IRM projects suggests a permissive attitude that has avoided confrontation on difficult issues and holding responsible individuals

³⁷ *Modernization Implementation Plan*, Department of Veterans Affairs, McManis Associates, Inc., October 25, 1985; *Organizational Assessment of VBA Modernization Activities*, CNA Corporation, Institute for Public Management Report IPR-95-5020, March 1995.

and groups accountable. Historically, the VBA's culture has relied on verbal coordination among ad hoc groups to determine the progress of activities. This management style may have served the organization in the past, but it will not facilitate success in managing complex projects.

Abandon Resistance to Analysis and Evaluation

The VBA has been described by one observer as "a fertile field where a thousand wild flowers can bloom." There is no shortage of creativity within the VBA to generate new ideas. The problem is resistance to analysis and evaluation of these ideas for the purpose of selecting the best of them. The benefits of rigorous analysis and evaluation must be embraced.

PANEL RECOMMENDATIONS

Immediately

- VBA's USB should designate the payment system at the Hines benefits delivery center as the top agency IRM mission priority. The ongoing incorporation of annual legislative changes should be instituted as the top software priority.
- The USB should promptly complete funding and procurement actions to acquire the capabilities needed to support year-2000 modifications in order to assure uninterrupted payment of C&P and education claims benefits to veterans.
- The VA secretary should defer consideration of efforts to consolidate the VBA's critical data systems (Hines and Philadelphia) at the Austin automation center due to the high risks of concurrently sustaining operations while making legislative entitlement updates to the system and achieving year-2000 capabilities.
- The USB should take priority actions to stabilize, improve and sustain the performance of the VBA's inventory of work station computers and their off-the-shelf software packages.
- The USB should defer the current VETSNET project and organization as soon as possible, reallocate the VBA labor and contract resources to support current operations and newly fielded software applications, and later pursue a lower-risk approach to realize the VETSNET vision.

To Improve Claims Processing

- The USB should reallocate funds in FY 1998 to allow the ROs to acquire teleconferencing services and telephone capabilities to increase veteran access and speed the claims process. This capability should be implemented beginning in FY 1997 and expanded based on RO needs in FY 1998.
- The VA secretary should fund and implement in FY 1998 a comprehensive program to enhance the functionality of the automated medical information exchange system (AMIE) and increase telecommunications access for ROs.
- The USB should develop and validate a detailed set of requirements for enhancements to VACOLS by January 1998. The VA secretary should fund and implement enhancements to the VACOLS system at the BVA to support the VBA requirements to facilitate systemwide management of appeals.



- The USB should fund and implement online data system interfaces between the ROs and Social Security and the Defense Manpower Data Center beginning in FY 1998.
- The VA secretary and the USB should work aggressively to improve the quality of the DD 214 data input into the Beneficiary Identification and Records Locator System (BIRLS).
- The USB should fund and implement information system capabilities for the VBA records management center (RMC) in FY 1998 to (1) establish VBA-wide capabilities electronically to request military medical and service records from the DoD and the National Personnel Records Center and (2) implement customer information and records management systems to improve the quality of record requests and the speed of response.
- The USB should fund and begin implementing before the end of 1997 the CATS application now in limited use at several ROs.
- The USB should initiate planning efforts with state departments of veterans affairs and membership VSOs to increase access to the BDN and begin a process to develop requirements for a capability to electronically file a claim and transmit it to an RO.

To Build Organizational Capacity

- The USB should hire an experienced IRM program manager with demonstrated abilities to plan, manage, and evaluate complex programs and systems integration contracts. Additionally, several other experienced IRM program managers should be hired.
- The USB should assign responsibility for new system development including the development and integration of software to a systems integration contractor. This includes responsibility for systems integration of the Stage I architecture and system.
- The USB should plan and implement rigorous and disciplined processes for requirements determination, configuration control, prioritization, and project evaluation. This should include formal specification of quantitative business goals, process outcomes measures, and success criteria for IT projects.
- The CIO of the VBA should place the Hines software development center under the director of the Hines benefits data center to integrate systems planning, system support, and management. Operations at Philadelphia should be aligned in the same manner. Funding and decisions for these centers should be decentralized from the VBA organization for IRM to the center directors, effective in FY 1998.
- To acquire information to support claims-processing, the CIO for the VBA should allocate additional IRM workforce resources to the VBA records management center beginning in FY 1997. This will allow the acceleration and consolidation of VBA data exchange and the resolution of system interface issues.
- The CIO for the VBA in conjunction with the ROs should plan and implement an analysis effort before calendar year 1998 to determine IRM workforce requirements at the ROs and the benefits data centers. This analysis should be used to size and allocate the IRM workforce. Metrics should be developed to determine IRM workforce productivity and manage the workforce.

To Build System Capabilities

- The CFO for the VBA should lead the development of a comprehensive set of functional and performance requirements for an integrated VBA accounting and financial subsystem for new C&P and education business applications. This effort should precede further work on a BDN replacement system.
- The USB should begin an analysis of the VBA's work and productivity measurement programs and supporting information systems to develop requirements to guide modifications to the current system and for use in planning improved system capabilities.
- The USB should reexamine the VBA's modernization strategies and plans with a view toward seeking leverage of the investments in new processing capabilities for the BDN and its proven database.

Evaluation

- The USB should fund and implement a year-long operational test and evaluation of the claims-processing system (CPS) software application to determine whether it positively influences the outcomes of the claims process, achieves quantitative C&P and RO performance goals, and the degree of operational suitability and effectiveness of rule-based technology to improve performance.
- Congress should provide funds in FY 1998 for the USB to analyze, plan, and implement a prototype national customer service center. Decisions on further investment should be based on the results of a formal evaluation of the concept to determine whether it positively impacts claims processing outcomes.

Oversight

- Congress should require that the VBA formally establish cost, schedule, and capability baselines for its IT program and projects and that the VBA and the oversight community rigorously review and track performance against these baselines. Congress also should tie program authorization and appropriations to the accomplishment of specific program and performance milestones.

CHAPTER

7

VBA Organizational Structure

INTRODUCTION

A fundamentally different configuration of field operations should be explored. The VBA is under pressure to improve dramatically its service to veterans and reduce its administrative budget. To achieve these twin goals, the agency has launched a business process reengineering (BPR) project to redesign the claims adjudication process. The heart of the service improvements envisioned in BPR is a core set of highly trained adjudication personnel. If successfully implemented, this core set of personnel should improve service and strengthen the basis for a new field structure by facilitating the formation of small, stand-alone adjudication teams capable of being dispersed across the nation where needed and managed from fewer central locations than the current 58 regional offices (RO). Existing communications technology enables claims processing by small teams at any location. Modernization efforts described in Chapter Six would further enable remote processing.

The panel believes that, as BPR is implemented, the VBA should be analyzing the further benefits to veterans' service in terms of better and quicker access and more consistent decisions that could be achieved through reducing dramatically the number of ROs needed for managing the claims process. As the analysis in conjunction with implementing BPR progresses, the under secretary for benefits (USB) should begin planning a new effort to restructure the field service delivery network to improve service performance on behalf of veterans, manage within more stringent staffing levels, and identify savings for investment in BPR and information technology (IT) service improvements as well as in enhanced strategic management capacities.

KEY FINDINGS

- BPR, if successfully implemented, will enhance service to veterans. It could facilitate formation of small, stand-alone adjudication teams capable of being dispersed across the nation. Existing communications technology can enable claims processing by these teams at any location, and modernization efforts described in Chapter Six will further enable remote processing.

- A severely declining resource base and new resource demands will require identification of efficiencies in field operations. Large cuts in the general operating expense budget are programmed over the next five years. The VBA needs to identify future savings which will fund BPR and information technology (IT) improvements and strengthened strategic management capacities.
- The VBA's 58 ROs make it difficult to achieve consistency and efficiency. The agency needs to explore alternative structures that would reduce variation and increase the quality of RO performance while ensuring the service improvements sought in the BPR plan.
- Consolidation of the VBA's other service programs is leaving compensation and pension (C&P) as the only major VBA program at most ROs. This calls into question the long-term need for the current area offices (AO).
- The VBA needs to begin now to develop a long-term, phased, field organization restructuring strategy. In general, this plan should link administrative savings to successful implementation of BPR service improvements. However, the panel notes that within the current structure of the 58 ROs, the VBA can achieve some efficiencies that are separate from and before BPR implementation.
- Corporate strategic planning and management, if implemented as recommended in Chapter Three, will provide the necessary organizational capacity for development and implementation of a new restructuring effort. It will also provide the training and quality assurance support to ensure that dispersed adjudication staff reach consistent decisions.

DISCUSSION AND ANALYSIS

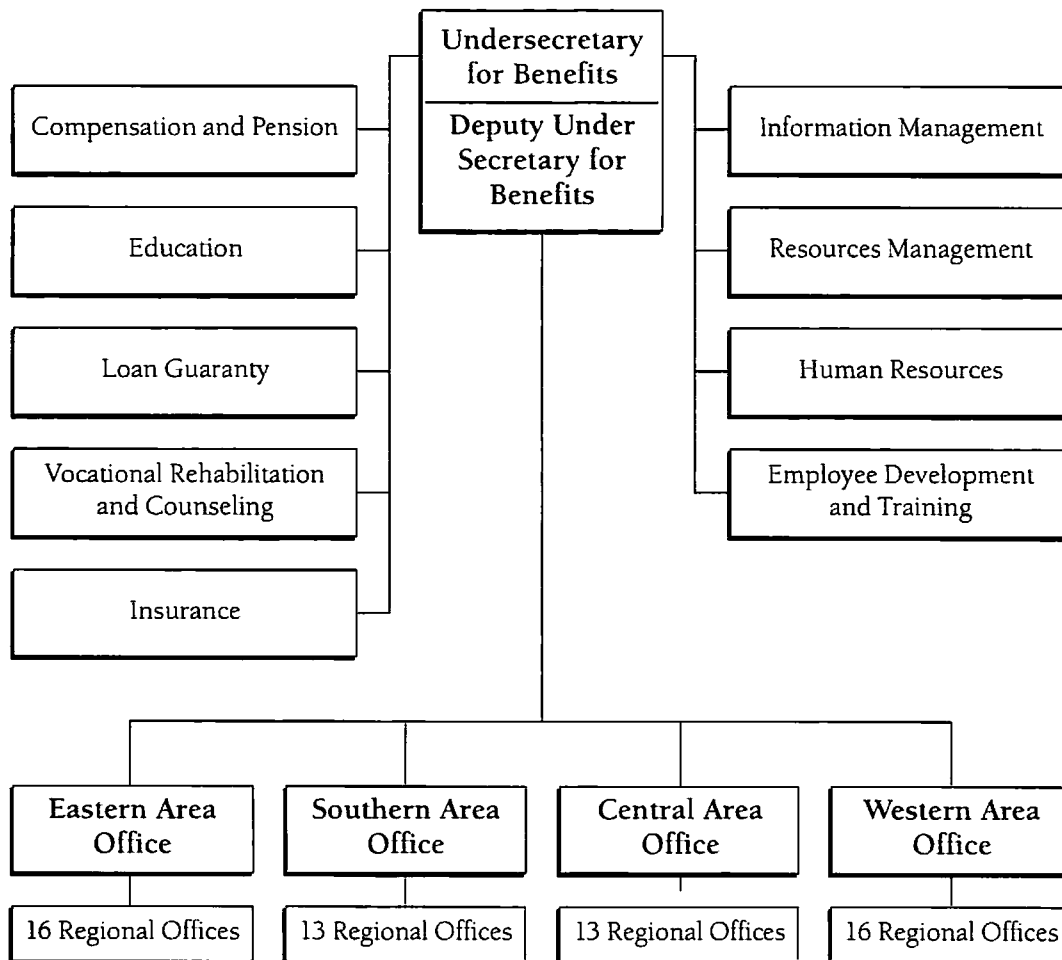
Figure 7-1 depicts the current VBA organizational structure. Responsibility for development of policy resides in the five service components – C&P, education, loan guaranty, vocational rehabilitation and insurance – whose heads report to the USB. Operational responsibility for carrying out policy resides with four AO directors who oversee the 58 ROs and report to the USB. Other staff offices that also report to the USB are the office of information management (OIM), which is responsible for information technology (IT) modernization initiatives, and the office of resource management (ORM), which is tasked with supporting the strategic management committee (SMC). The heads of these key offices are members of the SMC.

The VBA's FY 1996 Restructuring Effort

In a memorandum dated March 6, 1996, the USB established the C&P subgroup to the agency's previously established field restructuring task force. Three guiding principles were offered in this effort:

- efficient, economical processing of all claims through appropriate consolidation and/or specialization opportunities in all program areas, including C&P
- a greater degree of personalized service through expanded accessibility to VA benefits and services
- reductions in operating costs

FIGURE 7-1: THE CURRENT VBA ORGANIZATIONAL STRUCTURE



In its April 17, 1996 "Report of the Compensation and Pension Subgroup to the Field Restructuring Task Force," the C&P subgroup recommended the restructuring of C&P field functions as follows:

- 27 claims processing centers (CPC) with roughly equal workloads and staffing to be formed at existing ROs to perform rating-related and complex authorization functions for all field offices within designated "catchment areas." The CPCs would also offer all other field office services.
- regional processing centers (RPCs) at other existing ROs for "front-line" services, such as providing information, establishing claims, and making simple authorizations (e.g., dependency, burial)
- satellite service offices (SSOs) at existing and additional facilities where veterans congregate (e.g., veterans affairs medical centers, military transition centers, national veterans services organizations (VSOs), and state veterans agency offices) to supplement the RPCs and assist in obtaining materials for claims development.

This plan was not well conceived, and after intensive questioning by Congress and VSO representatives, the USB announced in a May 31, 1996 memorandum that the

C&P initiatives were being removed from consideration. In place of these initiatives, he announced that the VBA would use BPR methods to redesign work processes rather than changing specific regional jurisdictions as described in the subgroup catchment areas or zonal design.

PANEL ASSESSMENT

Service Improvements Show the Way

One of the stumbling blocks to the VBA's 1996 restructuring effort was the adverse reaction of the VSOs, who felt their relationship with the veteran was threatened. A key component of VSO service to veterans is the privilege that allows VSOs to be collocated with VBA staff at the ROs and to use this proximity to intervene effectively on behalf of their veteran clients. VSOs perceive that their close relationship with the ROs will be compromised if VBA staff are relocated.

The central thrust of BPR offers a solution that should maintain and enhance the current ability of the VSOs to interact with VBA staffers. BPR envisions that the adjudication process will be performed by one or more highly trained individuals: two involved with the initial claim adjudication process and a post-decision review officer. One of the initial adjudication positions is the VBA veteran service representative (VSR) who will adjudicate any claim or adjustment not requiring a rating and prepare the award and notification letter. For all claims, the VSR:

“..will have ownership of each claim to which he or she is assigned and forge a partnership with the veteran and his/her advocate. . . . The assigned VSR, consulting with the veteran, will focus the issue, identify all sources of evidence, and explain the claims process. The VSR will inform the veteran on the progress of his/her claim.”

“Throughout, the assigned VSR will work with the individual veteran to ensure that each claimant receives knowledgeable, compassionate and equitable service.”¹

The second of the two positions is the rating certified VSR who, if the claim requires a rating:

“..will make the rating decision and prepare the award and notification letter to the veteran that describes the decision and explains the reason for it.”²

The panel believes that creation of these two positions and the necessarily close relationship that will develop between them enables the formation of small, stand-alone adjudication teams capable of flexible geographic targeting. This should permit the VBA to assign teams to more strategically located service centers, such as VA hospitals, where access by veterans and/or their representatives is enhanced rather than diminished. A similar concept works well in the Los Angeles region, which has a self-sufficient team stationed away from the RO. The regional director stated to the study team that more teams could be easily out-stationed and directed from any of the three California ROs. Other regions have experimented successfully with “remote manage-

¹ *Reengineering Claims Processing: A Case for Change*, Veterans Benefits Administration, December 1996, p. 4-2.

ment” in which the adjudication officer of one RO handles adjudications in another RO as well. The panel believes that for many routine adjudication decisions, the action can be moved closer to, not farther away from, the veteran at no additional cost to the government beyond that already envisioned to implement BPR.

Existing communications technology is sufficiently robust to enable flexible geographic processing. Most VBA executives interviewed by the study team indicated a belief that future IT enhancements will eliminate any need to base the administrative adjudication process at specific locations. One executive characterized what many told the study team: “IT will enable us to process anywhere.” This optimism is justified because, as described in Chapter Six, a number of high-impact projects, if successfully implemented, will significantly improve processing. These include expansion of teleconferencing capabilities; enhancements to the automated medical information exchange (AMIE) system; and enhanced acquisition of veterans records.

Declining Administrative Budgets Force the Issue

The rapidly and severely declining resource base, together with new resource demands, constitute an urgent and compelling force for developing a new restructuring plan. Huge cuts in the general operating expense budget are programmed for the next five years which, if implemented, will take FTEE levels for C&P down 31 percent, from 4,346 in FY 1996 to 3,011 in FY 2002.

All other factors being equal, these reductions would in themselves put tremendous pressure on C&P to implement BPR and find other efficiencies to permit the improvement in service envisioned in the BPR plan. However, C&P is faced with numerous demands for more resources including implementation of BPR that will require heavy investments in training and IT as well as the creation or enhancement of numerous strategic management capacities.

The VBA Needs to Improve the Consistency of Adjudication Decisions

The advent of judicial review has made RO operations more difficult to manage from the perspective of both disseminating Court of Veterans Appeals (COVA) changes to the 58 ROs as well as distilling these changes for use by the more than 800 rating specialists in these offices (see Chapter Eight). The panel believes that even under the best of circumstances it is difficult to obtain consistency in the adjudication process across 58 highly decentralized operational units. The panel notes that the VBA is aware of the difficulty in managing the adjudication process within the current configuration and that the VBA itself has described the potential benefits of adjudicating claims in fewer locations in their proposed 1996 restructuring effort as:

- allowing the VBA to assign the most experienced and productive adjudication officers and directors to the consolidated offices, further increasing the prospects for more efficient and economical operations
- facilitating increased specialization and as-needed expert consultation in deciding complex cases
- improving the completeness of claims development, the accuracy and consistency of rating decisions, and the clarity of decision explanations

- improving overall adjudication quality by increasing the pool of experience and expertise in critical technical areas
- facilitating consistency in decisionmaking in fewer consolidated claims-processing centers.

The panel believes that there is significant potential along the lines set forth by the VBA.

Other Factors Will Enable a New Restructuring Effort

The emergence of a corporate strategic planning and management capacity should facilitate development and sustained implementation of a new effort. If the VBA can develop the capacities recommended in Chapter Three, it should have the organizational capability to develop the complex, integrated vision and operational plan required to implement such an effort and the ability to evaluate its progress and adjust as experience dictates. In addition, the new emphasis on implementation of the Government Performance and Results Act (GPRA), together with panel recommendations to develop a corporate information capability, should result in the improved performance data necessary to evaluate progress and track performance. Finally, development of a corporate training and quality assurance strategy as recommended by the panel will provide the support necessary to sustain national adjudication decision consistency.

The reasons for the failure of the 1996 restructuring effort are understood by the key executives within the VBA and this understanding should enable preparation of a new and better plan. Many of the executives involved with that effort expressed the same understanding of these reasons including: a lack of focus on improved service to the veteran; a lack of coordination of recommended consolidations with the IT and the telephone capacities required to implement them; poor communication with stakeholders, especially the service organizations; poor communication with key internal players such as the regional directors; and RO performance data that was criticized as being inaccurate and representing a point in time instead of a trend.

Consolidations in other services are leaving C&P the only major VBA program in most ROs. The other major programs within the VBA – education, loan guaranty and insurance – are in the process of major consolidations. Insurance has already been consolidated into just one operation based in Philadelphia. Education has been consolidated into four regions. Loan guaranty will consolidate all but service contact and real estate inspection functions into eight regions by 2002. With C&P as the only major presence in most regions, the question arises about the need for AOs. To the extent that C&P functions are restructured in the future, the need for the AOs and the 119 FTEE allocated to support their operations would be further diminished.

The VBA Needs To Develop a Long-Term, Phased Restructuring Plan

The panel envisions development of a restructuring plan that is capable of both improving service and reducing costs. If the BPR vision is implemented successfully by the year 2002, the VBA will have added reason for more strategically targeting its adjudication staff to concentrations of veterans while at the same time reducing the number of ROs. This will be possible because the remote teams will not necessarily need to be managed from any one RO. In addition, it is also likely that many of the more complex types of claims can be adjudicated at one or several consolidated sites by more specifically



trained staff than the basic VSR and rating-certified VSR. This should not diminish VBA contact with the claimant and his/her VSO representative. The on-site VSR would remain the case manager responsible for tracking and assuring progress on the claim.

The panel believes that over time the VBA should be able to close a large number of ROs with significant savings in administrative overhead costs associated with supporting 58 regional directors and their staffs. Given budget pressures, development of this plan should begin now.

This plan must meet a number of requirements to be successful.

- Most importantly, the panel believes a new plan must link administrative savings to successful implementation of service improvements. Failure to develop the supporting IT and training and quality assurance capacities will severely retard the VBA's ability to break the link between its adjudicative staff and the current RO structure.
- The VBA needs to carefully analyze the veteran population, both current and projected, in order to identify concentrations of veterans. Further, the VBA needs to analyze alternative service delivery locations around the country. An obvious possibility are the over 170 Veterans Health Administration (VHA) hospitals, but other possibilities include major Department of Defense (DoD) facilities and, in some cases, state or county facilities. Analysis of both veteran demographics and alternative delivery locations will permit efficient targeting of adjudication staff.
- The VBA must base any changes in the RO structure on reliable data. If proposed changes are based on inaccurate data – whether it is on cost, timeliness, quality, or other performance indicators – the changes will have no credibility and be difficult to implement in the face of opposition from VSOs or local interests.
- The VBA must determine, based on careful analysis, which kinds of adjudication decisions are best suited for processing in the field by the newly established core staff envisioned in the BPR plan and which kinds of claims are more appropriately developed and adjudicated at a central location with more highly trained and specialized staff.
- Finally, VBA needs to analyze the need for the AO structure given the current efforts to consolidate VBA programs other than C&P and future plans to restructure C&P claims-processing.

In developing this plan, the VBA should involve the VSOs from the earliest stages. Both the VBA and the VSOs have a common interest in assuring the delivery of excellent service to veterans, and they need to work together to assure that this common interest is met. The VBA is faced with major budget reductions and has no choice but to proceed with its BPR service-improvement efforts. The VSOs need to participate in these efforts instead of remaining on the outside and being critical of the process. They need to be convinced that VBA can deliver on promised service improvements while at the same time simplifying RO structure to achieve administrative savings. VSO support for a new effort will play a vital role in acceptance by Congress.

The panel notes that, while the majority of savings from a restructuring plan would be linked to implementation of BPR service improvements, opportunities exist now for

significant administrative savings. Many of the 58 ROs are very small, and in the opinion of the VBA executives interviewed by the study team, too small to be economically justified. The smallest 10 ROs, while comprising 17.2 percent of the 58 ROs, have only 3.5 percent of C&P staff allocated to them. The smallest 20, while comprising 34.5 percent of ROs, have only 11 percent of the ROs's staff for C&P. While some of these smaller ROs are located in remote areas, others are quite close to larger offices which could easily assume their functions. Also, existing communications technology and the case management approach, which is being piloted in a number of ROs, would enable remote processing of claims while at the same time retaining existing links among the veterans, VBA staff, and VSO personnel. Any new restructuring plan should incorporate initial restructuring opportunities that may not be dependent on implementation of BPR service improvements.

Given the long-term nature of the BPR service improvements, maturation of a restructuring plan will come slowly and implementation needs to be phased and carefully evaluated along the way. The VBA should develop a multi-year plan that lays out the analytical and other tasks that need to be accomplished and a timetable with key milestones for when these tasks will be accomplished.

PANEL RECOMMENDATIONS

- **Immediately:** With the implementation of BPR, a fundamentally different configuration of field operations will be readily achievable. Planned budget reductions add urgency to the need for addressing the issues. The USB, as BPR is being put in place, must begin the analysis and planning necessary for: (1) restructuring the field service delivery network to improve service performance on behalf of veterans, (2) managing within more stringent funding and staffing levels, and (3) identifying savings for investment in BPR and IT service improvements as well as in enhanced strategic management capacities. The USB must involve the VSOs, the BVA and other key stakeholders in this analysis and planning effort.
- **In the FY 1998 appropriations process:** Congress should require the secretary, as part of a comprehensive VBA reform plan, to report by March 31, 1998 on the results of this analysis and planning effort and should require the USB to report on progress twice yearly. Congress also should require the VA Inspector General to review progress and report to Congress at least twice yearly.



CHAPTER 8

The Initial Claims Adjudication Process

INTRODUCTION

The workload that the adjudication process must accommodate is staggering: 2,617,510 claims or related issues were received in FY 1996 by 58 regional offices (RO) spread across the country. Of these claims, 497,248 were for initial or increased disability compensation. More than 300,000 disability rating examinations, a key feature of the claims adjudication process, are completed each year. Even these numbers do not do justice to the actual workload since each claim is in reality a collection of medical issues, each of which must be separately addressed. Add to this that at any point in the adjudication process the claimant may submit new evidence for consideration and that new program interpretations for immediate application are often handed down by appellate bodies during the period of processing. One then begins to understand the complexity of the task that the VBA has in both operating and managing the system. The challenge facing the VBA is to provide each veteran claimant a prompt, readily understood decision that will withstand appellate and judicial review.

This chapter describes the steps involved in the initial claims adjudication process as well as several areas and issues which are directly related to or in support of the process. The chapter begins with the key findings, followed by a summary of past reports on the adjudication process. The claims process itself is then described, with panel comments, followed by a description of several key supporting elements to the process, such as quality and training. Finally, panel recommendations intended to improve both the process and supporting elements are offered.

KEY FINDINGS

Claims Adjudication Process

- The business process reengineering (BPR) project holds promise to improve the claims adjudication process.
- Lack of a coherent program evaluation capacity hinders the usefulness of the many pilot efforts now underway.

- A growing workload of cases remanded by the BVA threatens to seriously impede BPR project implementation.

Adjudication Process Quality

- There is no comprehensive system within the VBA which manages the quality of the claims adjudication process.
- The current definition of what constitutes claims adjudication quality is too narrow because it does not include the viewpoints of the veteran, Congress, the veterans service organizations (VSO), and the Board of Veterans' Appeals (BVA).
- Remands are viewed by many VBA stakeholders as an indication of poor case development work, when in fact they are sometimes caused by a number of other factors over which the VBA has no control, such as changes in the rating schedule and decisions by the Court of Veterans Appeals (COVA).
- Lack of a central repository for all quality-related data prevents systemwide analysis to determine specific problems in terms of types of cases or geographic region.

Training

- There is no comprehensive VBA strategy to identify training needs and to develop and deliver the training programs to meet these needs.
- The VBA devotes insufficient full-time equivalent employees (FTEE) and dollar resources to training.
- The vacancy status of the director, employee development training staff (EDTS) and the remote location of the staff in Orlando, Florida are inhibiting the group's mission performance.

Disability Rating Examinations

- The VBA, the VHA, and the BVA have made progress in dealing with issues surrounding the adequacy of disability rating examinations.
- The lack of an evaluation design and supporting data to measure the effectiveness of both the automated medical information exchange (AMIE) worksheet revisions and the revised VHA Physicians' Guide will limit future analysis of how well these improvements have assisted the examination process.
- Current measures of the adequacy of disability rating examinations are at best insufficient and at worst misleading since the only measure is the number of examinations rejected as inadequate by the requesting regional office (RO).

SUMMARY OF PREVIOUS REPORTS ON THE VBA ADJUDICATION PROCESS

Previous reports taken together point to problems of inadequate claim development work, timeliness problems in reaching adjudication decisions and handling appellate workload, complexity of the system from both the claimant's and the adjudicators' viewpoints, and the inadequacy of disability rating examination. Most of the recommendations made have been implemented or are in the process of being implemented by the VBA as will be evident in the detailed description which follows of both the cur-

rent process and planned BPR improvements. (For example, the BPR case manager approach will result in the early identification of evidence needed to support the claim, and the physician's guide, a key item in the disability rating examination process, recently was revised).

A brief summary of these report recommendations follows:

- **Simplify the application:**
 - Simplify the language on the application form.
 - Use separate forms for the compensation and pension programs.
 - Provide a full explanation as to why requested information is needed.
 - Create a separate form for reopened claims.
- **Improve claim development process:**
 - Expedite claim processing by early and complete identification of evidence needed; promptly follow up when evidence is not received.
 - Prepare a centralized training program for claim development and use development checklists for all aspects of the process.
- **Focus attention on the claim rating:**
 - Create a rating activity responsible for control, development, rating, and authorization of rating issues.
 - Evaluate the use of single-signature rating authority.
 - Develop formal rating training programs with requisite certification for new and journeyman rating specialists.
 - Provide word processing capability for the rating staff that includes the use of standardized formats and glossaries.
 - Reallocate FTEE resources to the rating activity; use rating help teams to reduce backlogs when and where needed.
- **Make claim adjudication regulations and procedures easier to understand.**
- **Focus attention on disability rating medical examinations:**
 - Expand the VBA/VHA memorandum of understanding to include examination quality measures and establish positions to review completed disability rating examinations.
 - Establish a joint VHA/VBA education and training effort on C&P examinations using the revised physicians guide.
 - Transfer the responsibility and associated resources for C&P examinations from the VHA to the VBA.
 - Work with the Department of Defense (DoD) to begin using separation examinations for disability rating purposes.
- **Evaluate pilot projects.**
 - Develop plans to evaluate the effectiveness of claims-processing initiatives, including guidance on how ROs and VA headquarters should conduct evaluations.
 - Prioritize initiatives that are most likely to improve claims processing.

- Develop and implement an information-dissemination strategy to the regions on both effective and ineffective pilot initiative experiences.

DISCUSSION AND ANALYSIS

The Claims Adjudication Process and Supporting Elements

The legislated purpose of the compensation program is to provide monthly payments to veterans of an amount commensurate with the potential loss of earning power caused by disability incurred during active military service. The veteran files a claim with the VBA, along with supporting evidence showing proof of military service, how the injury was connected with the service, and current medical evidence in support of the disability. The determination of entitlement under the veteran's claim is known as the "claims adjudication process."

An individual case may consist of several claimed medical issues, such as muscle damage affecting several areas of the body, or hypertension with heart problems. The typical case has several medical issues, each of which must be investigated and taken to the point of decision.¹ The average number of medical issues per award is 2.7, according to the Veteran's Claims Adjudication Commission (VCAC). The VBA does not track medical issues within the system for purposes of work measurement, quality analysis, or determining training needs. The PC-based system, VETSNET, now under development and being tested at the St. Petersburg RO, does include information fields to capture information about medical issues. How this information will be used is still in the planning stages at the VBA, C&P, and the department.

The pension program provides "income based benefits . . . to veterans of limited means who had 90 days or more of active military service with at least one day during wartime and discharged for other than dishonorable reasons and who are permanently and totally disabled for nonservice-connected reasons but not due to willful misconduct."² The follow-up efforts to verify income are substantial and require considerable program resources.

Historically the compensation and pension (C&P) programs have been managed in the same organization both in the ROs and the VBA central office (CO). While there are some similarities in the processing of claims under these programs, they are distinctly different in nature. Yet there is no effort to collect data as to the level of resources being applied individually to either the pension or compensation program.

The Claims Adjudication Process³

The claims adjudication process is divided into four basic steps: (1) claim intake, (2) claim development, (3) rating of the claim, and (4) review and notification.

¹ The average number of medical issues per award is 2.7, per Veterans Claims Adjudication Commission, Dec., 1996.

² Veterans Benefits Administration Executive Briefing Book; November 25, 1996.

³ Material in this section was drawn in part from the November 26, 1996 VBA memorandum "National Academy of Public Administration (NAPA) Process Questions."

Claim Intake

The claim intake process begins with the veteran submitting a claim application form to one of 58 ROs throughout the United States. Veterans services counselors are available to answer any questions the claimant may have and to assist the claimant in completing the proper form – either VA Form 21-526, Veterans Application for Compensation or Pension, or the green test version of the 21-526. In addition, the VA maintains a nationwide toll-free telephone number (1-800-827-1000) to answer questions concerning the application forms. Finally, representatives from both state and national veterans service organizations (VSOs) are often collocated with the VA Veterans Services Division to assist claimants in the preparation of the application and to act as the claimant's representative. The majority of claims are submitted through the mail to an RO.

Claim Development

Once the claim is received in the Veterans Services Division (VSD) and logged into the system, the claimant's application is forwarded to the claims adjudication division for necessary claim-development work. Here any additional information needed for adjudication of the claim is developed. Depending on the type of claim, needed information may consist of the following:

- military service dates, service medical records, and verification of receipt and amounts of military severance pay, separation pay, and/or retired pay
- relationship and dependency, including marital status and dissolution of prior marriages, parental relationships, and child dependency
- income and net worth of the claimant and dependents, and deductible expense
- medical evidence from private physicians, hospitals, and VA medical centers, and evidence in the custody of military authorities or other government agencies

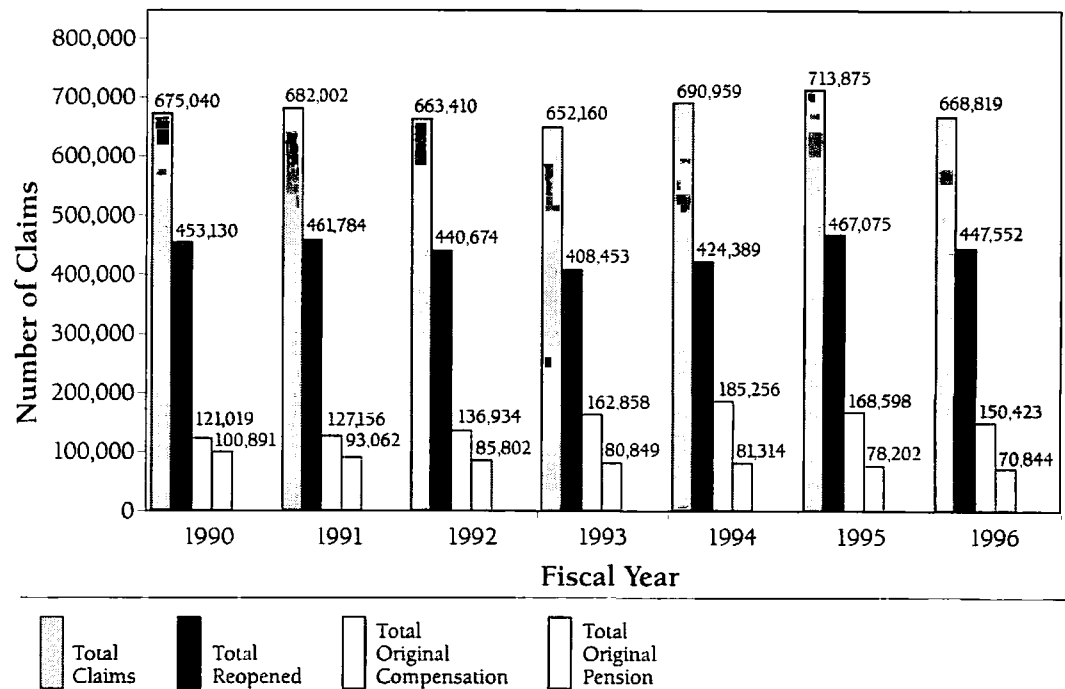
Since much of this information must be acquired from outside sources (e.g., DoD) it is not unusual for this stage of the claims-adjudication process to take as long as 80 days.

Rating of the Claim

For those claims requiring a rating, the fully developed claim is forwarded to a the rating group within the RO. If necessary to determine the claimant's precise medical status, the rating specialist schedules a medical examination using VHA facilities. The current timeliness standard of 35 days for completion of the exam is generally being met nationwide by the VHA. After receiving the exam results, the rating specialist reviews the case in accordance with the VBA manual procedures and guidance received from the C&P service concerning the implications of recent court decisions and Office of General Counsel opinions. The rating specialist then reaches a decision establishing the disability level or denying the claim, with the appropriate explanation for the action. This process typically takes 35 days, exclusive of the time waiting for the VHA exam.

There is a two-level administrative review of the rating specialists' decision which takes approximately 12 days. First a claims examiner reviews the case for clerical accuracy. Then, the decision is reviewed by a senior claims examiner for substantive correctness and completeness. If no issues are identified, the examiner authorizes the award or disallowance action and releases the notification letter.

**FIGURE 8-1: INITIAL ADJUDICATION PROCESS
COMPLETED CLAIMS**



Source: VBA Statistics.

Veteran Actions Upon Notification Receipt

The veteran has up to one year to file a Notice of Disagreement (NOD) with the RO. If issues in disagreement are not resolved by the RO, the claimant may file a formal appeal to the BVA. Appellate procedures for both the BVA and the COVA are described in Chapter Nine. The BVA upon receiving an appeal will consider the case and either issue a decision upholding or rejecting the RO's position, or remand the case to the originating RO for additional development. Cases remanded to the RO are required to receive priority attention. Rating specialists either reconsider the denial in light of new information obtained and allow benefits or return the case to the board. Recently this portion of the regional workload has shown a disturbing growth trend, increasing from 14,075 cases as of 9/29/95 to 23,717 cases as of 3/31/97,⁴ a 69 percent growth in the pending remand inventory in less than two years. The appellate cases account for 27 percent of all pending cases,⁵ a disproportionate amount considering the fact that only 3-4 percent of all decisions are appealed to the BVA. These backlogged cases are growing progressively older, and threaten to become a crisis if not dealt with promptly.

Additionally, at any time during the claim process, the veteran may request an opportunity for a hearing before a regional hearing officer. The hearing officer is empowered to grant benefits if new supporting evidence offered by the veteran so warrants. During FY 1996, VBA hearing officers disposed of 28,855 hearing requests, approximately 1.1 per-

⁴ VBA Appeals Tracking System (ATS).

⁵ Background material for the February 19, 1997, SMC meeting.

cent of all completed adjudication activities. Hearing officers affirmed prior decisions 59.3 percent of the time and reversed the original decision 39.8 percent of the time.

Panel Assessment and Conclusions on the Claims Adjudication Process

The previous description of the claims adjudication process must be viewed in the light of the BPR project⁶ which is intended to substantially modify the system. The VBA characterizes the current system deficiencies (core problems) as follows: (1) inadequate communication and outreach to the veteran; (2) lack of individual accountability due to the many hand-offs involved in the process; (3) the complexity of the rules and regulations governing the program; (4) inadequate IT support for the process, causing lengthy delays in obtaining the required supporting information; and (5) an overemphasis on production and timeliness at the expense of quality.

Communication and Accountability

Under BPR, a case manager will assume “ownership” of assigned cases to see that development work is done promptly and correctly the first time through early personal contact with the veteran. Experience thus far in Philadelphia, New York, and other regions shows that the “ownership” factor is resulting in a positive veteran reaction due to the personal contact.

Regulations

BPR concludes that a number of the VA’s regulations are subject to various interpretations, resulting in inconsistent decisions and a high level of remands from the BVA and the COVA for more development work. Regulations defining the VA’s “duty to assist” veterans in perfecting their claims and the initial requirement for veterans to establish claims that are “well-grounded” have been particularly troublesome. In both cases, the court has issued several decisions. Yet the precise requirements of the two terms are still not clear to either the claimant or regional personnel who work cases on a daily basis. BPR’s rule-simplification project as recommended by the VCAC should make these and other regulations easier to understand and apply.

Quality

A draft of the BPR quality plan proposed changing the current quality-assurance process by identifying substantive authorization and rating errors for review. Other proposed changes eliminate control and development as an area included in a quality review and change the accuracy calculation method.

The BPR also stipulates that the combined BVA remand/allowance rates will be down to 25 percent. There is no current allowance goal. The current remand goal is 45 percent. Efforts are underway in the ROs to determine the underlying factors causing the high rate of remands and take corrective actions, such as improving the adequacy of disability rating examinations, the chief cause of remand actions. A joint VBA/BVA study of allowances to determine underlying causes and possible corrective actions is under discussion.

A perception has arisen that a remand is an example of poor adjudication quality on the part of the RO, a perception not always supported by the facts. Reasons for a remand

⁶ A more detailed discussion of the BPR project is found in Chapter Five.

can include the need for more development work but also include remands of entire classes of cases as a result of changes in the disability rating schedule or particular COVA decisions, or simply because the evidence is dated. The acting under secretary for benefits (USB) has noted this fact and suggested that the board and the BVA and the VBA address this problem jointly. One approach to make this area less ambiguous would be to develop broad classes of remands such as a Class 1 remand for poor development work on the part of the region, a Class 2 remand for a rating schedule change, and a Class 3 remand for a COVA decision, and so on.

Pilot Improvements

The claims adjudication process relies heavily on outside sources for military service and supporting medical information. Pilot efforts are now underway to assess the direct input of the DD214 Record of Military Service into the Benefit Identification and Records Location System (BIRLS), the use of electronic requests for service records from both the St. Louis National Personnel Records Center (NPRC) and Army Personnel Center (ARPERCEN), and the use of pre-service discharge medical exams at three military sites (Fort Hood, Fort Lewis, and Fort Knox) using either VHA or DoD doctors. Additional pilot efforts involving use of case-management techniques, pay for performance, satellite claim-intake methods, and self-directed work teams are underway at several ROs.

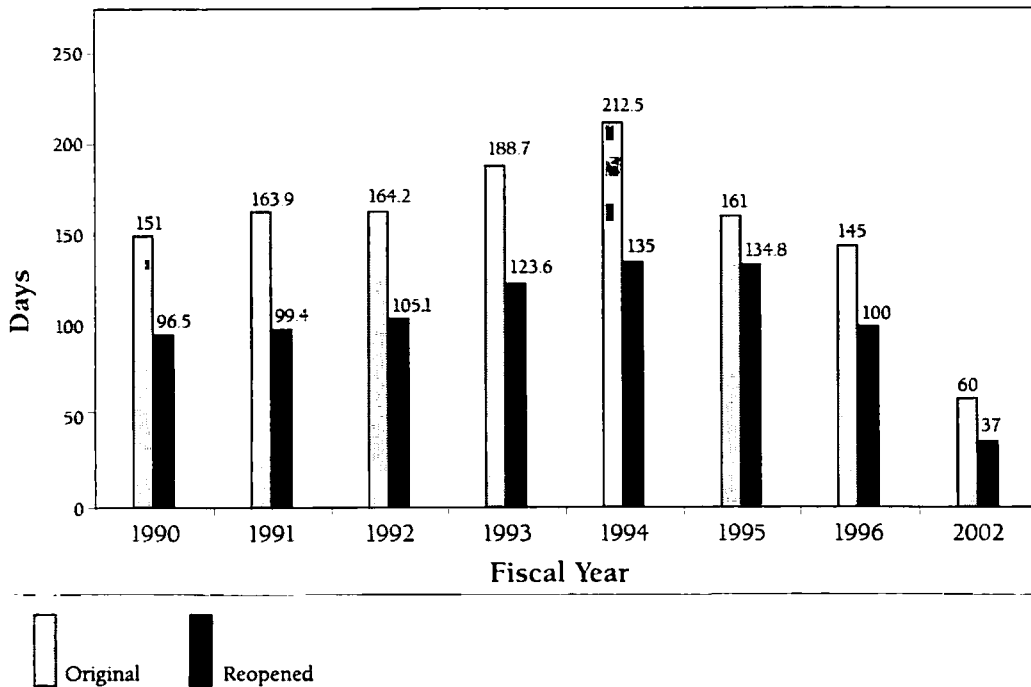
While all of these pilot efforts are commendable and show initiative at the local level, the panel is concerned that, lacking a strong program evaluation capacity and evaluation design, these efforts may not produce sufficient knowledge for the VA fully to reap possible benefits. Further, as noted in Chapter Five, the BPR effort is just entering the pilot stage. The individual portions of the BPR plan have not yet been tested individually, much less together, and the hoped-for synergistic effect of these changes is as yet unproven. Because many of the existing pilots are precursors to the BPR effort and because the VBA must demonstrate its capacity to assess the benefits of pilot activities, careful evaluation of existing pilots will be critical to future overall implementation of BPR techniques.

Conclusions

- The BPR project holds promise to improve the claims adjudication process and should be monitored closely by the secretary and Congress; careful attention should be paid to the pilot testing stage of the several individual initiatives when grouped to determine whether or not the hoped-for synergistic effect in fact occurs. (See Chapter Five for specific analysis and recommendations.)
- There is a lack of a coherent program evaluation capacity within the VBA carefully to evaluate the many pilot efforts now underway. (See Chapter Three regarding development of this key strategic management capacity.)
- The panel supports the joint efforts of the VBA and the BVA further to refine the definition of remands, so as to make clear the differing circumstances that cause them.
- The panel concurs with the VCAC recommendation on rule-simplification and supports the BPR effort in that regard. It is critical that all interested parties have a clear understanding of applicable rules and regulations.
- The panel notes that compensation issues are sufficiently different from pension issues to warrant the collection of separate baseline data on the resources uti-



FIGURE 8-2: AVERAGE DAYS PROCESSING



Source: VBA Statistics, BPR Plan.

lized in each of them. This effort will support the development of unit costs and a better understanding of the resources required for each of the programs for planning and budget purposes.

- The panel notes that the lack of data relating to types of work in general, and types of medical issues contained in each claim in particular, prevents any analysis by the VBA of what classes of claims and types of disabilities are the most difficult to handle in terms of resources, and which areas are in most need of corrective action.

Supporting Elements of the Claims Adjudication Process

Elements both within the VBA and externally which support the claims adjudication process include: (1) C&P staff efforts to issue current instructions to the field about ongoing changes in regulations and procedures; (2) the C&P quality assurance system which applies to completed cases in the process; (3) efforts by both C&P and the VBA to train regional personnel regarding proper procedures for the process; (4) the VHA medical exam; and (5) the network of VSOs at both the national and state level which assist veterans in the claims process.

Regulation Updates and Dissemination

Policy and procedural guidance to ROs needs to be continuously updated to give effect to changes in governing regulations and procedures and to guidance contained in precedential decisions of the COVA and opinions of Office of General Counsel. Within the C&P service, the judicial review staff reviews all court decisions and advises the field as necessary. Each judicial review staff decision assessment document addresses any need for change or clarification of existing policy, regulations, and procedures.

Additionally, the following actions are taken:

- Interim instructions are issued when a court decision requires an immediate change in connection with adjudicating claims; these instructions supersede any other existing procedural guideline on the issue involved.
- A quarterly judicial review conference call is executed to emphasize the court decisions; these calls are followed by written transcripts, as well as formal responses to any questions posed by the field.
- An annual publication entitled *Summary of Significant Holdings of the United States Court of Veterans Appeals* is published for field use; the summary follows lines of court decisions such as those on “duty to assist” and authorization issues.
- Copies of documents dealing with court information are included in the automated reference materials system (ARMS), a computer based reference system available to all field stations. Documents include copies of court decisions and C&P assessments, transcripts of the quarterly judicial review conference calls, the *Summary of Significant Holdings*, and the *Veterans Benefits Law Index*, prepared by the BVA.

Panel Assessment and Conclusions on Regulation Updates and Dissemination

Keeping regulations updated is only part of the issue. The large problem lies in distilling the many changes so that adjudicators and rating specialists can make use of the new information on a real-time basis. One adjudication officer pointed the study team to a large in-box of recently issued rule changes, and noted the difficulty in just reading the volume of changes, much less doing any detailed analysis or study of them.

The VBA and the BVA need to be following the same rules of adjudication at each stage of the process so members of both organizations can be fully informed as to how the law is to be applied. There is a perception on the part of the VBA field personnel that the two organizations have separate interpretations of COVA decisions and issuances. Joint BVA/VBA training and conferences already are underway to address this issue. This subject is covered in more detail in Chapter Nine.

Quality Assurance

C&P “Quality Assurance” as defined in the VBA procedural manual is “a program used by the Compensation and Pension Service to assess the quality of compensation and pension actions by regional office Adjudication activities.” By comparison, the BVA defines a decision of acceptable quality as one which (1) comports with existing authorities; (2) is supported by a plausible basis in the record; and (3) meets general requirements for good legal writing. VBA quality actions are further defined by the following questions:

- Did we pay the veteran the correct amount from the correct date?
- Was our denial correct?
- Did we tell the veteran clearly and concisely what we did and why we did it?
- Did we process the veteran’s claim in a timely manner as permitted by our resources?
- Did we comply with applicable laws and regulations?
- Did we meet our duty to assist the veteran?



An annual quality assurance review of each station's work is conducted by C&P staff to look at control and development, decision elements, and notification. Typical questions addressed include:

■ **Control and Development:**

- Was all initial control action correct?
- Was all development correct?
- Was development clearly documented in the record?
- Was each piece of developed evidence referred properly upon receipt?

■ **Rating:**

- Were all claimed and presumptive issues addressed?
- If an exam or other evidence was needed, was it requested in a timely manner?
- Was the decision correct?
- Are the reasons for the decision clearly documented?
- Is the reasoning for the effective dates adequately documented?
- Are the evaluations or combined evaluations correct?

■ **Notification:**

- Was the notification sent to the right person at the address of record?
- Does the notification cover all issues raised by the claimant and addressed in the decision?
- Did the notification convey all of the information correctly and in a way that can be understood by the claimant?

Cases for review are selected annually on a random basis, numbering approximately 100 cases from the prior 12 months' completed workload for each regional office. A minimum of 80 cases is required for statistical reliability, and the average number per region is 91 cases. Errors or deficiencies are noted in both the individual claim folder and in a summary letter sent to the region. The standard used by the C&P reviewer is "clear and unmistakable error" (CUE), which is taken to mean that the error cited is not a judgment call by the reviewer but an error that would be called by any third party reviewing the case and familiar with C&P regulations and procedures. A formula⁷ is used to compute an error rate for each of the three areas covered as well as an overall quality rating. The national quality goal is 97 percent accuracy.

Regions also conduct monthly quality reviews (known as the "quality improvement review," of cases selected from a list furnished by the CO. The results from the regional reviews are reported back to the C&P staff as well as used by the individual region to identify the need for possible additional training. Each region also utilizes an adjudication division quality committee (ADQC) to review regional quality results and make recommendations to division management for corrective actions.

⁷ The formula for the overall quality rating is the number of errors divided by three times the number of cases reviewed.

Panel Assessment and Conclusions on Quality Assurance

Quality is in the eye of the beholder, and in the VBA's case, this involves several parties. The issue of quality, its definition and how it is measured and managed, is critical to the successful operation of the claims adjudication process, as viewed by the VBA's many stakeholders: the individual veteran, Congress, the VSOs, the elements of the appellate review process, the BVA, and the COVA. Many of these constituents do not have a high opinion of the quality of work being performed.

C&P's process to measure quality approaches the issue from a technical accuracy aspect. The current statistics show that the national figure for quality is high, in the 96 to 97 percent range. The VBA has recognized that the sample base of 100 cases is too small to project a meaningful accuracy figure for an individual RO or by type of claim. The fact that the sample includes all types and classes of cases from the least to the most difficult effectively precludes any meaningful analysis as to which types of cases produce the most errors. This process, moreover, leaves aside other important indicators such as timeliness, customer satisfaction, and the results of appellate review. This limited perspective, and the fact that cases selected for this review cover the entire range of end products and complexity, eliminates the opportunity of learning which types of medical issues and cases are more error-prone or difficult to adjudicate. In addition, some indicators suggest the quality of actions may not be that high. These indicators^a are a regional hearing officer grant rate of 39.8 percent, a BVA remand rate of 43.7 percent, and a BVA allowance rate of 19.9 percent. While these measures relate only to decisions challenged by claimants and cannot be taken directly as indicators of poor adjudication quality due to the possibilities of intervening events, such as new evidence being offered or new COVA decisions, they do contribute to the differing opinions as to the quality of work being performed in the system today. Furthermore, the absence of these indicators in the current quality definition perpetuates the image of two systems within the VA, the initial adjudication and the appellate processes, with two versions of adjudication quality. In addition, this quality system does not offer sufficient feedback on medical issues and complex cases to address fully the adjudication process and required training.

A comprehensive strategy is needed to address the issues of a very narrow quality perspective, of constituent groups feeling that quality is not being addressed, and of bringing the VBA and BVA concepts of adjudication quality closer together. What follows are the major supporting elements of such a comprehensive quality strategy:

Central Management

The first priority of a quality system in an organization as large and geographically dispersed as the VBA is central management. Someone must be responsible at the C&P level for managing the entire system, including the creation of a composite quality standard, performance measures supporting the standard, the collection of data resulting from feedback tools used, analysis of all feedback data, initiation of corrective measures where needed, and the designation of a "point person" who can speak for the entire system on this subject. In other words, there must be a program manager whose sole responsibility is to manage the C & P quality program. This entity, whether a section or

^a Source: VBA data.

division, should be the repository of all quality data, formal or informal, and should study the data to identify particular areas of concern and ensure that corrective actions are taken. In other words, someone has to “own” systemwide quality of the claims adjudication process.

Quality Standard

The creation of a definition or standard of a “quality” case which recognizes the inherent trade-offs between technical accuracy, timeliness, and customer satisfaction is an essential part of a quality strategy. The stakeholders in the claims adjudication process should be included in the system design, particularly in the definition phase. A balanced score card approach, which identifies the essential elements and assigns weights or values for each element, is a useful first step in developing a standard. A technically perfect case is of little value if it took a year to develop, and a case done in a week is likewise of little value if it is inadequately developed and therefore subject to appeal. On the issue of customer satisfaction, the fact that this particular system often gives the customer “bad news” should not be an inhibitor to including an element of customer satisfaction in the quality definition. Fair and equitable treatment of the customer, including a full explanation for all actions taken, should be included in the definition of quality and measured on an ongoing basis.

The final area to be included in the quality standard is appellate review. While the percentage of cases that are formally appealed remains small, the work required to handle the appeal and subsequent remand work is substantial. Further, both the veteran and interested outside organizations will continue to view BVA allowances and remands as measures of the quality of the system. Even allowing for the possibility that such allowances and remands may not be a direct indication of poor adjudication quality, consideration of the outcomes of appellate reviews should be a component of the quality process. Based on the study team’s RO visits and subsequent interviews, it would appear that there are two sets of quality standards, one for the initial adjudication of cases, and another for those cases appealed, whereby the case is then rigorously examined utilizing a checklist of required actions prior to releasing it to the BVA. Through the current efforts to study both remanded cases and BVA allowances, the VBA is attempting to balance the development work between an initial adjudication and an appellate case. These efforts should be continued and the results incorporated into the quality standard.

A model already exists for how a joint VBA-BVA cooperative effort can be accomplished. The process used by the VBA to bring the VBA, the VHA, and the BVA together to develop a consensus definition of disability rating examination quality and bringing about procedural improvements to attain that level of quality is a good benchmark for the overall quality process (see following section on medical examinations).

An additional benchmark in this area concerning the need to reconcile the varying definitions of quality for administering cases throughout the 50 states is the Social Security Administration (SSA) system. The SSA system involves on the one hand a network of state offices (and state employees) developing claims using SSA’s program operations manual system, and on the other administrative law judges who are making decisions based on their interpretations of the statutes, regulations, SSA rulings, and court rulings. To ensure better consistency in this process, the SSA is first developing a

single policy manual for use by all SSA and state employees involved in the process. In addition, the SSA will provide nationwide training to both state examiners and administrative law judges to facilitate the use of the new policy manual and to help ensure that consistent adjudication decisions are achieved throughout the disability decision process. In this respect, the SSA will (1) conduct the same training for 14,000 decisionmakers including claim representatives, disability examiners, administrative law judges, doctors, and reviewers; (2) develop a consistent quality review process that balances review of allowances and denials and applies the same standards at all stages of the process, and (3) use medical and vocational expert input. The target date for completion of this effort is January 1998.

Performance Measures

Performance measures that support a VBA standard of quality should be developed (for example, a case is said to be timely if completed in 60 days), as well as an audit or sampling system designed to check completed work products against the standard and supporting performance measures. The data resulting from this audit must be centrally collected and managed so that trends on medical issues, types of cases, timeliness, customer satisfaction, and geographic patterns can be identified for supportive or corrective action. Clearly this information also must be considered in the development of training courses.

Decision Consistency

A critical omission in the current quality system is consistency. The perception persists of a wide variance in decisions (as referenced in the rule-simplification project description). Whether this is true and to what extent are issues that should be analyzed. There is no current measure of decision consistency within the system, and no data collected to inform management regarding to what extent consistency may be a problem. Given the differing types of medical issues and cases within the system which in many cases require subjectivity (such as psychiatric cases as compared with orthopedic cases), there is a need to bound types of medical issues and the degree of subjectivity, set consistency standards, measure this as part of a quality review process (or through blind testing of a control case by several regions), and accumulate data.

Third-Party Review

Another element required in a quality system is a third-party independent audit or verification capability of the system to ensure that the system is producing accurate results. None exists in the current system. The panel suggests the initial use of the VA inspector general's office (IG) within the VA to provide this third party verification until a permanent system using an outside source can be established (see Chapter Nine).

Regional Assistance Visits

Finally, if quality is to be managed on a central basis, there must be a capability for field assistance teams to share with ROs the best practices found in other offices and to examine the specific office operations to spot areas where more attention should be given. The term "assistance" is critical to the success of this technique; too often CO teams style themselves as auditors who feel they must report long lists of deficiencies to headquarters. Help or assistance to the local office becomes a last priority; it must be the first and only priority of such an operation. Data gathered by these teams on typical problems in regional operations and innovative problem-solving approaches

should be assembled in a central spot for dissemination to all field offices. The need for such information was confirmed in the study team's joint interview with the four VBA area directors.

Building Quality Into the Process

It is an axiom in the quality profession that "you can't inspect quality into a product or service," which means that while inspections or reviews of the completed product or service are useful to find areas of non-conformance to the standard, it is far better to build the required quality into the product or service throughout the process. In the case of the adjudication process, it is critical that a systemwide definition of what constitutes adjudication quality be clearly understood from the beginning by all parties. The skills required by all parties should be documented and necessary training accomplished to ensure a well trained workforce. Managers should foster a close connection between the results of reviews showing non-conformance to the standard and the content of subsequent training cycles to ensure that corrective actions are promptly undertaken.

Conclusions

- There is no comprehensive strategy within the VBA to address the issue of adjudication quality that takes into consideration the many interested constituents and differing interpretations of quality. A strategy should be developed which includes:
 - designation of an individual or office as the C&P quality system manager
 - development of a more inclusive definition of claims adjudication quality which reflects the various interested parties, including the veteran, Congress, the VSOs, and the appellate review process
 - development of performance measures to support the standard, including the issue of decision consistency
 - use of a third-party independent review function
 - use of field assistance teams to share best practices and identify potential problem areas
- There does not exist today a central data repository for all quality-related data, both formal and informal, and therefore no systemwide analysis of quality data to determine concentrations of problems in terms of types or geographic region

VBA Adjudication Training

A comprehensive training strategy within the VBA to support the adjudication process is critical to correcting problems, such as high BVA allowance/remand rates, distilling the many COVA decisions and regulatory changes, and upgrading the overall quality of adjudication. Such a strategy should include an overall training needs assessment, the development of training to meet these needs, and the delivery of training. A central record of each individual's required training needs and the training that has been given is an essential element of this strategy.

The VBA has moved in recent years from a locally developed training program for adjudicators and rating specialists to a centralized training program. Prior to 1989, all adjudicator and rating specialist training was done at the regional level through a combination of on-the-job training and group classes taught by resident experts or those brought from another region. In 1989, VBA officials instituted the adjudication

academy located at the Xerox training facility in Leesburg, Virginia. A course for new adjudication employees was designed and given over a six-week period; subsequently the duration of the course was reduced to five weeks, and then to three weeks. A position of chief of training operations was created within the C&P office and filled by the former adjudication officer from the New York region.

When the training academy was created in Baltimore in 1992, training was expanded to all VBA business lines. Current class offerings include "Introductory Compensation," "Advanced Claims Processing Issues," "Introduction to the Rating Process," "Basic Rating Principles," and "Advanced Rating Issues." The C&P training staff (currently a chief and three individuals) also publishes a monthly newsletter entitled *The Training Link* and conducts an annual two-day workshops for adjudication officers. The Veterans Benefits Satellite Network broadcast system is being utilized on a periodic basis to train on special issues.⁹ However, because no central record is kept of critical job skills, training offered to enhance these skills, or training received by field individuals, there can be no analysis to identify training gaps among the ranks of the regional employees.

The under secretary for benefits (USB), in a move designed to upgrade the training area, in July 1994 created the employee development and training staff (EDTS). The program was based on the recommendations of a group tasked by the Under Secretary to study the whole area of training within the VBA. A key idea was to move the VBA from a training program staffed entirely by local subject matter experts who doubled as instructors, to a program operated on a national basis by training professionals schooled in the instructional development system (ISD) approach to training. The limited number of classes available at the academy combined with travel limitations and lost production time associated with one-week and multiple-week classes had been forcing the regions to rely on a combination of locally developed training classes with on-the-job training. Interactive video teletraining (IVT) and interactive computer-based training modules would help solve these problems. The director of EDTS was hired and a staff of three training professionals was recruited to operate in Orlando, Florida. Since the creation of the EDTS office, the director has retired from federal service, and the position is staffed with an acting director located in VBA headquarters.

At the same time, the USB also created a VBA board of directors for training, whose mission is described in the board's charter as follows: "The Board is responsible for ensuring that there is an integrated (in terms of the needs of the services, field and staff elements) training program within VBA that focuses on the development and enhancement of the skills that employees need to effectively deliver benefits and services to veterans." Specifically, the board evaluates and recommends the appropriate priority for all major training initiatives within the VBA and recommends funding allocations for priority projects that require a centralized funding source. The board, which reports to the strategic management committee (SMC), consists of a chairman and directors of the loan guaranty service and the acquisition and review staff of the office of the chief information officer (CIO), the Western area director, and the Cleveland VBA regional

⁹ At this writing, there have been four broadcasts covering employee managed teams, women's veterans issues, the handling of Persian Gulf War cases, and a 5/16/97 broadcast on appeals. While the broadcasts go to each of the 58 ROs, there is no way to determine the number of participants for each broadcast.



director. The board meets periodically to discuss the progress of the EDTS projects (see below) and raise issues requiring the USB's decision.

Due in part to the emphasis on the backlog of claims within the C&P Service, an early selection for a course prototype was the rating function. A contract has been awarded to develop and deliver a training program for a rating specialists and performance support system. The contractor has developed a task inventory for the rating specialist position comprised of 17 tasks; initial efforts have been directed at the tasks concerning the rating of an original claim for disability compensation (end product codes 010/110) and certifying a case to the BVA, known as the "appeals module" (end product code 070). The appeals module is scheduled for completion in April, and the first delivery of the rating training is scheduled for July 1997.

The objective in this effort is to demonstrate how to build learning objectives and a training program based on the skill sets needed to perform a function, while at the same time demonstrating how interactive courseware can be integrated into the training solution. Briefly, this system, known as the instructional systems design (ISD) process, involves the following sequential steps in the development of a training package: (1) needs assessment; (2) task and skills analysis; (3) performance measurement and standards development; (4) methods and media analysis; (5) trial runs; and (6) validation. An early task for the EDTS staff was to have been the execution of an overall VBA training needs assessment; funding allocated for this task was used elsewhere. To date no needs assessment has been conducted.

Panel Assessment and Conclusions on VBA Adjudication Training

The panel views the steps described above as going in the right direction but not a substitute for a well-developed strategy that spells out a coherent approach to fulfilling the VBA's ongoing training needs and that aligns the necessary staff and budget dollars to assure that the program will meet these needs. The continuous flow of new information about which rating specialists must be aware (COVA decision assessments, BVA remand/allowance information, and rating schedule changes) makes training the critical factor in assuring that this information is understood and implemented immediately. Further, there is a need to connect the findings from quality reviews to the revised training agendas. Finally, if the VBA adjudication process and the BVA appellate process are to operate as a single system, common training programs will be required.

The Blue Ribbon Panel¹⁰ addressed the training issue in the recommendations that dealt with the need to develop centralized training programs for claim development and rating and for a formal rating training program with requisite certification for new, as well as journeyman, rating specialists. The creation of the EDTS staff and the early course development efforts in the rating specialist area are in line with those Blue Ribbon recommendations.

However, a number of problems exist. The EDTS group is currently without a permanent leader and the remaining staff are located in Orlando, Florida. Discussions with

¹⁰ The Blue Ribbon Panel on Claims Processing was established in June, 1993 by the then Deputy Under Secretary for Benefits R. J. Vogel to recommend improvements in VBA's claims-processing system.

members of the VBA board of directors for training on this question revealed that the Orlando location was thought to be useful due to the proximity to a large number of training contractors in that area. Members of the board did not dispute the conclusion that the staff would be better located at the VBA headquarters to facilitate coordination with the VBA service directors. In addition, the funding for the completed course development for all 17 rating specialist tasks remains in doubt. Further, a successful BPR effort will require a substantial investment in dollars and RO staff time for training over the next five years. Numerous training efforts are underway in VBA field offices; an eastern area training needs-assessment program for 17 VBA positions includes the rating specialist position. There is no coordinated approach to training, in spite of the EDTS announced goal of establishing one. Further, the training that is being developed for the rating specialist position will be offered to the field without a standardized method for application, such that the various regions and areas will be free to choose which modules of the program they would like to use, allowing any inconsistencies among the 58 regions to continue in spite of the training.

The concept or vision underlying the creation of the EDTS group and the introduction of the ISD approach was to build, implement and integrate a structure which would allow for a systematic, integrated cycle of (1) needs assessment; (2) budget planning (3) concept exploration and alternatives evaluation; and (4) training development, fielding and evaluation.¹¹ The current tentative state of the EDTS group, along with the overlapping and duplicative efforts underway in the regions, suggest that this concept is still unrealized and in need of a major investment of the VBA's attention and resources. Given the size and breadth of the VBA operation, the fact there are 58 ROs and 800 rating specialists, and the complex nature of the tasks involved, a strong, centrally managed training program is essential to achieving an acceptable quality level.

Conclusions

- There currently is no comprehensive VBA training strategy which identifies the training needs of the organization, including the adjudication quality concerns of the BVA, and which develops and delivers the required training to meet these needs.
- The EDTS group has not achieved its intended purpose of developing an integrated training approach for the VBA.
- The VBA should make a substantial investment, not addressed in the current budget, in FTEE and in other resources to develop an integrated training program.
- The current vacancy in the position of the director of the EDTS and the location of the remaining staff in Orlando, Florida, inhibit this group's performance of its mission.

Disability-Rating Medical Examinations

An important step in the claims adjudication process is the claimant's medical exam, which is conducted by the VHA staff. Upwards of 300,000 examinations are requested yearly. The quality of these exams is critical to arriving at a proper rating decision

¹¹ Memo to study team member Charles Hulick from Steve Griffin, employee development and training staff, March 7, 1997.

because it provides the needed details on the veteran's claimed disability and the prognosis for future improvements in the condition. The VCAC found that the "VA does not appear to place high priority on integrating VA physicians into the system for developing appropriate medical evidence for use in deciding disability claims." Additionally, members of the BVA who consider appellate cases require adequate medical examination information to assess properly the merits of a claim; inadequate medical exams account for the majority of cases remanded to the ROs.

Current procedures call for medical exams to be requested by the rating specialist through the automated medical information exchange (AMIE) system from the VHA facility closest to the claimant's home address. Both the rating specialists and VHA physicians use the VA physicians guide as the basis and protocol for the particular disability and exam. The VHA examiners operate on a 35-day timeliness standard for completing the exams, a goal being met by 20 of the 22 veterans integrated service networks for FY 96. Based on the Blue Ribbon Panel's recommendation, the VBA and the VHA revised their 1994 memorandum of understanding (MOU) to include exam quality. The MOU now states that "examinations completed under this agreement shall meet the procedural guidelines contained in the Physicians' Guide so that no more than 3 percent of the reports completed each month at each medical center for each regional office are determined to be insufficient for rating purposes by the regional offices of jurisdiction." The MOU further directs VBA field offices to return any examination determined to be insufficient for rating purposes. The nationwide percentage of returned exams has become the measure of examination quality for the system. The MOU also specified that an examination coordinator would be appointed at each RO, the VBA central office, each VHA medical center, and the VHA central office.

Subsequent to the MOU, the December 17, 1996 disability rating VBA white paper on examination report adequacy concluded that 12 percent of the examination reports were inadequate for rating purposes and further concluded that the 3.2 percent figure for examinations returned was not a true indication of examination quality. The white paper summarized the most common reasons for exam report inadequacy, as follows: "A significant portion of the inadequate reports are those in which the examiner fails to carry out the instructions in a BVA remand or to respond to a request for a medical opinion, or that a specific disability be examined or test be performed."

A work group known as the examination process work group formed on August 27, 1996 of representatives from the VBA, the VHA and the BVA has been studying how disability exams are requested, examination report quality, timeliness, specialty exams, and new requirements. An initial effort of the group has been the revision of the AMIE exam request form to incorporate recent rating schedule changes and to focus on developing a document that will represent fully the information needed by the rating specialist. The request forms have been completed, and were expected to have been established on the electronic system by May 1, 1997. Another major improvement effort is the revision of the physicians' guide, the disability exam protocol document used by the VHA in conducting exams. This revised document, which was to have been ready for distribution in April, 1997, includes a CD-ROM version for use by VHA physicians. There is no evaluation design to determine the effectiveness of these two improvements beyond tracking of the number of returned exams.

Additionally, a pilot effort is underway which will assess the feasibility of using pre-service-discharge physical exams in the rating process. By conducting the exams at the facility where the veteran served while on active duty, VBA hopes that more complete and timely information can be obtained. Three locations (Fort Hood Texas, Fort Lewis, Washington, and Fort Knox, Kentucky) are using either VHA or Army physicians to conduct the exams, utilizing the VA examination protocol (physicians guide); all rating and authorization activity associated with the pilot is being performed by a centralized rating facility at the records management center (RMC) in St. Louis, Missouri. The VHA plans to evaluate the results of the pilot to determine the benefits, e.g., changes in timeliness of claims processing, customer satisfaction, claims returned for administrative information, and claims returned for additional medical information.

Other pilot efforts in this area include the placing of a rating specialist at the VHA exam facility (Chicago) to provide immediate answers to any questions that arise in the process, the placing of a physician in the RO facility to conduct exams (New York RO) and the exercising of recently granted congressional authority for the VBA to contract out the disability rating exam in 10 ROs, as outlined in Public Law 104-275. This effort is the outgrowth of a Blue Ribbon Panel recommendation that the responsibility and associated resources for C&P examinations be transferred to VBA control. The Blue Ribbon Panel further recommended that the VBA obtain the authority to conduct a pilot for contracting out medical examinations for veterans seeking disability benefits. Suggested evaluation measures were a comparison of timeliness, quality and costs, and customer evaluation. At this writing, tentative pilot sites have been identified (Boston, Roanoke, Chicago, Wichita, Atlanta, Winston-Salem, Denver, Salt Lake City, Los Angeles, and San Diego), and a request for proposals (RFP) is scheduled for issuance for June 1997. The RFP will provide private contractor support for those areas where veterans are more than four hours away from the VHA facility, for VHA sites where a very large veteran population is resulting in long waiting times for exams, and those areas where there is a large active duty military population.

Panel Assessment and Conclusions on Disability-Rating Medical Examinations

The problems in this area have been the lack of focus by the VHA on disability rating examinations and the absence of a systematic approach to examination adequacy or quality. Progress has been made in resolving the lack of focus on the issue by the VHA but more progress is needed systemwide in addressing examination adequacy.

The VCAC and Blue Ribbon Panel criticized the VHA and physicians for failing to see the quality and timeliness of disability rating examinations as a priority item. Problems on the VHA side of the organization have occurred due to three factors: first, the VHA physicians' attitude that they are medical doctors engaged to provide medical treatment to veterans and should not be required to perform disability rating examinations; second, many doctors are unsure as to what medical evidence is required for ratings, and third, physicians' objections to new court decisions that require them to go beyond examination and provide opinions (e.g., the DeLuca decision now requires doctors to assess relative amounts of pain along with associated ranges of motion). In addition, under the impact of the COVA, the BVA often asks questions which seem inappropriate to doctors, such as whether a particular orthopedic disability could have caused heart disease. If highly subjective medical issues are raised by the claimant with any supporting expert opinion, they must be countered with evidence by VHA medical expertise.



It is apparent to the panel that these conditions have improved with the ongoing focus of the VBA, the VHA, and the BVA on the issue of examinations. The VHA is now devoting more attention to examination-related processes through revisions of the physicians guide and the AMIE worksheets, the planned position of chief of forensic medicine on the VHA staff, and the monthly tracking of both timeliness and returned examinations. Another measure of success is the granting of sought-after authority as specified in Public Law 104-275 for the VBA to contract-out medical exams. In the opinion of VBA staffers, this authority will now be directed at acquiring supplemental contract support for disability exams rather than complete replacement of VHA as a provider of exams.

There are, however, continuing problems. The new AMIE worksheets, while improving the level of specificity of the examination request, are not mandatory for use on the VHA side. Doctors are granted a degree of autonomy in this area which allows them the option of using the worksheet or not; either way, they will be held accountable for the results of their efforts, as measured by the timeliness standard (35 days) and the quality standard (a complete and thorough examination as deemed by the VHA coordinator in their medical facility and the VBA requesting office). Also, no data is collected by the VHA on how AMIE worksheet use (or non-use) might later be correlated with specific reports of examination inadequacy.

The issue of a system assessment of examination quality continues to exist. The VBA white paper concluded that rejections have not been an accurate method for assessing quality. A more systematic approach would include routine sampling of all completed examinations to develop an overview of where quality problems persist. This was to be an agenda item at a meeting of the examination process work group.

New evidence or development work often will result in a request for a new examination. Despite all of the improvements underway, it may be unrealistic to expect a dramatic reduction in the number of remands which occur simply due to the need for a new exam. As long as new evidence is allowed into a case at any point, there will be remands requesting more medical examination data. As the veteran offers new evidence in the form of private physician opinions, the board often has no choice but to remand the case, and ask the VHA doctor: "Do you agree or disagree with this new opinion?" Also, new questions will arise as a case moves to the appeal stage and the participation of VSO representatives, BVA attorneys, and private attorneys increases.

A balance must be struck at the RO between the case going before the court and the routine adjudication case. Every case cannot be prepared as if it were going to the highest appeal level. Finding that balance is the challenge facing the claims adjudication process today.

Conclusions

- Progress has been made by the VBA, the VHA, and the BVA in focusing attention on the issue of medical examination adequacy, and in making specific process improvements. Both the revision of the physician's guide by VHA and the joint development of revised AMIE examination worksheets represent a significant effort to get the three organizations working in a cooperative mode to develop a common understanding of the specifics involved in a "quality" disability rating examination.

- The lack of an evaluation design and supporting data to measure the effectiveness of revisions to the AMIE worksheet and to the physicians' guide limits analysis of how well these improvements assist the examination process.
- The current measures of assessing systemwide examination adequacy are insufficient to give useful and ongoing information. An independent method that systematically samples completed examinations is needed to assure that progress is being made and maintained.
- The panel concurs with the VCAC recommendation concerning the ongoing pilot effort at DoD sites where pre-service-discharge examinations are being used for disability rating purposes. After a careful evaluation of the test results, if such results show positive findings, the feasibility of implementing the program nationwide should be considered.
- The panel concurs with the VCAC recommendation that the VA increase its involvement with other federal and state government agencies, private insurers, and medical associates dealing with disability determinations to obtain information concerning current administrative and medical evaluation theories and practices in the field of disability determinations.

Veterans Service Organizations

The claims process within the VBA and throughout the 58 ROs is aided substantially by the representatives of both national veterans service organizations (VSOs) and state veterans affairs offices. Under the provisions of 38 USC 5902, "Recognition of representatives of organizations," the VA Secretary may recognize representatives of NVSO's such as the American Legion, Disabled American Veterans, Veterans of Foreign Wars, and other similar organizations (AMVETS, Paralyzed Veterans of America, and Vietnam Veterans, to name a few) and furnish these organizations space and office facilities collocated with the ROs. Additionally, states, and in many cases, counties have their own veterans affairs organizations with offices throughout the state. Veterans may choose to be represented during the claims process by a VSO representative or a state veterans affairs representative by executing a power of attorney form (POA). Service organization representatives, often located in the same RO building, interact with the veteran in the preparation of the claim, and with the rating specialist after a claim is rated, but prior to an official notification letter being sent to the claimant. Service organization representatives often also will represent the claimant in a regional hearing before a hearing officer, and as the claimant's representative in a case on appeal before the BVA. Both national and state veterans affairs organizations hold extensive training programs for their members to ensure they are kept current on any changes in VA regulations or procedures.

Currently, the VBA St. Petersburg RO is conducting a pilot effort with the Florida Department of Veterans Affairs (FDVA) under the title "Partner Assisted Rating and Development System" (PARDS). The purpose of this project is to create a partnership with the Florida office in processing original, reopened, and increased service-connected claims. Veterans establish their claims by filing with the state veterans affairs office. Then development work is done establishing service connection, gathering evidence, and obtaining service medical records. The developed claim is then presented to the VA RO for rating on a priority basis. Early results show that these claims are being



rated in 11 days once presented to the VA. Expected benefits include a more efficient claim-development process that reduces duplication, initiates claim development actions at the originating claim location (county offices throughout the state of Florida), and encourages the veteran to become a full partner in the process by assisting in obtaining the necessary supporting evidence. The project is in the test phase, starting with seven locations, with additional locations to have been added through February 1997. Full implementation in Florida was tentatively planned for May 1997, contingent on the success of the test phase.

Panel Assessment and Conclusions on Veterans Service Organizations

The VCAC report contained a recommendation that the "VA and VSO's should build an explicit claims-processing partnership," insisting that the first order of business should be specifically and clearly to define the VA's and VSO's respective roles and responsibilities in the processing of veterans benefits claims. This recommendation remains unfulfilled. Additionally, the BPR project includes a planning assumption that approximately 40 percent of all future claims will be received electronically from VSO organizations or state veterans affairs offices, yet the plan to achieve this goal has not been developed.

The current pilot effort in Florida (PARDS) is a prototype for future claims development work done by state veterans affairs offices. However, there are a number of implementation problems that will limit its effectiveness as a possible model for other states and ROs. The major problem is the lack of a written agreement showing the respective roles and responsibilities of each party, hindering the VBA's ability both to evaluate the PARDS effort and to transfer its concept and procedures to other regions. A number of policy and operational issues associated with the concept of a partnership between state veterans affairs offices and the VBA will need to be addressed. While it must be recognized that each state may represent a different set of environmental conditions and constraints, little knowledge can be gained from a prototype effort which is not carefully documented as to each partner's roles and responsibilities. For example, the quality of claim-development work done by the veterans office must be carefully defined and measured, particularly when a case is appealed to the BVA. Additionally, benefits may be granted due to poor development work done by a state veterans affairs office. A policy agreement needs to be reached to resolve the conflict between the roles of assisting in the claim development process and being a claimant's advocate during the appellate process. An additional issue is the current lack of state office access to VA medical records. The PARDS effort, in order to be useful for future work, should address such issues and develop a written partnership agreement which specifies how these issues are being handled in the case of the Florida/VA partnership effort. In addition, the VBA has no plan to evaluate the PARDS effort for potential dissemination nationwide to fulfill the BPR goal for service organizations to fully and accurately develop 40 percent of claims.

A focus group with several state veterans affairs representatives held at the Academy surfaced other issues in this area:

- State and county veterans affairs representatives would benefit from authority they do not have to request service medical records.
- The representatives were anxious to learn more about the PARDS effort in order to consider adapting it to their local situation.

- Even though this network of state veterans affairs offices is the key to the success of the BPR plan for the VBA, the VA is not making any effort to coordinate with it.
- Focus group members were emphatic about the need for standardized software for use by states in claim-development work. They look to the VA to fulfill this need.
- Focus group members believed that the quality of disability rating examinations had improved in some areas but still had a long way to go, as evidenced by the current high percentage of remands due to inadequate examinations. Further, members felt that the VHA has done a poor job of monitoring exam quality and in working with doctors who consistently produce poor quality examinations.
- The group felt that while the current consolidation of education functions within the VBA has generally worked out, any similar consolidations involving C&P functions must recognize the importance of the access veterans affairs representatives have to original claim file documents.
- Focus panel members pointed out the lack of coordination among the VBA, individual state veterans affairs offices, and the Association of State Veterans Affairs Offices. They suggested an overall coordinator or point person be named at the VBA to enhance coordination in the future.

Conclusions

- There is inadequate coordination among the VA and the state and county associations of veterans affairs representatives. These organizations can offer much-needed assistance to the VA in matters involving the claims adjudication process.
- The current PARDS effort in Florida holds promise for a more formal partnership between the VA and state veterans affairs organizations with the potential benefit of better and more quickly developed claims. A careful evaluation to assess the potential of this effort should be undertaken under an individual at VBA headquarters who is designated as responsible for such an evaluation and recommendations.
- Improved coordination and a careful evaluation of PARDS are crucial to the success of the BPR initiative for the VBA.

PANEL RECOMMENDATIONS

The Claims Adjudication Process

- The Secretary should implement key recommendations of the VCAC related to the claims adjudication process, particularly: (1) simplification of the rules on which the process is based; (2) promulgation of regulations to articulate clearly the requirements of the statute; (3) establishment of a department-level group that includes the VBA, the BVA, and the VHA to deal with disability rating exam issues; and (4) development of an integrated VBA-BVA plan to measure the quality of claims processing.
- The USB should develop and implement a capacity to measure the effectiveness of the numerous VBA pilot efforts and a strategy for deploying best practices nationally.

- The USB, with the chairman of the BVA, should develop separate classes of BVA remands which differentiate remands that are due to COVA decisions and regulation and rating schedule changes from those caused by inadequate RO claim development.
- For improved planning and budgeting, the director of the C&P service should collect resource data on the compensation program separately from the pension program to better understand the policy needs and resource requirements for each of these programs.

Supporting Elements

Quality

- With the BVA, the director of the C&P Service should develop a comprehensive quality strategy including reengineering of the quality system to include:
 - the designation of a “point” person and unit within C&P to be the system manager with overall responsibility for the quality system
 - the development of a more inclusive and comprehensive definition or standard for quality that reflects a consensus among the various interested parties, including the veteran, Congress, and the VSOs, and which encompasses the appellate review process
 - the development of a data system to be the repository of all quality-related information, including a measurement of decision consistency within the system, and the establishment of a periodic analysis of this data for identification of trends and necessary corrective action
- The director of the C&P Service should create a joint central CO/regional office assistance team to make visits to field stations and disseminate best practices.

Training

- The USB in cooperation with the BVA should develop a comprehensive VBA training strategy which identifies VBA and BVA training needs and creates the organization and training to meet these needs.
- The USB should fill immediately the position of director of the EDTS and relocate the EDTS staff to Washington, D.C.
- The USB should review and revise the current budget estimates for VBA training to reflect the importance of future training efforts and provide the resources necessary to accomplish this training.

Disability-Rating Examinations

- With the under secretary of the VHA, and the chairman of the BVA, the USB should develop and implement a systemwide method for assessing the adequacy of disability rating examinations.

CHAPTER

9

The Appellate Adjudication Process

INTRODUCTION

The advent of judicial review and the associated procedural and documentation requirements fundamentally changed the character of the administrative appellate process associated with claims for veterans benefits. Previously, judgments were often made based on the expert knowledge of the adjudicators in consideration of the evidence at hand, and claimants were advised of decisions without being provided with full information on the evidence considered, the law considered applicable, and the reasoning underlying the decision. Under the law as strengthened by the Veterans' Judicial Review Act in 1988 (VJRA), decisions must be directly supported by evidence and applicable law and the reasoning underlying decisions must be fully documented in decision documents.

The law provides for an administrative appellate process available to claimants for veterans benefits who believe that decisions on their claims were or may have been in error. Appeals proceed through certain steps at the regional office (RO) level, where the initial decision is reexamined in light of the claimant's disagreement, and, if not resolved at that level, through a more formal appeal to the Board of Veterans' Appeals (BVA) which is empowered by statute to make the secretary's final decision on the appeal. Since enactment of VJRA, the law provides for judicial review by the United States Court of Veterans Appeals (COVA) upon appeal by the claimant of the secretary's final decision, and for further appeal by the claimant or the secretary to the United States Court of Appeals for the Federal Circuit (CAFC). The VJRA also strengthened procedural and documentation requirements associated with the administrative adjudication and appellate processes.

Although the COVA has reversed relatively few BVA decisions, in a substantial portion of cases decided on the merits it has found prejudicial error in that procedural and documentation requirements were not fully met. In these cases, the court has vacated the BVA's decisions and remanded the cases to the VA for additional development and decision. The court's rulings interpreting the requirements of law must be given effect in all claims in the process of adjudication, including administrative appeal, at the time the rulings are made.

KEY FINDINGS

- A large appellate case backlog has developed. Depending on how many times the BVA finds it needs to remand an appealed claim for additional RO development, appellants wait an average of about two and a half to more than five years for a final decision. Following implementation of the VJRA, the time it takes the VA to process claims appeals to final decisions by the BVA increased, nearly tripling between 1991 and 1996, from 406 days to 1,127 days.¹
- The more stringent procedural and documentation requirements have made claims adjudication more complex and more resource-intensive. Greater effort is required in the BVA in adjudicating appeals and in ROs both in initially adjudicating claims and in reworking appellate claims to give effect to new requirements and BVA remand instructions.
- Improvements in organization and process and additional resources have increased the BVA's decisional capacity to the point that it should be able to reduce the number of appellate cases pending its review to the equivalent of six months' decision production by the end of FY 2000. The BVA has established timeliness and efficiency measures and goals and is currently meeting or exceeding the goals it has set.
- The VBA has not established timeliness goals for nor does it regularly monitor RO performance with regard to important steps in the appellate process — making cases ready for BVA review and processing cases remanded by the BVA. Performance levels vary greatly among ROs, preparation of cases for BVA review is lagging, and the number of remands pending in ROs is growing rapidly. Without early and effective management attention these problems will quickly grow to crisis proportions.
- VA adjustment to the requirements of VJRA for full and documented consideration of available evidence and applicable law has been slow. The BVA has largely made the transition. The VBA is making progress, but transitional problems are evidenced by the need for rework of claims before BVA review and the still high rate of BVA remand for additional claim development.
- The quality of VBA-BVA interaction has inhibited cooperative efforts to identify and find solutions to appeals processing problems of mutual concern, including problems with regard to the quality and consistency of data needed to manage and control the appellate workload. Although the level of cooperation is improving with good effect, better teamwork is needed.
- Although the statutory design of the administrative appeals process may contribute to poor efficiency and timeliness, the major cause of the growth in the number of pending appellate cases, the need for rework, and the resultant delays appears to have been the need to adjust to the requirements of the VJRA. Alternatives to the current design should be studied but major change should

¹ Data regarding appellate workload, status, and timeliness included in this chapter are drawn primarily from regular reports produced internally by the BVA from data in its Veterans Appeals Control and Locator System (VACOLS) or by the VBA's C&P Service from its Appeals Tracking System (ATS). Where important to the context, the specific source of data is cited.

be made only if thorough analysis shows that it would result in process improvements sufficient to justify the disruptive and other costs associated with the change.

MAJOR PRIOR STUDIES DIRECTLY RELATED TO APPELLATE PROCESS

A number of major studies by the VA and its components and by external organizations in recent years have addressed various aspects of the administrative appellate process. These studies, which were critical of various aspects of administration of the process, are briefly identified here.

- Two studies by the General Accounting Office (GAO) addressed aspects of the veterans claims appeals process. In May 1990, the GAO reported² on delays occurring at both the VBA regional office and the BVA levels, widely varying performance among ROs, ineffective management of appellate processing, and the failure accurately to report appeals processing time. In September 1995, the GAO reported³ on the increasing appeals backlog, the high remand rate, and the underlying reasons for both. It reported also on the persistent need for the VA units involved in the appeals process to work together to solve problems.
- In June 1994, a panel comprised of high-level officials broadly representative of the VA, representatives of other federal agencies and of veterans service organizations, and private citizens reported on their study of ways to improve the productivity of the BVA.⁴
- In June 1995, the VBA and the BVA completed and reported on a joint study of a sample of appellate cases certified by ROs as ready for BVA review and held at those offices pending the BVA's calling them up for consideration (so-called "code 41 cases").⁵ The main thrust of the study was to assess the potential of the cases for BVA remand. The study found a high or moderate potential for remand in about 42 percent of the cases reviewed. In May 1996, the VBA and the BVA completed and reported on a joint study of appeals cases called up by the BVA after having been certified by ROs as being ready for BVA review.⁶ The study found that remand rates were lower than FY 1995 rates, that there was a wide range of remand rates among ROs, and that claim development and medical examination deficiencies were the dominant reasons for remands.
- In December 1996, the VBA issued its final report on a business process reengineering (BPR) study of claims processing.⁷ The study did not encompass the full administrative appellate process, but did note the length of time it took the VA to

² *Improved Management Needed to Reduce Waiting Time for Appeal Decisions*, GAO/HRD-90-62, May 25, 1990.

³ *Effective Interaction Needed Within VA to Address Appeals Backlog*, GAO/HEHS-95-190, September 27, 1995.

⁴ *Report and Recommendations of Select Panel on Productivity Improvement for the Board of Veterans' Appeals*, June 1994.

⁵ *Analysis of Code 41 Cases, Final Report*, June 15, 1995.

⁶ *Study of Cases Called In by the Board of Veterans' Appeals*, May 1996.

⁷ *Reengineering Claims Processing, A Case for Change*, Veterans Benefits Administration, December 1996.

reach a final decision on an appealed claim and proposed a post-decision review (PDR) process commencing with the receipt from a claimant of a notice of disagreement (NOD) with the decision reached on a claim.

- In December 1996, the Veterans' Claims Adjudication Commission (VCAC) reported its findings, conclusions, and recommendations regarding the system for the disposition of claims for veterans benefits.⁸ The commission, noting that since Congress established the COVA in 1988 the BVA is no longer the court of last resort, stated its belief that the BVA's traditional role in the administrative appeals process should be reevaluated. It noted recent improvements in the BVA's organization and increased productivity and production along with increased resources, but stated that it did not believe that an influx of resources to support the BVA's operation would bring about a solution to the problems besetting the appeals process. The commission recommended for consideration a concept for the redesign of the adjudication and appeals process intended to make it more functional, fair, and efficient. The VA disagreed with the commission recommendation.

CURRENT APPEALS PROCESS

The Academy panel believes a well-functioning appeals process should include the following key elements:

- The claimant is adequately informed of the bases for initial and appellate decisions.
- The claimant is adequately informed of appeal rights.
- The initial adjudication authority gives timely and informed reconsideration of issues on which the claimant disagrees.
- An independent appellate authority gives timely and informed consideration of issues remaining in disagreement on appeal.

The basic design of the current appeals process is provided for by statute.⁹ The design includes three principal stages following notification of the claimant of the initial decision: reconsideration of the issues in dispute by the RO, which is essentially an extension of the initial adjudication process; formal administrative appellate consideration by the BVA, which makes the final administrative decision on the appeal; and judicial review of the final decision.

The total process includes steps as outlined below and depicted in Figure 9-1:

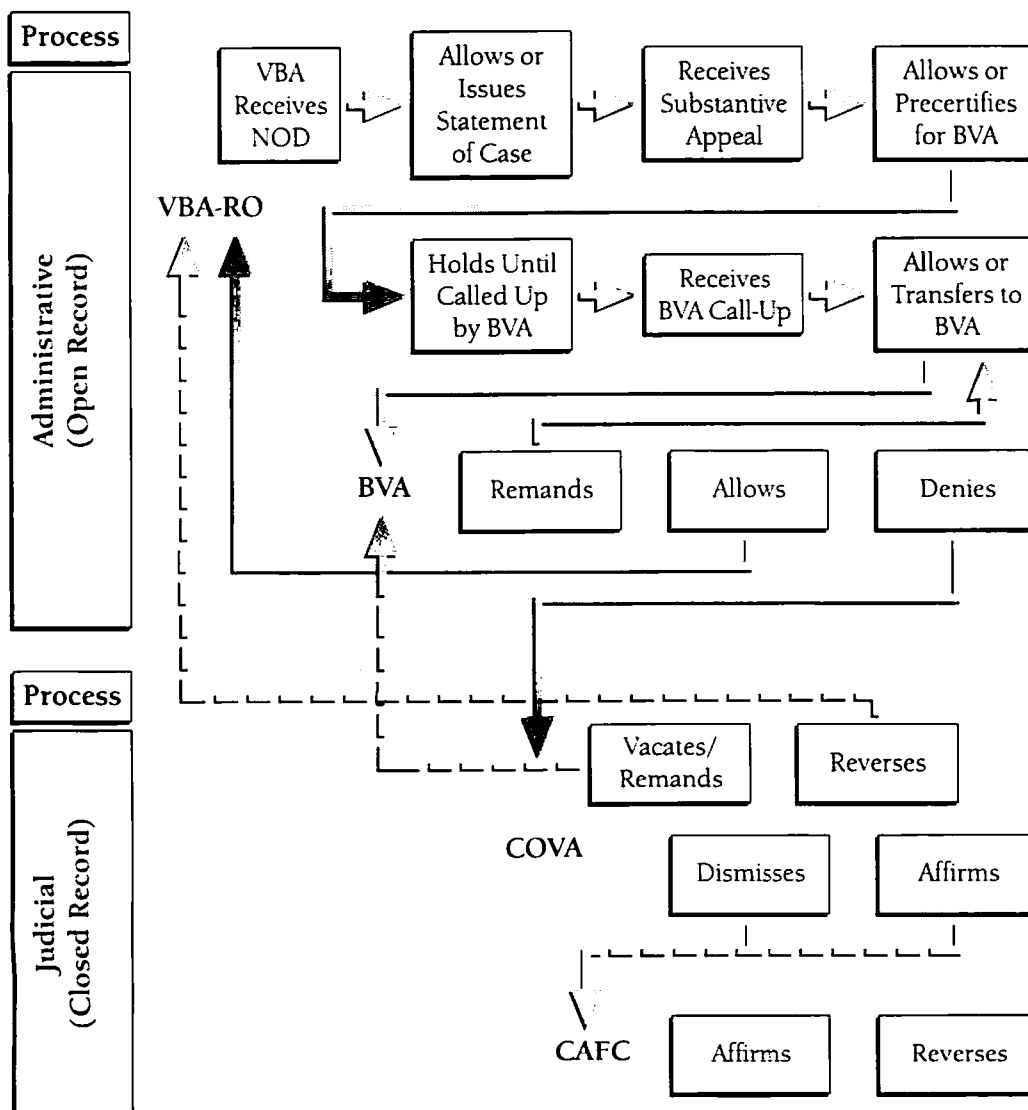
- The RO adjudication division notifies the claimant of decision and bases therefor and of appeal rights.
- If the claimant disagrees, he or she (who may request an RO hearing at any stage of appellate process at the RO) files a notice of disagreement (NOD), with or without additional evidence.

⁸ *Veterans' Claims Adjudication Commission, Report to Congress*, December 1996.

⁹ Chapter 71, title 38, United States Code, provides for the BVA and its jurisdiction. It also provides for certain administrative appellate steps which precede formal appeal to the BVA, including the claimant's filing of a NOD and RO issuance of a statement of the case. Chapter 72 provides for the COVA and its jurisdiction and for review of COVA's decisions by the United States CAFC.

- The RO reconsiders the claim; if it does not grant full benefits, the RO issues a statement of the case (SOC) stating the evidence considered, applicable law and regulation, and bases for decision.
- If the claimant disagrees, he or she files Form 9 (substantive appeal or SA) stating issues on which he or she disagrees, with or without additional evidence; the claimant may request a BVA hearing in Washington or at the RO.
- The RO reviews the claim; if the RO does not grant full benefits, it prepares (precertifies) the case for BVA review and holds the file pending BVA call-up (code 41 status).
- If additional evidence is submitted while in code 41 status, the RO reviews the claim in light of new evidence; if the RO does not grant full benefits, it issues a supplemental statement of the case (SSOC).
- The BVA calls up the case for consideration on appeal,* reviews the case, including a hearing if requested, and either allows benefits, remands the case for additional development, or denies the appeal.

FIGURE 9-1: THE APPELLATE PROCESS



- If the case is remanded, the RO follows BVA instructions for further development; if the RO does not grant full benefits, it returns the developed case to the BVA for consideration and decision.
- If the claimant disagrees with the BVA's final decision, he or she files a notice of appeal with the COVA.
- The COVA considers the case and affirms or reverses the BVA decision or vacates the decision and remands the case to the BVA.
- If the claimant or the secretary disagrees with the COVA decision, either may file an appeal with the CAFC.

*The claimant's representative, attorney, or agent, if any, may review the case and submit a brief at these stages. The claimant also may be represented before the COVA.

As designed, the process provides or allows for all the elements of a well-functioning system. In its current state of administration, however, the administrative appellate process falls far short of being either timely or necessarily well-informed. The current state of administration is discussed in the following sections.

MAJOR IMPACTS OF VJRA ON THE ADMINISTRATIVE APPELLATE PROCESS

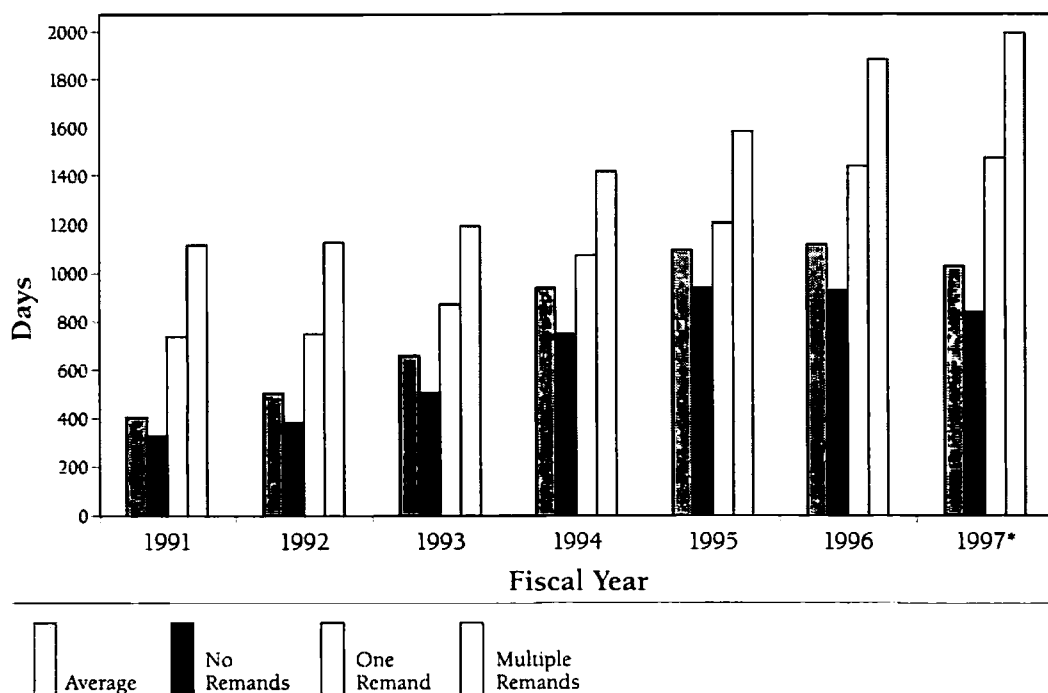
The introduction of judicial review and the associated requirements of VJRA required the VA to make major adjustments in the adjudication of claims including administrative appeals. Not only must all requirements of law as included in statute and as interpreted by the secretary through regulation or by the COVA through its decisions be met in the administrative adjudication of veterans' claims, but the record must now show that they were met and how they were met. The impact of added requirements was felt most immediately by the BVA as its decisions were examined by the COVA and it learned in what respects its decisions were deficient. It was felt less immediately by the ROs as the lessons learned were passed down by the VBA through its dissemination of COVA decisions and related information and the BVA remanded a higher proportion of cases to ROs for further development in light of legal requirements.

Administrative Appellate Decisions Take Too Long

As shown in Figure 9-2, the average time it took for a veteran to receive a final BVA decision on appeal nearly tripled from 406 days in FY 1991 to 1,127 days in FY 1996. Although the overall average and the average for decisions with no remands dropped during the first eight months of FY 1997, the average time to decision for cases with remands again increased. The time periods for final decisions with one or more remands include the time remanded cases are with ROs for additional development before they are returned to the BVA.¹⁰ Between FY 1991 and FY 1994, the proportion of

¹⁰ Not all remanded cases are returned to the BVA. With additional development and review, the ROs in some cases grant claimed benefits in full. In other cases, claimants withdraw claims while they are in remand status. To illustrate, of 13,402 claims remanded to ROs in fiscal year 1995, 7,654 had been acted on by ROs as of February 8, 1997. Of these, 71 percent had been returned to BVA, 22.7 percent had been resolved by granting benefits, and 6.3 percent had been withdrawn by the claimant.

FIGURE 9-2: TIME FROM FILING SUBSTANTIVE APPEAL TO FINAL BVA DECISION



*Through May 1997.

Source: BVA Management Reports.

BVA final decisions made without one or more remands fell substantially, from 81 percent to 51 percent.

BVA Decision Production and Productivity Fell Dramatically

BVA's production in terms of numbers of decisions fell sharply, from a level of more than 46,000 in FY 1990 to a low of approximately 22,000 in FY 1994. Also, in a higher proportion of cases decided, the BVA found that not all requirements of law had been met, either in initial claim adjudication or because of intervening events such as COVA decisions, and remanded the claims to regional offices for further development. From a FY 1990 level of 24 percent, the remand rate rose to a high of more than 50 percent in FY 1992. It has remained high since that time and stood at 43.5 percent for decisions reached in FY 1996.

Productivity measured in terms of decisions per full-time employee equivalent (FTEE) fell from about 115 in FY 1990 to a low of about 50 decisions per FTEE in FY 1994. The additional requirements imposed by VJRA and COVA decisions contributed significantly to reducing productivity. The growth in the length of the BVA's decisions is one indicator. The average length of BVA final decisions, measured in lines of type, grew by 88 percent, from 214 to 403 lines. The average length of remand decisions more than doubled.

The slowdown in decision production resulted in a large buildup of cases at the BVA from about 19,500 at the end of FY 1990 to about 33,700 by the end of FY 1993.

Faced with this buildup of case files in Washington, the BVA changed procedures in early 1994 to require that appellate cases ready for BVA review be held at ROs until called up by the BVA for consideration. The backlog of cases ready for BVA review, now consisting of cases physically with the BVA and cases held by ROs pending BVA call-up, continued to grow, reaching a peak of approximately 60,100 at the end of FY 1996.

VBA ROs Faced Increased Workload Challenges

The impact of judicial review on RO appellate workload has fallen in two major areas: the need to service and maintain a large inventory of appellate cases for long periods until the BVA calls them up for review; and the need to process the increased numbers of cases remanded by the BVA for additional development. These impacts are in addition to the more stringent procedural and documentation requirements associated with initial claims adjudication and the early stages of appeals processing.

Upon receipt of a formal appeal, RO staff review the claim file and, unless claimed benefits are granted in full, prepare the case for BVA review and hold the claim file pending call-up by the BVA. During the holding period, termed "code 41 status" for the status code in the VBA appeals tracking system (ATS), the RO must review any additional evidence the claimant may submit in support of the claim, revisit the decision, and if claimed benefits are not granted in full, issue an SSOC. During pendency in code 41 status, claims also may be affected by new interpretations of law, changes in regulations, or other events which need to be taken into consideration either currently or before the claim file is transferred to the BVA pursuant to its call.

For a variety of reasons cases called up for BVA review often are not ready for transfer.¹¹ For example, some need additional development or reconsideration of the decision based on applicable law as understood at that point in time, including any regulatory changes or new case law precedents that were issued while the case was pending in code 41 status. In some cases, the claimant has submitted additional evidence and the process of consideration of that evidence, issuance of a SSOC, and claimant response has not been completed. In other cases, RO workload priorities make it difficult to devote the needed resources to reviewing the cases in a timely manner.¹² Where the cases called up by the BVA are not ready for transfer at the time needed, ROs may substitute cases that are ready but have not yet been called up and are therefore later in the docket order than those called.

The BVA called up a total of 37,938 cases for delivery between May and December 1996. As of January 15, 1997, about half (49.9 percent) of these cases had neither been delivered to the BVA nor otherwise accounted for as having had full benefits granted,

¹¹ The BVA issues calls by claim number in the order in which the formal appeals were docketed, allowing about three months for delivery of the claim file.

¹² An additional factor is that in some cases the claimant has requested a BVA hearing and asked that it be held in the RO. In these cases, the file is held at the RO until the hearing can be scheduled. Because of the long time elapsed since the case was originally docketed by the BVA, claimants have sometimes lost interest in a hearing and do not show up when it is scheduled. The BVA and the VBA are considering the need to verify the claimant's continuing interest in a field hearing as part of the process of readying the case for BVA consideration.

been withdrawn by the claimant, or been disposed of for some other reason.¹³ The percentage of cases unaccounted for varied from 44.6 percent to 58.6 percent among the four VBA field office areas and from 11.9 percent to 85.4 percent among ROs.

According to appeals tracking system (ATS) data, as of May 31, 1997, ROs held 32,241 appellate claims in code 41 status pending call up by the BVA.¹⁴ The claims had been pending in this status for an average of well over a year (433 days) at that date. The average time pending did not vary greatly among the four VBA field office areas (all were within a narrow range between 419 and 445 days) but varied widely among ROs (from 13 to 757 days). The need for multiple reviews of these pending cases increases the workload of the ROs.

The BVA remands represent a relatively high percentage of BVA decisions. Although the percentage dropped from 47.5 to 43.5 between FY 1995 and FY 1996, the number of remands increased from 13,402 to 14,821.¹⁵ At the same time, according to BVA analyses, the average number of reasons for remand per remanded case fell from 3.26 in FY 1995 to 2.66 in FY 1996. Reasons for remands vary. They include such matters as the need for a more complete or current medical examination, the need to consider evidence submitted after the claim was transferred to the BVA without a waiver by the claimant of RO consideration, a change in law or regulation or a recent interpretation of law which affected the claim in some manner, the need to consider an additional issue which may be inferred from the record, or the need to obtain and consider evidence which the record indicates may be available but which has not been obtained. Because remands delay final decisions on appeals, Congress provided in a 1994 law for expedited treatment of claims that have been remanded.¹⁶

The number of cases remanded by the BVA and pending in ROs for additional development has grown rapidly. As of May 31, 1997, according to ATS data, 26,031 cases remanded by the BVA were pending at regional offices, up 85 percent from the 14,075 pending as of September 30, 1995. The 26,031 cases had been pending for an average of 347 days, up from 331 days 20 months earlier; average days pending varied from 287 to 374 among the four VBA field office areas and from 106 to 723 among ROs. The need for additional work on these pending remand cases increases the workload of the ROs.

¹³ Of 18,596 cases accounted for, 4,414 (24 percent) had been resolved at the ROs; 6,842 (37 percent) had been adjudicated by the BVA, reaching final decisions in 52 percent and remanding 48 percent; the remainder were awaiting or in process of BVA review. The percentage resolved at ROs was about the same in each of the four VBA field office areas (23, 24, or 25 percent, but varied widely among ROs (from a high of 60 percent to a low of 6 percent).

¹⁴ From no cases in this status prior to the change in procedure in early 1994, the number grew to more than 45,000 by late in 1995, peaked at over 47,000 at the end of September 1996, and had fallen by more than 31 percent to 32,241 by the end of May 1997. The BVA began to call up cases from this status in June 1995 for transfer to the BVA by September 1995.

¹⁵ Additional decisions classified as "allowances" contain remands of certain issues. In fiscal year 1996 these totaled about 1,600, for total remands of 16,419.

¹⁶ P.L. 103-446, November 2, 1994, 108 Stat. 4658. Section 302 of the act provided that the secretary shall take such actions as may be necessary to provide for the expeditious treatment by the BVA and by the ROs of the VBA, of any claim that has been remanded by the BVA or by the COVA. See 38 U.S.C.A. 5101, Note.

CURRENT SITUATION AND OUTLOOK

Consistent Adjudication Rules Need to Be Followed at Each Stage of the Process

The VJRA changes in statutory procedural and documentation requirements and introduction of judicial review with subsequent development of case law interpreting legal requirements brought new challenges to the VA. The new requirements needed to be brought into regulations to govern RO and BVA adjudication of claims and into the VBA procedures manual requirements to govern process in ROs. In addition, the operational meanings of these requirements are more precisely defined as rulings are handed down by the CAFC and COVA in appeals cases presenting particular factual patterns. The VA general counsel (OGC) may also issue “precedent opinions” which are binding on the VBA and the BVA in the adjudication of claims. These court and OGC precedents are effective with respect to all claims in process of adjudication including administrative appeal at the time they are issued.

As the same legal requirements for claims adjudication are binding on all parts of the administrative claims adjudication process, initial adjudication as well as appellate, adjudicators at all stages of the process need to be commonly informed as to the current state of the law. During research for this study, however, interviewees often said that BVA professional staff and VBA division office adjudication personnel did not have the same understanding of legal requirements. Some interviewees attributed this to RO staff not having “caught up” with current law; others thought that BVA personnel didn’t necessarily believe that they needed to follow the same rules as those that control initial adjudication. To the extent that access to information on the current state of the law and legal requirements can be made commonly available to and incorporated in the training of all adjudication personnel, the overall adjudication system would be well served.

The BVA has developed several techniques to keep board members and staff counsel up to date with respect the current state of the law. Regulations and changes thereto are routinely available within the BVA. The basic program of training for BVA professional personnel calls for initial staff counsel on-the-job training under the guidance of a mentor, general training in the resources available, including reference and research resources, lectures on specialty law and medical issues, training on the conduct of hearings, and advanced skills training.¹⁷

For each precedential court decision, the BVA prepares and electronically distributes to all professional staff a “headnote” which includes a summary of the issue or issues involved, the relevant facts, the court’s legal analysis, and the court’s holdings on the issues. Copies of the decisions are also available to all BVA staff directly or through inclusion in the BVA’s research center. Copies of OGC precedent opinions are distributed to key BVA officials, who disseminate copies to or advise subordinate professional staff of their existence, and are available in the research center.

¹⁷ This program is described in BVA Directive 5410, Training for Board of Veterans’ Appeals Professional Personnel; BVA Handbook 5410, Procedures for Training Board of Veterans’ Professional Personnel; and BVA Training Guide TG 01–96–01, Board of Veterans’ Appeals Professional Personnel Training Guide.

The BVA also synthesizes the current state of the law in an online research document called "VETBENLAW," or the "Veterans Benefits Law Index (Annotated)." The headings in this comprehensively indexed, regularly updated document correspond to particular areas of law involved in the adjudication of veterans' benefits and appeals such as due process, duty to inform, duty to assist, burden of proof, and new and material evidence. It contains annotations to the relevant court decisions and OGC precedent opinions. Other online research tools include electronic access to the text of COVA slip opinions, previously issued headnotes, prior BVA decisions, title 38 of the Code of Federal Regulations, and VBA's ARMS/COVA databases containing VA circulars, VBA directives, VBA training guides, VBA manuals, and COVA slip opinions, as well as a search tool to identify relevant research resources available in the research center.

These tools, as well as access to WESTLAW, a commercial online legal research tool, are readily available to all BVA professional legal staff to assist them in identifying the current state of the law that may be applicable to the issues and facts of appeals cases.

The principal points of law have been incorporated into training documents for use within the BVA and for provision to ROs during scheduled visits by BVA personnel. One of these depicts the BVA decisionmaking process in flow chart form. The chart includes annotations to important court decisions and OGC opinions related to the various issues covered by the process and is accompanied by text, keyed to the chart, which discusses the general state of the law governing major areas of veterans benefits. Another outlines matters needing attention by ROs in the preparation of cases for BVA review. It includes a "checklist for avoiding remands," which discusses the general state of the law on important issues.

Neither the VBA nor its ROs, however, have direct access to all the research resources developed by or available to BVA professional staff. The BVA does provide copies of headnotes to the VBA and provides its decisions on compact disc to the VBA and the ROs for their use. Copies of the periodically updated contents of VETBENLAW are provided to the VBA in electronic form for incorporation into the ARMS database which is available to field offices.

Largely independently, the VBA's C&P Service keeps ROs advised of recent court rulings, regulations changes, and other relevant topics (see discussion in Chapter Eight). A BVA official informed Academy study staff that the BVA was considering converting its research tools to formats which could be made fully available online to wider audiences, including ROs, VSOs, state veterans affairs offices, and others. He said that he hoped that this could be done within a year and that in the interim, the BVA and the VBA could discuss whether more direct RO access to at least some of the research tools would be feasible.

The VBA Needs to Measure and Monitor Performance

The three most important indicators of performance in the administrative appellate claims process are quality of decisions, timeliness of decisions, and efficiency of operations. Measurements on these three dimensions of the process against any goals set by management allow performing organizations to gauge overall performance, detect areas where goals are not being met, and take corrective action.

Over the past several years the BVA has developed a number of performance measures which are monitored by management. In line with the requirements of the Government Performance and Results Act (GPRA), the BVA has stated three primary goals derived directly from its mission as defined by law (38 U.S.C.A., Chapter 71). These goals are to deliver quality services, deliver timely services, and deliver services efficiently.

The BVA's basic product is decisions. The law, as strengthened by VJRA (38 U.S.C.A. 7104(d)), requires that BVA decisions include a written statement of findings and conclusions, and the reasons and bases for those findings and conclusions, on all material issues of fact and law presented on the record, and an order granting or denying relief. The intent of this provision is that the decision should enable a claimant to understand not only the decision but the basis for the BVA determination and its response to arguments advanced by the claimant. COVA decisions have held that BVA decisions must identify those findings deemed critical to the determination, account for the evidence which the BVA finds persuasive or unpersuasive, and contain clear analysis and succinct but complete explanations. Bare conclusions without supporting analysis and explanation are neither helpful to the veteran nor sufficient to permit effective judicial review.

The BVA has defined a decision of acceptable quality as one that comports with these requirements of law as defined in the statute and by the courts, is supported by a plausible basis in the record, and meets the general requirements of good legal writing. As of this writing, the BVA has no simple measure of decision quality that can be expressed quantitatively. It has developed a quality assurance program, however, which helps it gauge decisional quality. The program identifies quality indicators from external sources, such as comments included in COVA decisions reversing or remanding BVA decisions,¹⁸ and critical or commendatory comments from appellants and their representatives, VA officials, members of Congress or their staff, and VSOs. In addition, the BVA centrally evaluates the quality of a random sample of completed decisions before they are issued and of all decisions that result from remands from the COVA. Errors are identified and categorized. Quality data from these sources are accumulated in a database, periodically analyzed and summarized, and shared with BVA management and staff. Also, the data are identified with individual board members and utilized in the annual board member performance evaluations.¹⁹ The BVA intends to develop weights assignable to the various types of data in the database and ultimately develop one or more quality indices from the collected information.

¹⁸ A relatively small number of final decisions on claims are appealed to and decided by the COVA. According to statistics furnished by the clerk of court, the COVA terminated 1,264, 1,168, and 1,252 cases in fiscal years 1994 through 1996, respectively. About one-third of the terminations were procedural and the other two-thirds were on the merits. Of the 839 decisions on the merits in fiscal year 1996, 315 (38 percent) affirmed the BVA's decision; 365 (44 percent) reversed the BVA's decision or vacated the BVA's decision and remanded the case to the BVA; 103 (12 percent) affirmed in part and reversed or vacated in part; and 56 (7 percent) granted extraordinary relief. According to officials in the VA's office of general counsel, only 10 COVA case dispositions in fiscal year 1996 included reversals. A small number of COVA decisions are appealed to the CAFC by either the VA secretary or the appellant. According to statistics supplied by the COVA clerk of court, these numbered 72, 68, and 64 in fiscal years 1994 through 1996, respectively.

¹⁹ Each BVA decision team is also required to develop and implement its own quality assurance system. The design is up to the deputy vice chairman who heads the team, and the systems vary. In addition, board members assess the quality overall and for various elements of each draft decision document prepared by staff counsel under their direction. Data from these assessments are included in a database and utilized in staff counsel performance evaluation.



There is no ongoing or periodic systematic evaluation independent of the BVA of the quality of its decisions and decision documents. Although the COVA reviews some BVA decisions on appeal, its focus is on individual claim decisions, not the quality of BVA decisions overall.

The BVA considers both decision production and timeliness in its measurements against the goal of delivering timely services. Decision production goals are set at weekly, monthly, and annual intervals for the BVA overall and for each decision team. Actual production against the goals is tracked at the same intervals. For internal management purposes, the BVA has set a goal of 41,200 decisions in FY 1997.

The BVA uses three measures of timeliness. "Response time," tracked yearly and monthly, projects the time it will take the BVA to adjudicate a new appeal added to its docket and certified as ready for its review. The BVA's response time goal for FY 1997 is 549 days. "Elapsed processing time" measures the time between the start and finish of phases of the appellate process. The BVA's principal measure, tracked monthly and annually, is of the time between BVA's receipt of a case file and the issuance of a decision, i.e., processing time at the BVA including the time the file is with VSOs for preparation of advocacy briefs.²⁰ The BVA's published goal for FY 1997 is 250 days and for 1998, 150 days. "Total appellate processing time," tracked monthly and annually, measures elapsed time from filing an appeal and the issuance of a final BVA decision on the appeal (includes time for RO processing of remands), and is stated separately overall and for final decisions where no remands were involved, final decisions with one remand, and final decisions with more than one remand. Although the BVA tracks against this measure, as of this writing it has set no related goals.

The BVA uses two measures of efficiency of services. "Appeals decided per FTEE," tracked monthly and annually, is a simple measure of efficiency. The stated goal for FY 1997 is 82.4 decisions per FTEE. "Cost per case," tracked annually, is another simple measure of efficiency (total obligations divided by the number of decisions). The stated goal for FY 1997 is \$992.

The data systems supporting the timeliness and efficiency measures include the BVA's veterans' appeals control and locator system (VACOLS), the appeals tracking system of the VBA's benefits delivery network (BDN), and the VA's central payroll/financial systems.

In establishing and tracking against performance goals, the C&P service has concentrated principally on the initial adjudication phase of claims processing. Quality in the processing of appellate cases is included along with that of initial adjudication in C&P's quality assurance program (see Chapter Eight); there is no ongoing or periodic systematic assessment independent of the VBA of the quality of its adjudication decisions. The ATS system includes data on numbers of appellate cases in several status categories, numbers of cases which are received or that move from one status to another, and elapsed time between one status and the next. The VBA has established

²⁰ The BVA has set a timeliness goal of 60 days for VSO review of files and preparation of advocacy briefs and tracks each of the VSOs against this goal. Some meet it, some do not. BVA officials have stated that those who do not have recently been devoting more resources to accomplishing review and brief preparation and are making progress toward the goal.

performance goals, however, only for timeliness and only for three phases of the appellate process: from receipt of a NOD to issuance of a SOC, 50 days; from receipt of a substantive appeal to precertification of the case as ready for BVA review, 83 days; and from receipt of new evidence while a case is in code 41 status to issuance of a SSOC, 88 days. The C&P service regularly tracks RO performance only against the timeliness goal for issuing a SOC after receipt of a NOD.

The VBA's C&P Service sets no timeliness goals nor does it regularly analyze ATS data related to important parts of the appellate process, such as transferring cases to the BVA in response to its call-up of appellate claim files or processing cases remanded by the BVA to either claim resolution or return to the BVA. The chief of the C&P service's office of field design and management, which assesses RO performance, stated that more monitoring of RO performance in processing appellate cases is not done because appeals represent a relatively small part of RO workload. He said that with increasing interest in remands and in the transfer of called-up cases to the BVA, his office is considering how it might more fully include appellate workload in its analyses of RO performance. He said that to some degree, progress in this area would be dependent on getting the data consistency issue between ATS and VACOLS straightened out, as assessment would have to be based on data which is consistent and accurate in that it tracks the full appellate process.

In early FY 1997, the director of the C&P service tasked the adjudication officer advisory committee to examine issues relating to RO processing of appeals and recommend improvement actions that should be taken. The results of that examination were reported to the director of the C&P Service.²¹ The results were summarized in a satellite broadcast training program for RO adjudication personnel on May 16, 1997.²² The advisory group's recommendations focused heavily on working to improve communication and cooperation between the VBA, the BVA, and the VHA. They also addressed ways to improve the working relationship and communications between the RO adjudication personnel, the claimants' representatives, and the claimants, and specific practices and procedures that could be used to improve the management of appeals workload. Also, in conjunction with the training program, the acting under secretary for benefits (USB) announced a goal for regional offices to identify and process before October 1, 1997, all cases remanded by the BVA prior to January 1, 1996.

The BVA and the VBA Need to Cooperate

Final decisions on veterans' benefit claims are the responsibility of the secretary. The BVA and the VBA, through their field offices, each have important responsibilities in the adjudication of veterans' claims to reach a final secretary's decision. In most cases, the initial decision by the RO adjudication division resolves the claim and becomes the secretary's final decision. According to the director of the C&P service, based on experience in FY 1996 during which about 74,000 NODs were received, claimants disagreed with decisions in less than 3 percent of all claims/issues adjudicated. Most disagreements involved rating-related claims/issues. The 74,000 NODs represent about 10 per-

²¹ Memorandum dated March 31, 1997, from the chairman, Adjudication Officer Advisory Committee, to the director, C&P Service.

²² The moderator of the training program announced that it was the first of a series of such programs planned on the subject of appeals.

cent of adjudicated claims/issues which were rating-related.²³ A large majority of these disagreements are resolved through the SOC process without a substantive appeal being filed; ATS data indicate that only 28,330 substantive appeals were received in FY 1996. An appeal is docketed by the BVA at the time the substantive appeal is filed. From that point on the BVA and the ROs both have responsibilities for processing the appeal to final decision, with the BVA's final decision in the matter becoming the secretary's final decision unless the appeal is resolved earlier by the RO. By law, only BVA final decisions are subject to appeal to the COVA.

Within the VA, the BVA as the administrative appellate body is organizationally independent of the VBA. Because both have important responsibilities in the administrative appellate process, however, there is opportunity and a need for close cooperation between the two organizations while maintaining their independence in decisionmaking. These opportunities and needs are found primarily in four areas:

- cooperation in seeking a common understanding of what constitutes quality in the context of claims adjudication and decisionmaking, and in measuring the extent to which it is achieved
- cooperation in the development and access to research resources needed by adjudication personnel in both organizations
- cooperation in the development and delivery of training needed by adjudication personnel in both organizations
- cooperation in capturing data needed to manage the appellate workload from the filing of a NOD to the issuance of a final decision

With cooperation in these areas, it is important that the two organizations also cooperate generally in identifying problems in appellate processing that are of mutual concern and seeking solutions to the problems.

Before judicial review came into being, the need for cooperation may have been less apparent. Claims were initially decided by ROs. Appeals not resolved at ROs were decided by the BVA, and the BVA's decisions were the final word. From 1980 through 1990, the BVA denied between 62 and 72 percent of appeals, a substantial majority. During this period, annual BVA remand rates were usually well below 20 percent and never exceeded 23.5 percent. Allowance rates stayed well below 15 percent. With judicial review and more stringent procedural and documentation requirements in place, appeal denial rates dropped to a low of about 23 percent in FY 1995. Remand rates quickly rose to over 50 percent in FY 1992 and have stayed well above 40 percent since. Allowance rates rose steadily but more slowly to a FY 1996 level of almost 20 percent.

The changes in outcomes of the BVA decision process were products of changes in law included in the VJRA and as interpreted by the COVA. The COVA found that many final administrative decisions failed to meet legal requirements. The BVA responded by more carefully ensuring that its decisions gave appropriate attention to those require-

²³ About 85 percent of the appeals that are decided by the BVA are from decisions on compensation claims; another 3 percent involve pension claims; the remaining 12 percent involve appeals of decisions on issues related to these and other veterans benefits programs.

ments. It found that many more regional office decisions failed to meet legal requirements, potentially prejudicing the interests of the claimants. Perhaps as a natural outgrowth of the BVA's increased overturning of RO decisions or returning cases to them for additional work, tension increased between the two organizations.

It appears from Academy study staff research, including interviews with a large number of VA personnel, that only recently have the two organizations clearly recognized that they are both in business to carry out the department's responsibilities to serve the veteran and that they both have important roles to play in the overall claims adjudication process, including the administrative appellate process. Cooperation is improving.

The two organizations have cooperated on two studies to help gain a common understanding of the reasons for remands and how to avoid them.²⁴ These studies and continuing cooperation in assessing the reasons for remands can go a long way toward building a common understanding of what represents quality in claims adjudication. Partly as an outgrowth of these studies, the VBA and the BVA have increased cooperation and communication in other areas.

They cooperate to a degree in training. For example, the VBA provides some training for staff counsel hired by the BVA and BVA personnel participate as instructors and lecturers in VBA training provided to RO adjudication personnel. In September 1996, the two organizations, with the participation of the VHA, held one-day training sessions at each of 24 ROs. More than 850 VBA and 200 VHA personnel from 40 states attended. During these sessions the BVA presented information on its processes and the adjudication rules it follows and problems of mutual concern were discussed. In general, participants believed these sessions were very useful in helping build a common understanding of the respective roles of the different organizations and of the adjudication rules which needed to be followed. The BVA is following through by participating in similar discussions during visits by board members and staff to ROs to hold field hearings or for other purposes, and through periodic teleconferences and video conferences (where equipment is available²⁵). As indicated previously, there is room for greater cooperation in the development and sharing of research resources.

The two organizations need to work together on data systems issues. The VBA has the ATS system used to track cases during the appellate process while they are in the ROs, including cases returned to the ROs on remand from BVA. This system tracks appeals cases from the receipt of a NOD to RO disposition, either by granting benefits, claim withdrawal, or transfer of the case to the BVA. The BVA has the VACOLS system, which tracks cases from the filing of a substantive appeal to final BVA decision, including cases remanded by COVA. The two systems have substantial overlap and until recently

²⁴ See earlier discussion of *Study of Code 41 Cases*, June 1995, and *Study of Cases Called in by the Board of Veterans' Appeals*, May 1996.

²⁵ Video conferencing equipment has been installed in two ROs. The BVA has financed the acquisition of such equipment for an additional 12 offices and one other office is acquiring equipment. In addition, there is potential for using video-conferencing facilities available at VA medical centers when not otherwise in use.

have been maintained totally separately, with independent data entry by each organization, sometimes using the same source documents. Data in the two systems is often in substantial disagreement, even on such important matters as the number of substantive appeals filed and the number of remands pending in ROs. The differences are not necessarily due to any deficiency in the individual systems as such, but more likely are due to errors in data entry and lack of attention to data integrity, as well as to different criteria for characterizing the status of cases..

The two organizations are addressing this problem. Late in FY 1996, the BVA extended limited access to VACOLS to the ROs, which have in turn been working to reconcile the data in the two systems and to update the data in the VACOLS system. The pace at which the different ROs have proceeded with this process has been varied, but ultimately there should be agreement between the two systems and better accuracy. In November 1996 the BVA and the VBA further agreed to establish a unified information system for appeals to meet the needs of both organizations. This system will track appeals to final BVA decision without duplicate data entry. The system will be developed and implemented through the joint efforts of the two organizations, building on the foundation of a version of VACOLS which was modified and tested in use by several ROs. The memorandum of understanding governing the project provides for a joint design team and advisory board, and that the BVA will have primary technical responsibility for creating the system and primary responsibility for design, development, modification, and maintenance of the system. The VBA will maintain the necessary telecommunications capability, handle distribution of the application to all ROs, and be responsible for operational or technical problems with the system that occur within the VBA.

Prospects for Becoming Current on Appellate Workload Are Encouraging

The panel believes that the prospects are good that by the end of FY 2000 the BVA can become current on its consideration of appeals that are ready for its review. This belief rests on a number of assumptions that must be borne out, including key assumptions that BVA resource levels will be maintained at least at FY 1998 budget request levels and that ROs will be able to prepare appellate claims for BVA review and process remands at rates sufficient to fully to utilize BVA decisional capacity.

The total backlog of appellate workload is large. Pending claims on which substantive appeals have been filed and docketed by the BVA totaled 87,482 as of September 30, 1996. Of these, 27,362 were pending in ROs and had not yet been certified as ready for BVA review; 47,185 were pending in ROs in code 41 status, certified as ready for BVA review and awaiting call-up by and transfer to the BVA; and 12,935 were pending at the BVA. By May 31, 1997, eight months into FY 1997, the total had been reduced by about 10 percent to 78,757: 32,067 pending certification in ROs; 33,769 in code 41 status; and 12,921 pending at the BVA.²⁶ In addition, at September 30, 1996, a total of 19,556 BVA remands were pending at ROs. At May 31, 1997, this number had increased to

²⁶ The data cited here is from BVA reports. The source of the data for total cases pending is BVA's VACOLS; according to BVA, the source of data for the number of total cases that are pending at ROs and certified for BVA review is the VBA's ATS.

26,031.²⁷ Accordingly, as of May 31, 1997, well over 100,000 cases on which substantive appeals had been filed awaited final decisions.

As discussed earlier, the backlog of cases pending BVA review developed largely because the BVA's productivity and production dropped off sharply in the years after judicial review was implemented. A key factor in reducing this backlog is the level of BVA's decision production as a product of its productivity and available resources.

The BVA took a number of steps to help it cope with its growing challenge, some as a result of a study it asked the secretary to commission that focused on ways to improve BVA productivity. Among its major actions were:

- obtained legislative changes in 1994 to permit decisions by individual board members rather than only by three-member board sections or panels
- obtained legislative changes in 1994 to provide pay equity between board members and administrative law judges in other agencies to reduce turnover that adversely affected productivity
- designed and implemented, effective at the beginning of FY 1996, a reorganization of the BVA, moving from 21 board sections with centralized administrative support to five board decision teams, with four of them jurisdictionally aligned generally with the VBA's four field areas, and each with its own direct administrative support
- reallocated staff resources from administrative support positions to decisional (board member and supporting staff counsel) positions, increasing the proportion of staff in decisional positions from about 40 percent to about 60 percent
- obtained authorization for additional staff resources, with staff resources utilized growing about 15 percent from 406 FTEE in FY 1990 to about 468 FTEE in FY 1996 — its expected level for FY 1997 is 500 FTEE

The BVA took other actions to improve its performance, including developing and implementing a training and development program for its staff and a system to assess the quality of BVA decisions, and moving to office automation with the installation of a local area network that links personal computers assigned to each member of the professional staff.

BVA actions have improved decision production and productivity significantly. As shown in Figure 9-3, from the FY 1994 low of 22,000 the number of decisions are expected to exceed 41,200 in FY 1997. Productivity measured in terms of decisions per FTEE has increased from a low of about 50 decisions per FTEE in FY 1994 to over 88 for the first eight months of FY 1997.

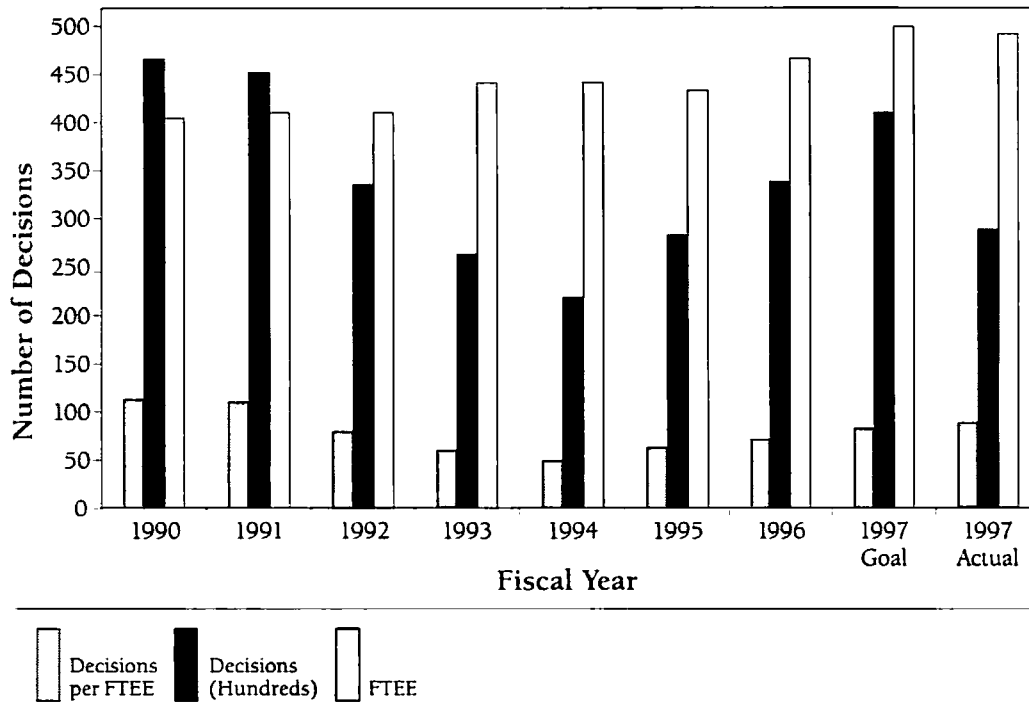
These gains in decision production slowed the rate of growth in the backlog of appellate cases ready for BVA review; a 40 percent increase during FY 1994, 25 percent in FY 1995, and 2 percent in FY 1996. This backlog is now being reduced, falling about 22 percent during the first eight months of FY 1997, from about 60,100 to 46,690.²⁸

²⁷ The data cited here comes from VBA's ATS. The number of remands pending at ROs increased by 85 percent between September 30, 1995, and May 31, 1997, from 14,075 to 26,031.

²⁸ The reduction is due to a combination of increased decision production by the BVA and actions taken in the ROs as they review cases in preparation for BVA review.



FIGURE 9-3: BVA RESPONSE TO IMPACT OF JUDICIAL REVIEW



*1997 actual through May 1997.

Source: BVA Management Reports.

With an annualized productivity rate of about 88 decisions per FTEE²⁹ in the first eight months of FY 1997, the BVA is on track to exceed its goal of 41,200 decisions during the full year. The BVA expects additional productivity gains as board members and staff continue to build expertise and through finding additional opportunities to improve efficiency or avoid unnecessary work.

The BVA has 500 FTEE available for FY 1997.³⁰ Its budget request for FY 1998 provides for 494 FTEE. Assuming that it will have at least this level of staff resources each year through FY 2000 and a productivity rate of at least 85 decisions per FTEE in FY 1998 and the following years, the agency should be able to produce at least 42,000 decisions annually.

Reducing the backlog to a reasonable level depends on several other key factors: the numbers of substantive appeals filed; the rates at which substantive appeals will be

²⁹ Decisions per FTEE in fiscal years 1994 and 1995 were 49.9 and 65.1, respectively. In fiscal year 1996 productivity was 72.5 decisions per FTEE, but was depressed because of 21 workdays on which BVA offices were closed due to the shutdown of most federal offices caused by budget delays or shutdown of most federal offices in the Washington D.C. metropolitan area due to snow emergencies. Without these shutdowns, productivity would have been higher, probably at the level of 77 to 79 decisions per FTEE. Through the first eight months of FY 1997, the annualized productivity rate was 88.2 decisions per FTEE, higher than the fiscal year goal; the annualized rate exceeded 90 decisions per FTEE in each month from February through May, 1997.

³⁰ The BVA was authorized 527 FTEE in the fiscal year 1997 budget. It had requested 50 additional FTEE for fiscal year 1998. The president's budget allows for only 494. To avoid wide swings in staffing levels, BVA decided to hold the fiscal year 1997 level to 500 FTEE.

resolved at ROs without BVA consideration; the success of ROs in preparing pending cases for BVA review at rates sufficient to fully employ BVA's decisional capacity; the BVA remand rates; how rapidly the VSOs review appellate cases that have been transferred to the BVA and provide BVA with advocacy briefs; how expeditiously ROs process remands; and the number of remands resolved at ROs without requiring return to the BVA for additional consideration.

Based on all available data, the receipt of about 28,000 substantive appeals per year appears to be a reasonable expectation. According to ATS data, 28,330 new substantive appeals were received in FY 1996; 17,412 were received through the first eight months of FY 1997, for an annualized rate of 26,118.³¹ VBA projections of the number of compensation claims filed and related appellate workload show downward trends for FY 1998 and beyond.³²

Based on past experience and current trends, 10,000 or more claims on which substantive appeals have been filed will probably be resolved annually at ROs during the next few years. Many of the pending and new substantive appeals will be resolved at ROs as they review the claims files in preparation for transfer to the BVA, reexamine claims in light of additional evidence submitted by the claimants, or reexamine claims following additional development pursuant to remands. Others will drop from the inventory because the appeal is withdrawn by the claimant.

Remand rates will depend in part on the quality of RO adjudication of claims initially and during the early stages of the administrative appellate process, including preparation of cases for BVA review, and in part on the frequency and nature of intervening factors such as changes in regulations, including the disability rating schedule, and precedential court decisions and OGC opinions.³³ The BVA remand rate was 43.5 percent in FY 1996, down from 48.4 and 47.6 percent in fiscal years 1994 and 1995, respectively, and with a declining number of reasons per remand. It was 45.7 percent for the first eight months of FY 1997. Since FY 1994, when only 51 percent of BVA final decisions were made without at least one remand, the proportion of BVA final decisions made without remand has been increasing steadily, to 60 percent in FY 1995, 68 percent in FY 1996, and 76 percent in the first eight months of FY 1997. In the latter period, 18 percent of final decisions were made following one remand and 6 percent following multiple remands.

Remand rates vary considerably among VBA's field office areas and among ROs. The C&P Service has set a FY 1997 goal that the rate will not exceed 45 percent in any of the four field office areas.³⁴ As discussed in Chapter Eight, with the cooperation and

³¹ As pointed out earlier, ATS data and VACOLS data are not in agreement; VACOLS shows a higher number of substantive appeals docketed in fiscal year 1996, about 37,000. Although efforts are being made to reconcile data in the two systems, it is too early to determine which system is the more accurate. As the number of substantive appeals received is a key factor in any analysis of the VA's prospects for reducing appellate backlog to reasonable levels, the analysis presented here is dependent on how accurate the ATS data is and the actual receipts of substantive appeals in future periods.

³² But see Chapter Five for discussion of panel reservations regarding the reliability of VBA projections.

³³ Many of the people interviewed for this study said that although judicial decisions will continue to influence the VA adjudication system in important ways, much of the ground-breaking case law has been written. Regulatory changes, particularly revision of the disability rating schedule, will also influence adjudication requirements.

participation of the BVA and the VHA, C&P is leading an effort to improve the adequacy of medical examinations needed for adjudication purposes. Examination inadequacies were a factor in over 70 percent of remands in FY 1995 and FY 1996. The VBA also is working to improve the training of adjudication staff in the legal requirements which must be met in claims adjudication, including appellate processing, and is placing high emphasis on the adequacy of review of appellate cases prior to certification as ready for BVA review and transfer to the BVA. All other things being equal, these initiatives should over time help to reduce remand rates significantly.³⁵

According to BVA officials, there were times during 1996 when it was not receiving called-up cases from the ROs and/or advocacy briefs from the VSOs representing appellants at rates sufficient to utilize fully the decisional capacity of each of its decision teams. This problem was ameliorated to a degree by shifting work among the teams, and was discussed with both C&P service and VSO representatives. Some VSOs have added to the resources devoted to brief preparation and in general, according to internal BVA management reports, the VSOs have shown substantial improvement in the timeliness of this work. ROs have transferred sufficient cases to meet BVA requirements, but as noted earlier, often by substituting cases that are later in the docket order than those called up. This supplies the BVA with appellate workload, but raises issues of equity to appellants whose appeals are expected to be considered in docket order. The VBA will need to give this situation concerted management attention so that appeals may be considered as expeditiously as the BVA's capacity permits with as little impact on docket order of consideration as practicable. As of this writing, the VBA has neither established goals for nor regularly tracks RO performance in this stage of the appellate process.

The buildup of remands pending at ROs is a product of both the increased number of remands (although there is a lower percentage of BVA decisions) and the long periods of time they are in process at ROs. Again, except for the previously mentioned goal for processing cases remanded prior to January 1, 1996, the VBA has neither established goals for nor regularly tracks RO performance in processing remanded cases to resolution or return to the BVA.³⁶ Given increased BVA decision production, the problem of increasing numbers of remanded cases at ROs could quickly reach crisis levels, both in terms of workload and in terms of lengthening the time claimants have to wait for final decisions on their appeals. The problem clearly needs to be brought under control.³⁷

³⁴ Somewhat inconsistently, the VBA's fiscal year 1998 budget justification includes projections of increased BVA remand rates of 49 percent in each of fiscal years 1997 and 1998 due to changes in the disability rating schedule which will have to be considered for all affected claims in process at the time the changed regulations are issued. With the benefit of the BPR initiatives, projections included in the budget justification are for the rates to drop to 40 percent in FY 1999 and to 20 percent in FY 2002.

³⁵ In connection with its BPR initiative, the VBA has set a goal of reducing the percentage of decisions modified or remanded upon appeal to a combined total of 25 percent by FY 2002, down from 67 percent experienced in FY 1995 and 64 percent in FY 1996.

³⁶ Unlike cases in code 41 status which are to be transferred to the BVA only when the BVA calls for them, remand cases not resolved by ROs are to be returned to the BVA as soon as needed additional development is completed and the RO has reconsidered its decision in the light of the additional development.

³⁷ As discussed in Chapter Five, the VBA's FY 1998 budget request provides for significantly reduced staff resources in the following fiscal years, in part in anticipation of savings expected from the implementation of the BPR proposals. Should Congress reject the related panel recommendation to hold staff resource levels at least at FY 1997 levels until expected savings from the BPR proposals are validated and begin to be realized, the VBA may find it extremely difficult to give the appellate workload the priority it needs.

In summary, BVA production and productivity have clearly turned the corner and are at levels which can be expected to reduce the backlog of cases awaiting its consideration. All of its performance indicators are moving in a positive direction and it should substantially exceed its performance goals for FY 1997.

TABLE 9-1: BVA PERFORMANCE ON SELECTED MEASURES

Performance Measure	FY 1997 Goal*	FY 1997 Actual*
Response Time	540 days	413 days
Decisions	27,175	28,915
Decisions per FTEE	78.2	88.2

*Through May 1997.

The backlog of cases pending at the BVA and in code 41 status in ROs fell by about 22 percent in the first eight months of FY 1997 and can be expected to continue to fall. Based on the assumptions discussed above, the panel believes that the VA should be able to reduce the backlog to a reasonable level by the end of FY 2000.³⁸ Although not endorsing all the assumptions, the former BVA chairman and the BVA's director of management and administration stated in interviews with Academy study team members that this is a reasonable time frame within which to expect the backlog to be reduced to the equivalent of about six months' decision production.

Panel Assessment

Clearly, the current administrative claims appellate process takes far too long. Although the statutory design of the process may contribute to delay and inefficiencies, the panel believes that much of the delay is due to the VA's slow adjustment to the challenges of the procedural and documentation requirements flowing from the VJRA and the consequent large backlog of pending appeals. The backlog not only delays final administrative decisions on appeals but generates additional burden on ROs and the BVA. Intervening factors including the availability of new evidence and new interpretations of legal requirements, often cause initial adjudication decisions to grow stale. This gives rise to the need for extensive rework either before the appeal is considered ready for BVA review or upon remand by the BVA for additional development.

The panel believes that if the administrative appellate backlog can be brought under control, many of the problems which beset the appeal process will be ameliorated to a large degree. From six months to a year to reach a final decision after the appeal is filed is a reasonable expectation. This would allow regional offices time to carry out the early stages of the appellate process including file review and comment by claimant representatives and consideration of any additional evidence associated with the appeal. It

³⁸ The panel considers that a number of cases representing roughly six months' decision production, or 20,000 cases more or less, would be reasonable. When this level is reached, ROs should no longer need to hold cases in code 41 status, but could transfer them to the BVA as soon as they have been prepared for BVA review.

would also allow time for the BVA to consider the appeals that reach it for decision including time for claimant representatives to review the file and prepare advocacy briefs for the BVA's consideration.

As discussed in the preceding section, the panel believes that there are good prospects that the backlog can be brought under control. The actions the BVA has taken to improve its performance, including acquiring additional staff and reorganizing its staff resources, should enable it to reduce the backlog of appellate cases ready for its review to the equivalent of about six-months' decision production within a reasonable time. This expectation depends on assumptions concerning the volume of formal appeals that will be filed; that the BVA decisional and support staff resources are maintained at or near current levels; that ROs are able to ready cases for BVA review at a rate that allows full utilization of BVA decisional capacity; and that VSO review and briefing of cases otherwise ready for BVA review do not unduly delay BVA consideration of cases.

The panel was surprised at the little management attention and emphasis that the VBA has given to that part of the appellate function which rests at the ROs. The problem of slowness in preparing cases for BVA review, the growing backlog of BVA remands that need further development, and the generally wide variations among ROs in the timeliness of actions on appellate cases demand prompt and effective attention. This is especially important for remands, which the law requires be handled expeditiously and which relate to claims on which claimants have been waiting the longest for final decisions. The C&P Service appears now to be recognizing that more management emphasis must be put on appellate work.

The VBA and the BVA need to continue to work closely together to identify and develop solutions to appellate processing problems of mutual concern, obtaining the participation of the VHA and the OGC where needed. Cooperation is particularly important in understanding and taking remedial action related to the reasons for BVA remands, including such factors as the adequacy of medical examinations in support of initial claims adjudication; assuring that training, jointly developed where feasible, is appropriate to assuring a common understanding of the elements and rules of adjudication; and reaching a shared understanding of what constitutes adjudication decision quality – in this regard the panel notes that neither organization is subject to an independent ongoing or periodic assessment of the quality of its decisions on claims. Equally important is the need to assure the adequacy and integrity in data needed for management purposes on the number of appeals and their stage of processing. The current efforts to reconcile and validate the data in the VBA's and the BVA's respective management information systems and to develop a unified data system to meet the needs of both organizations should be carried forward expeditiously.

The VBA should proceed with piloting and evaluating the post-decision review officer concept recommended as part of the BPR effort and, provided that it is found to be effective, implement it. As noted in Chapter Five, the panel agrees with the VCAC's criticism that BPR efforts did not encompass the total claims adjudication and appeals process. This should have been done and should be done, but the panel does not believe that progress in more fully developing and implementing the BPR changes should be delayed pending reexamination of the total process.

The panel believes that change to the basic design of the appellate process should be implemented only if thorough analysis clearly shows that the change would result in process improvements sufficient to justify the disruptive and other costs associated with the change. The backlog and the attendant appellate delays have prompted much criticism of the system. The panel believes these problems are largely products of adjusting to the changed environment brought about by the VJRA and the inefficiencies inherent in making the needed adjustment. Until these problems are greatly ameliorated, it would be very difficult if not impossible to judge whether additional major change would positively affect performance to a sufficient degree to warrant its implementation. Reasonably accurate gauging of the effects of major change is particularly important where the basic elements of the process are prescribed by statute and any basic changes would undoubtedly require legislation.

In addition, major change, as illustrated by the introduction of judicial review, despite its merit can be disruptive and bring about at least short-term set-backs and inefficiencies which detract from organizational ability to prosecute current workload. As noted earlier, as of May 31, 1997, there were well over 100,000 pending substantive appeals which should be processed as nearly as practicable in docket order to final decision. The BVA has made substantial recovery in its decisional capacity and the prospects for reducing the VA's inventory of pending substantive appeals to a reasonable level are encouraging. The VBA is making progress in adjusting to the judicial review environment, is planning to implement significant changes in the way it carries out the initial claims adjudication function, and is testing the BPR-proposed post-decision review officer concept for use in the earliest appellate stage. Additional major change in the appeals process, particularly if applied to the pending appellate workload, could well unduly disrupt the advances being made by both the BVA and the VBA.

That is not to say that changes in the basic design of the administrative appellate process should not be studied and considered. The VCAC stated its belief that fundamental changes in the existing adjudication and appeals process are needed in the interests of functionality, efficiency, and fairness. The commission offered and endorsed in principle a conceptual framework for the direction those changes should take. It stated that prior to implementation, the underlying premises of the redesigned process must be rigorously evaluated and tested by the VA to determine if they will result in an administratively practical adjudication system.

In addition to the conceptual design offered by VCAC, the panel discussed the possible advantages of having BVA board members, although administratively responsible to the BVA, collocated with ROs. A potential advantage of this arrangement would be more visibility of the BVA's role as an element of the administrative claims adjudication process, the fostering of better understanding between the VBA and the BVA, and improved cooperation on problems of mutual concern. It would also lessen any delays attendant to physical transfer of claim folders between the organizations. Potential disadvantages include management challenges associated with dispersing BVA board members and support-staff resources among up to 58 geographic locations, and concerns about effectively maintaining the BVA's organizational independence.

PANEL RECOMMENDATIONS

- The secretary should establish a goal of reducing the number of appellate cases ready for BVA review to the equivalent of no more than six months' decision production by the BVA by the end of FY 2000. At March 31, 1998, and at least annually thereafter, the secretary should report to the House and Senate veterans affairs and appropriations committees on progress toward achieving the goal. If the degree of progress falls below the level needed to be predictive of timely goal achievement, the secretary should take whatever steps may be appropriate in the circumstances to accelerate progress and advise the committees of the actions taken.
- The secretary should direct the chairman of the BVA and the USB to cooperate fully in identifying and developing solutions to appellate processing problems and enlisting the participation of other components of the department, most notably the VHA and the OGC, as appropriate.
- The chairman of the BVA should report quarterly to the secretary on progress made and problems encountered in attaining the backlog reduction goal and the steps being taken to resolve impediments to reaching the goal.
- The USB should establish performance measures and standards for the portion of the appellate function which rests with the ROs. The USB should hold managers accountable for meeting the established performance standards and report quarterly to the secretary on progress in meeting them.
- The inspector general (IG) should periodically review and report to the secretary and Congress on the progress being made by the BVA and the VBA toward achieving the backlog reduction goal and any steps needed to enhance its achievement.
- The secretary with the USB and the chairman of the BVA, in an expanded BPR, should consider the concept recommended by the VCAC as well as other options for revising the basic design of the administrative appellate process, but should seek legislative authority to implement major change only if thorough analysis clearly shows that the proposed change would result in process improvements sufficient to justify the disruptive and other costs associated with the change. If needed to support adequate analysis, the secretary should seek authority to pilot and evaluate the effects of design changes under consideration.
- The IG should assess and report to the secretary on the feasibility of an independent ongoing or periodic assessment by the IG of the quality of claims adjudication by both the BVA and the VBA, perhaps with the benefit of the expertise of selected BVA and VBA personnel temporarily detailed to the work under the direction of the IG office.

APPENDIX

A

Summary of Veterans' Claims Adjudication Commission (VCAC) Recommendations

Appendix A is a summary of the Veterans' Claims Adjudication Commission (VCAC) recommendations and the Academy panel position for each recommendation. The following is a key to the positions the panel has taken on the VCAC recommendations:

1. *Agree, see Chapter ____*: The panel is in agreement, and has added further comments or details in the designated chapter of this report.
2. *Agree*: The panel is in agreement, but has not added any further comments or additions to the recommendation.
3. *None*: The panel feels this recommendation is either beyond the scope of the panel study or one for which the panel's opinion is neutral.

CHAPTER THREE, THE VETERAN MEETS THE SYSTEM

1. The VA and the VSO's should build an explicit claims-processing partnership.
Academy panel position: agree, see Chapter Eight.
2. Simplify the application form and claims filing procedures; separate the compensation and pension with two forms.
Academy panel position: agree.
13. Improve the partnership environment by publishing timeliness standards and collecting more data on cost and effectiveness of the case management method.
Academy panel position: agree.
4. Establish a VBA-wide process to keep claimants informed of the status of claims.
Academy panel position: agree.
5. Eliminate the provision for paying attorney fees from past-due VA benefits.
Academy panel position: none.

CHAPTER FOUR, DIRECTIONS: THE STRATEGIC PERSPECTIVE

1. Congressional oversight is needed on an ongoing basis.
Academy panel position: agree.

2. Accelerate development of an integrated department strategic management infrastructure.
Academy panel position: agree, see Chapter Three.
3. Clarify the program purpose, consider asking Congress to establish a commission for this purpose.
Academy panel position: none.
4. Implement an ongoing actuarial analysis.
Academy panel position: agree, see Chapter Three.
5. Empower a corporate data collection and analysis focus.
Academy panel position: agree, see Chapter Three.
6. Require an annual report that focuses solely on the disability compensation program.
Academy panel position: none.
7. Establish a disability compensation advisory committee to provide independent advice.
Academy panel position: none.

CHAPTER FIVE, PROCESS DESIGN: CLAIMS ADJUDICATION AND APPEALS

1. Review and reaffirmation of major policies needed, especially in terms of the areas of: burden of proof, well grounded claim, duty to assist, evidence versus facts, and interrelationship of these terms. The secretary should promulgate regulations that provide his construction of the statute and that incorporate and formalize the VA's experience in adjudicating millions of benefit claims.
Academy panel position: agree, see Chapter Eight.
2. The VSOs and the VA should build a claims-processing partnership with appropriate roles and responsibilities of the partners negotiated among the VA and VSOs.
Academy panel position: agree, see Chapter Eight.
3. The VA should consider redesign of the adjudication and appeals process to make it more functional, fair, and efficient. The redesigned process offered for consideration would feature: a duty to inform, ensuring the claimant knows what benefits he or she is potentially eligible for; establish the roles and responsibilities of the claimant and the VA in obtaining a complete and focused record; ensure the evidentiary record is complete prior to decision; and an appeals process that replaces the NOD with a formal appeal and eliminates the statement of the case, shortens time to 60 days, makes a hearing mandatory as a first step, and changes BVA review from de novo to appellate.
Academy panel position: agree in principle, see Chapter Nine.

CHAPTER SIX, VA DISABILITY COMPENSATION AND PRIVATE DISABILITY INSURANCE

1. The VA leadership should establish and empower a department-level group, including high-level VBA and VHA representation and led by a third party to:
 - discuss and negotiate disability rating issues

- solicit and catalog best disability rating examination practices currently in place in the field in VAMROCs
- establish one or more pilot operations to develop, test, and implement a prototype rating examination excellence center
- compare the results achieved by the excellence center pilots with the PL104–204 pilots with non-VHA physicians
- export the best of these approaches to all adjudication offices systemwide

Academy panel position: agree, see Chapter Eight.

CHAPTER SIX, DEFINING DISABILITY AND BROAD PROGRAM INTENT

1. Establish a clear statement of purpose of compensation received under this program.

Academy panel position: none.

CHAPTER SIX, THE VA RATING SCHEDULE

1. The VA, specifically the VBA, should develop and implement a business plan initiative to increase its involvement with other federal and state agencies, with private insurers, and with medical associations that deal in disability determinations.

Academy panel position: agree.

CHAPTER SIX, DELIMITING PERIOD: PROS AND CONS

1. Delimit the date for claiming disability compensation; a veteran would be allowed a liberal time period, for example, five years from military discharge to claim disability compensation.

Academy panel position: none.

CHAPTER SIX, LUMP SUM PAYMENTS AT LOWER DISABILITY LEVELS

1. Pros and cons of a lump sum disbursement policy for minimally disabled veterans.

Academy panel position: none.

CHAPTER SIX, VA PENSION AND SUPPLEMENTAL SECURITY INCOME

1. The VA and SSA should jointly develop data to determine the overlap of claimants and recipients for all benefits programs.
2. The VBA and SSA should collaboratively review the pension and SSI disability criteria to seek ways of reducing dissimilarities between the two, with a goal of a single set of criteria between the two which would resolve medical entitlement under both programs.

3. The VBA, VHA, and SSA should actively plan and implement technologies for mutually sharing electronic medical evidence for customers of both the VA and SSA.
Academy panel position: agree.

CHAPTER SIX, VA PENSION SIMPLIFICATION

1. Congress should amend title 38, USC to clearly state the purpose of the veterans' pension program.
2. Simplifying the VA pension program could reduce confusion and burdensome reporting requirements for veterans.
Academy panel position: agree.

CHAPTER SEVEN, THE MEDIUM: INFORMATION RESOURCES MANAGEMENT

1. The secretary should support and encourage efforts of the department CIO to execute CIO responsibilities and authorities; the BVA should be a member of the CIO council.
Academy panel position: agree.
2. The GAO should report quarterly to Congress on VA progress in implementing C&P claims-processing software that includes the year-2000 solutions.
Academy panel position: agree, see Chapter Seven.
3. BPR should be finalized so that planning for future hardware and software needs can begin. The BVA should be included in the BPR.
Academy panel position: agree, see Chapter Six.
4. BVA initiatives regarding VACOLS and teleconferencing with the VBA should be supported and proceed as quickly as possible.
Academy panel position: agree.

CHAPTER EIGHT, ACCOUNTABILITY: EFFECTIVENESS OF WORK PERFORMANCE STANDARDS, AND QUALITY CONTROL AND ASSURANCE

1. VBA program managers should ensure that regional offices' local goals and objectives are derived directly from and appropriately support national goals and objectives.
Academy panel position: agree, see Chapters Three and Five.
2. Regional offices should prepare annual performance plans for review and approval of the director of C&P to ensure that national program goals can be achieved.
Academy panel position: agree, see Chapters Three and Five.
3. The VBA and the BVA should incorporate organizational goals and objectives into individual performance plans.
Academy panel position: agree, see Chapters Three, Five, Eight, and Nine.

4. The VBA and the BVA should incorporate timeliness of processing into their quality control and quality assurance frameworks.
Academy panel position: agree. see Chapters Eight and Nine.
5. The VBA and the BVA should develop an integrated plan for measuring the quality of claims processing.
Academy panel position: agree. see Chapters Eight and Nine.

CHAPTER NINE, SEEKING SOLUTIONS WITHIN; VA INITIATIVES

Medical Examination Test

1. The VA and the Department of the Army should complete the military separation examination test, evaluate the findings, and determine which of the three examination methods is cost effective.
2. If analysis of the results confirms that the test procedures benefit customers, the VA and the DoD should evaluate the feasibility of implementing the program nationwide to all branches of service.
Academy panel position: agree, see Chapter Eight.

Effectiveness of Pilot Programs

1. The VBA should establish specific goals and benchmarks prior to initiating any future pilot projects.
2. Any future pilots as well as current projects must be assessed against the BPR redesigned process. Only those projects that support implementation should be continued or begun.
Academy panel position: agree, see Chapters Three and Eight.

CHAPTER TEN, FINE-TUNING A STRUGGLING SYSTEM: BLUE RIBBON PANEL IMPLEMENTATION AND COMMISSION SURVEY

1. The VBA should determine and report implementation of all Blue Ribbon Panel recommendations.
2. Analyze performance indicators in areas affected by recommendations, controlling for concurrent or incidental factors, to determine the effects of each.
3. Implement and track recommendations of the modeling support group.
Academy panel position: agree.

APPENDIX

B

List of Acronyms and Glossary

LIST OF ACRONYMS

ADP	automated data processing
ADQC	Adjudication Division Quality Committee
AMIE	automated medical information exchange
AO	area office
ARMS	Automated Reference Materials System
ARPERCEN	army personnel center
ATS	the Veterans Benefits Administration's Appeals Tracking System
BDN	Benefits Delivery Network
BIRLS	Beneficiary Identification and Records Location Subsystem
BP	business plan
BPR	business process reengineering
BVA	Board of Veterans' Appeals
CAFC	Court of Appeals for the Federal Circuit
CATS	Claims Automated Tracking System
CBT	computer-based training
CFO	chief financial officer
CFR	code of federal regulations
CNA	Center for Naval Analysis
CO	central office
COIN	computer output identification number
COVA	Court – U. S. Court of Veterans Appeals
COVERS	Control of Veterans Records
CPC	Claims Processing Centers
CPS	Claims Processing System
C&P	compensation and pension
CUE	clear and unmistakable error

DC	diagnostic code
DIC	dependency and indemnity compensation
DoD	Department of Defense.
DOOR	distribution of operational resources
DTAP	Disabled Transition Assistance Program (See TAP)
EDTS	Employee Development Training Staff
EP	end product
EVR	eligibility verification report
FDVA	Florida Department of Veterans Affairs
FMS	financial management system
FTE or FTEE	full time employee equivalent
FY	fiscal year
GAO	General Accounting Office
GC	general counsel
GPRA	Government Performance and Results Act
IDS	instructional development system
IG	inspector general
IRM	information resources management
ISD	instructional system design
IT	information technology
ITMRA	Information Technology Management Reform Act
IVT	interactive video teletraining
MOU	memorandum of understanding
NOD	notice of disagreement
NPRC	National Personnel Records Center
NVSO	national veterans service organization
OGC	Office of General Counsel
OIG	Office of the Inspector General
OMB	Office of Management and Budget
ORM	Office of Resource Management
OS	Office of the Secretary
PARDS	Partner Assisted Rating and Development System
POA	power of attorney
PDR	post-decision review
PIF	pending issue file
RCS	reports control schedule
RMC	Records Management Center
RO	regional office
RPC	regional processing centers
SOC	statement of the case
SMC	strategic management committee
SMG	strategic management group



SSOC	supplemental statement of the case
TAP	Transition Assistance Program
USB	under secretary for benefits
USC	United States Code
VA	Department of Veterans Affairs
VACOLS	BVA Veterans' Appeals Control and Locator System.
VBA	Veterans Benefits Administration
VCAC	Veterans' Claims Adjudication Commission
VETSNET	Veterans Service Network
VHA	Veterans Health Administration
VJRA	Veterans' Judicial Review Act of 1988
VSO	veterans service organization

GLOSSARY

Blue Ribbon Panel — The Blue Ribbon Panel on Claims Processing was established in June 1993 by then Deputy Under Secretary for Benefits R. J. Vogel to recommend improvements in VBA's claims-processing system.

business process reengineering (BPR) — a radical improvement approach that critically examines, rethinks, and redesigns mission product and service processes within a political environment.

claim — any application, document inquiry, or other issue requiring adjudication action.
compensation — a monthly payment made to a veteran because of disability incurred in or aggravated during military service.

denial rate — the percentage of all claims or appeals which are denied during a given time period by an identified organization.

development, or claim development — In the context of processing claims for VA benefits, "development" is the collection by the regional office of evidence needed to determine entitlement. This activity may include requesting information or documentation by letter or telephone; arranging for the veteran to be examined at a VA medical facility; requesting medical statement reports from the VA or other medical facilities; requesting military service information from the Department of Defense; and/or other means of collecting information needed to resolve a claim.

disability evaluation — the process of determining the degree to which a medical condition disables a veteran, or the result of such a determination (i.e., "a disability evaluation of 30 percent").

grant rate — the percentage of all claims or appeals which are allowed during a given time period by an identified organization.

original claim — a claimant's initial application for a particular benefit.

peacetime service — active military duty served during times Congress has not declared a period of war for purposes of entitlement of VA benefits. Veterans of peacetime service are eligible for service-connected disability compensation under the same criteria as wartime veterans. However, peacetime service does not qualify veterans for non-service-connected disability pension.

pending claims — claims on hand, either in process or waiting to be processed, also called "backlog."

- pension** — generally, a monthly payment to eligible wartime veterans and survivors based upon total non-service-connected disability and monetary need.
- productivity** — efficiency with which an organization's resources are utilized to produce output; i.e., the amount of services or goods produced (output) in relation to the resources utilized (input).
- quality assurance** — a system which is designed to periodically determine whether a product or service is in conformance with its stated requirements.
- remand** — action by the BVA to send a case back to a regional office for more development work or reconsideration in light of either new evidence or a COVA decision or the action by the COVA to send a case back to the VA for further development or reconsideration of the action because not all legal requirements were met.
- reopened claim** — The VA has traditionally referred to any claim filed after the initial claim for benefits as a reopened claim. However, this definition no longer applies. 38§3.160(e), describes a reopened claim as any application for a benefit received after final disallowance of an earlier claim. The COVA has interpreted this revision to apply to any claim for a specific benefit that has been finally denied in a prior decision. Use of the term "reopened claim" is now restricted to only that situation.
- repeat claim** — For purposes of this report, the term means any application involving a disability determination submitted to the VA after one (or more) prior VA disability decisions(s) pertaining to the same claimant. The VBA once referred to any such claim as "reopened." However, the VBA redefined the term "reopened claim" in November 1995 following a Court of Veterans Appeals decision that held that the term as used did not accurately depict certain second and later applications for benefits. The VCAC, in an effort to avoid confusion, chose the term "repeat claim" to mean any disability claim after an initial decision, without regard to the nature of the issue(s) involved.
- service-connected or service connection** — a disability is considered to be service connected if it was incurred or aggravated during a period of active military service from which the veteran was discharged under conditions other than dishonorable and was not due to willful misconduct of the veteran. A service-connected disability evaluated 10 percent or more disabling by the VA entitles a veteran to receive disability compensation.
- statement of the case** — a formal response by a regional office to a veteran's notice of disagreement. The regional office issues a SOC after it has reviewed its (unfavorable) decision and found no grounds for reversing it. The SOC summarizes the evidence used to reach the decision, cites all applicable law, and summarizes the reasons for the decision. The SOC is required by law as a step in the appeals process.
- supplemental statement of the case** — a second formal response by a regional office to a notice of disagreement. The regional office sends a SSOC to record its additional action when a veteran submits more evidence after having received a SOC, in a case when the regional office does not change its decision. In such cases, a SSOC is required by law.
- Transition Assistance Program — Disabled Transition Assistance Program** — joint efforts of the departments of Defense, Labor, and Veterans Affairs that statutorially provide programs to furnish employment assistance, job training assistance, and other transition services, including counseling on the full range of VA benefits and services, to service members who are scheduled for separation from active duty.

APPENDIX

C

Biographical Sketches of Academy Panel and Project Staff

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APPENDIX

D

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APPENDIX



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APPENDIX

F

Comments of the Department of Veterans Affairs and Panel Analysis

ACADEMY PANEL ANALYSIS OF THE VBA'S JUNE 13, 1997 RESPONSE TO THE DRAFT PANEL REPORT

The panel appreciates the timely response by Dr. Stephen Lemons, Acting Under Secretary for Benefits, to the panel's request for a review of the draft report on *Management of Compensation and Pension Benefits Claim Processes for Veterans*. The panel's analysis of the response is provided below.

In several cases, the VBA has pointed out potentially ambiguous wording in the draft. Corrections by the panel to insure full clarity of the narrative are noted in the analysis below.

The panel's review indicates that the agency response confirms the information already available during preparation of the report. The response doesn't specifically address the report message that the VBA must put into place a comprehensive set of specific management capacities needed to sustain long-term change. The panel's most fundamental conclusion is that these capacities have been lacking and that this has served as a barrier to achieving long-term, permanently high levels of service improvements. Given that the VBA's resources are projected to decline dramatically by the year 2002, at the same time the agency intends to achieve dramatic service improvements, the improved management capacities recommended by the panel must be implemented soon.

The VBA response conveys a strong feeling that the panel report does not provide sufficient recognition of the VBA's accomplishments. The panel agrees with the basic thrust of this message and recognizes that various actions have been taken within the VBA to improve management and service to veterans. These accomplishments have been more fully recognized, and any unnecessarily negative statements included in the draft have been modified in the final report.

Panel Analysis

Item 1

Page 1, Paragraph 1. See sentence "We see this as another opportunity to highlight our strengths, quantify our accomplishments, acknowledge our weaknesses and identify our actions, both planned and underway, to improve the delivery of benefits and services to veterans."

This statement and similar ones in the response serve to deepen the panel's concern that the VBA still has not received the message that it needs to change. As Chapter One of the draft report and the individual chapters thereafter indicate, the VBA has been the subject of a long, constant stream of critical studies and reports. These have documented problems of timeliness and quality in the processing of initial claims, untimely appeal processing, weaknesses in management capacities in general and, in particular, management of VBA information resources.

Item 2

Page 1, Paragraph 2. See phrase "... almost all of the findings and recommendations contained in the NAPA report are reflective of improvement opportunities *previously identified* by VBA." The panel is concerned that this statement indicates that the VBA believes that the panel has simply taken what the VBA is doing to improve and regurgitated this information as its own analysis and set of recommendations. This is not the case. While many of the panel's findings and recommendations acknowledge the actions that the VBA has taken, and gives the VBA credit in numerous cases for taking these actions, the panel has proceeded to analyze what further needs to be done, what has not been done correctly in the past, and in general, gone well beyond the actions taken by the agency.

Item 3

Page 1, Paragraph 2. The response stated that there are two instances in which the VBA firmly disagrees with the NAPA report. These are re-scoping the business process reengineering activities and terminating VETSNET. In all the following materials both in the cover letter and enclosures 2 and 3 there is no further information provided as to why the agency disagrees. The information provided is already known to the panel and research staff. The panel does want to clarify that it agrees with the BPR goals and believes that, if successful, they may dramatically improve service to veterans at the same time achieving savings. The panel has in no way suggested that the VBA stop what it is now doing. Rather, the panel has defined a number of ways in which BPR, and the institutional capacities needed to support it, need to be improved.

Item 4

Page 2, Paragraph 2. Discussion of Year 2000; Enclosure 3 on Information Resources Management (pages 19-34). The VBA's response provides a number of comments addressing the year-2000 issues and concludes that the "NAPA discussion of the year 2000 (Y2K) issue is a good example of the VBA's pro-active approach to issue identification and resolution." Enclosure 3 details their information technology vision.

Neither of these sections provides information not already available to the panel nor alters its findings and recommendations. The draft report contains three major findings: (1) the VBA's vision for a modernized information system capability to support

claims processing is a worthy goal; (2) the means (technical and management approaches) the VBA is taking to implement its vision exceed the organization's capacities to effectively plan and implement a complex IRM program; and (3) for the VBA to be successful, it must first create technical and project management capacities to effectively plan and implement complex projects. The VBA's comments and white paper do not address these major findings.

In the case of the year 2000, the panel has found that the VBA plan was based on a number of unrealistic assumptions which included (1) an availability of software personnel at Hines to accomplish the task and (2) that VETSNET would be available to replace the BDN. The VBA response does not address these conclusions.

Item 5

Page 2, Last Paragraph. The VBA response indicated that "NAPA recommends that the Director of the Compensation and Pension (C&P) Service have line responsibility for and direct involvement in the operations, improvement initiatives and output of the VBA's regional offices." This is not the case. The draft report does not call for line authority over operations to be given to the director of C&P. On page 56, the panel recommends strengthening the influence of director and spells out how to accomplish this. At a May 21, 1997 hearing before the House Veterans' Affairs Committee, in response to a question, the panel chair explicitly stated that this is not what the draft report recommends. VBA senior executives were in the audience. In addition, in response to a question by a senior VBA executive at the May 29 briefing by NAPA of VBA executives and staff, the project director also stated that the panel report does not recommend line authority. The draft executive summary did include in one instance the word "control" rather than "influence." This has been corrected.

Item 6

Page 3, First Full Paragraph. The VBA states that "the NAPA report erroneously states that all field examinations activities were abandoned by VBA."

The panel agrees with the VBA that this section (See page 31 of draft, first paragraph) could be misinterpreted. While the passage was clearly intended to refer to C&P, appropriate changes have been made to insure that this message is fully clear.

Item 7

Page 3, Second Full Paragraph. See sentence: "Therein lies one of my overriding concerns with NAPA's assessment: the VBA is not limited to, nor should it be seen as synonymous with *compensation and pension processing*."

In both the Panel Message (page i), the Executive Summary (page v), and the discussion of how the study was conducted (Chapter One, page 7), the panel makes very clear that the study focussed on the C&P program. However, to avoid any possible confusion, the panel instructed staff to review all instances where reference to the VBA is made to insure that it is used correctly and that there is no possibility of misinterpretation.

Item 8

Page 3, Third Full Paragraph to page 4 Through Second Full Paragraph. These paragraphs refer to the issue of restructuring. It is clear and refreshing that the VBA and the panel report agree that restructuring must be linked to successful implementation of

BPR. However, this basic agreement aside, the panel is concerned with the Agency response which states that . . . "This suggests that, the VBA as a whole, has not been active in analyzing, planning and implementing structural change. This is inaccurate and misleading."

The discussion in the draft report, Chapter Seven, pages 123 and 125, clearly describes the VBA's understanding of the benefits of restructuring and on page 126 describes the efforts of other services to consolidate. The panel findings and recommendations remain unchanged.

Item 9

Page 4, Third Full Paragraph through Page 5, Second Full Paragraph. These paragraphs discuss strategic management.

These paragraphs, and Enclosure 1, do not add information beyond that already available to the panel and research staff. As stated above, the draft report recognizes the "laudable and even promising attempts to put management on a sound strategic basis." This includes BPR, formation of the Strategic Management Committee, and the annual business plan. Where we depart from the VBA is that the panel believes a great deal more than the VBA has planned needs to be done to ensure that long-term change can be accomplished. This is spelled out in detail in the report.

Item 10

Page 5, Last Paragraph to continuation on page 6. Also, Enclosure 2, pages 12-14. The VBA discusses its efforts to improve performance management including adoption of a balanced score card approach including timeliness, quality, unit cost, customer satisfaction, and employee satisfaction rather than relying on traditional forms of measurement.

In Enclosure 2, page 12, the VBA disagrees that there is no comprehensive system within which the agency "manages" the quality of the claims adjudication of compensation and pension claims.

The draft report, Chapter Eight, pages 140 and 141, acknowledged the activities that the Agency has undertaken. The panel certainly agrees that the balanced score card is an excellent approach in regard to the VBA performance measurement. The panel provides specific recommendations for how to implement and manage a thoroughly developed quality strategy and links this to the training strategy that the VBA needs to develop for implementation of BPR.

In Enclosure 2, page 13, the VBA states that "NAPA does not recognize the progress that the VBA, VHA and BVA have made in dealing with issues surrounding the adequacy of disability rating examinations."

The draft report, Chapter Eight, pages 149, 150, and 151, provided accurate background information on this subject.

In Enclosure 2, page 14, the VBA states: "While we acknowledge that current measures to assess the adequacy of examinations by VHA for disability claims need improvement, we do not agree that they are insufficient or potentially misleading."

The draft report, Chapter Eight, page 150, cited a recent study done by the VBA's C&P which concluded that 12 percent of the examination reports were inadequate for rating purposes and further concluded that the 3.2 percent figure for examinations returned was not a true indication of examination quality. The White Paper summarized the most common reasons for exam report inadequacy, as follows: "A significant portion of the inadequate reports are those in which the examiner fails to carry out the instructions in a BVA remand or to respond to a request for a medical opinion, or that a specific disability be examined or test be performed"

Item 11

Page 6, Last Paragraph. The VBA discusses its understanding of the importance of training and steps taken to improve training.

The information provided does not add to the information previously available to and analyzed by the panel. In fact, the failure of this section of the response to explicitly link development of a training strategy to BPR implementation (a linkage not made in the the VBA business plan and budget) further reinforces the panel's concerns in this area. The panel applauds the intention stated in the the VBA response that . . . "we agree that a comprehensive plan for substantial investment of resources for an integrated training program should be developed for the 1999 budget and strategic plan." The panel further suggests that this training program be thoroughly integrated with the BPR initiative and a quality strategy as well.

Item 12

Enclosure 1. See Item 9 above. In addition to the comments in Item 9, the panel has included in Chapter Three of the report an appropriate reference to Enclosure 1.

Item 13

Enclosure 2, pages 14–15. Issues Related to the Appellate Process. Except for stating that the VBA has recently put greater emphasis on the regional office appellate workload by providing overtime funds for efforts to reduce pending remands, and that some progress has been made in this regard, this section provides no information not already available to the panel and considered in the draft report. The section also reiterates the secretary's expressed disagreement with the Veterans' Claims Adjudication Commission (VCAC) recommendation relating to a concept for revising the basic design of the appeals process, and in essence disagrees with the panel's recommendation that this concept as well as other options be considered with the caution that changes not be made unless clearly shown to be advantageous. The panel believes its recommendation is appropriate and hopes that the VBA would be open to at least considering options for improving the design of the appeals process on their merits.

Item 14

Enclosure 2, pages 15–18. Business Process Reengineering. This section, as stated in Item 3, provides no new information. In addition, as stated in Item 2, while the enclosure starting on page 15 lists 5 areas of panel criticisms, the following information does not address them at all, thereby providing no insight into why the VBA might disagree with them.

The enclosure does, however, significantly add to the panel's concern, provided in great detail in Chapter Five of the draft report, about the agency's ability to implement BPR successfully. On page 16, middle paragraph, the agency response states that. . . "As such only a limited number of key the VBA employees have been involved in the development of the [BPR budget estimating] simulation models. Likewise, only employees directly involved in the BPR budget process have been involved in the development of scenarios used for budget forecasting. While these individuals, in fact, do not have a total understanding of the simulation models, SRA [the contractor] has been working to familiarize key employees with the details of the simulation models created during the development of the *Case for Change*." This passage confirms the panel concerns about the ability of the VBA to support its current budget estimates and achieve the staff reductions projected by the simulation model.

A further concern lies with the list of 9 principles stated on pages 17 and 18 which have been derived from the work of the teams tasked with implementing BPR. While these are solid principles, there is no mention of the management methods by which implementation will be carried out. These methods, explained fully in Chapter Three on strategic management, require skillful coordination, project management and integrating skills and the discipline of accountability.



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JUN 13 1997

In Reply Refer To:

Mr. Milton J. Socolar
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Dear Mr. Socolar,

Thank you for this opportunity to provide VBA's initial response to the draft report of the National Academy of Public Administration (NAPA) entitled: *Management of the Veterans' Compensation and Pension Benefits Claim Processes; a Report by a Panel of NAPA for the Congress and the Department of Veterans Affairs*. VBA is always open to the receipt of constructive feedback regarding our programs, operations and plans and this is no exception. As with other recent review and reporting activities, we will look carefully at each of your findings and recommendations and develop a comprehensive response based on a thorough and detailed analysis of the issues represented. We see this as another opportunity to highlight our strengths, quantify our accomplishments, acknowledge our weaknesses and identify our actions, both planned and underway, to improve the delivery of benefits and services to veterans. This letter presents our preliminary response to the draft NAPA report and will be followed by a Department level response at an appropriate time, after your report is issued in final. As proposed by your staff, I expect that this letter and enclosures will be included, in their entirety, in the final publication of the NAPA report.

First and foremost, it is gratifying for me to note that, although NAPA has strong reservations and concerns regarding VBA's strategic management and plans, almost all of the findings and recommendations contained in the NAPA report are reflective of improvement opportunities *previously identified* by VBA. Many of NAPA's recommendations relate directly to initiatives *ongoing* within VBA today. The concepts and recommendations put forth in the NAPA report are not new to VBA. Most have been addressed by VBA in our GPRA-based business plan and corresponding budget initiatives. To be sure, there are very clear differences between VBA's business strategies to address service improvement opportunities and those prescribed by NAPA in your draft report. In fact, there are two instances where NAPA recommends actions with which we firmly disagree: 1) Re-scoping our business process reengineering activities and 2) terminating the VETSNET initiative. I have enclosed two white papers which deal directly with those issues, as well as other related business and technology concerns identified in the NAPA draft report.

In addition, I've enclosed a third white paper which provides a comprehensive discussion of VBA's strategic management process, plans and accomplishments. As with all our comments, I would hope that the NAPA project team will review these white papers carefully, as I believe they provide information not fully represented in the draft report or well understood by NAPA. We feel strongly that, with few exceptions, NAPA's identification of VBA improvement opportunities serves as a validation of our ability to look critically at ourselves, determine where and how we should change, and develop near and long-term business strategies to make those changes a reality.

NAPA's discussion of the year 2000 (Y2K) issue is a good example of VBA's pro-active approach to issue identification and resolution. VBA, in conjunction with VA, has taken strong, decisive action to address the issues represented by the year 2000. VBA first identified the Y2K issue and conducted a formal Y2K assessment in 1991, years ahead of most other Federal agencies. VBA's strategy for solving Y2K technology issues will ensure uninterrupted service to our nation's veterans and their beneficiaries. VBA has established a Y2K project team. The scope of the team's duties include all ADP -- applications, operating system software, hardware platforms, compilers, third party products and communications. VBA is on schedule with its Y2K project plan, which has a December 1998 completion date for Y2K transition activities. This will allow for one full year of testing of our Y2K compliant systems.

Another example of NAPA's validation of our over-the-horizon outlook towards planning and improvement is your discussion of VBA's Business Process Reengineering (BPR) activities. The fundamental precept of our BPR approach is that *it is evolutionary*. VBA has identified five initial targets of opportunity for process reengineering, with the firm understanding that, as process reengineering is planned, implemented and measured, additional opportunities will arise. Our target milestones, dates and outcomes do not signify an "end of the project," but the next horizon for planning purposes. As is clearly represented in VBA's BPR planning documents, the BPR process is ongoing, changing and evolutionary, with benchmarks, performance measures and ongoing assessments. All of VBA's business lines will undergo the rigors of BPR. The selection of our compensation and pension processes as the first BPR candidate is an acknowledgment of the significant opportunities to improve within that arena. Our education program, the next to undergo a BPR analysis, has already begun the BPR planning process. NAPA's support for our BPR concepts is welcomed and we will look carefully at your concerns regarding our compensation and pension-specific BPR activities; however, we must continue on the path of process analysis and reengineering across all our business lines. BPR is fundamental to our ability to improve the services we provide to our customers.

Additionally, I am concerned with NAPA's assessment and recommendations regarding our BPR management activities. In one segment of the report, NAPA recommends that the Director of the Compensation and Pension (C&P) Service have line responsibility for and direct involvement in the operations, improvement initiatives and output of VBA's regional offices. At the same time, NAPA decries the selection of the Director of the C&P Service as the senior management officer responsible for the C&P

BPR project. The Director of the C&P Service must control all aspects of the BPR process specific to claims adjudication; whereas VBA's regional offices must manage the full range of veterans benefits programs represented in all our five business lines.

Also, the NAPA report erroneously states that all field examination activities were abandoned by VBA. In fact, each Service has its own method for reviewing field activities which are appropriate to its size and business line. The Education Service never discontinued its field examination program and uses this vehicle to not only monitor timeliness and quality of education benefits delivery, but also as an opportunity to share best practices among our education regional processing offices.

NAPA's analysis, findings and recommendations cover a wide range of issues and opportunities facing VBA. Many of those issues and opportunities relate to the subject of the NAPA report — compensation and pension processing — and we look forward to addressing those issues and taking advantage of the opportunities where appropriate; however, many of your discussion areas stretch far beyond the purview of compensation and pension processing. Therein lies one of my overriding concerns with NAPA's assessment: *VBA is not limited to, nor should it be seen as synonymous with compensation and pension processing.* VBA has five separate Services responsible for five different business lines: Loan Guaranty, Education, Insurance, Vocational Rehabilitation and Counseling, and Compensation and Pension. Each of our business lines has its own legislatively-mandated mission, its own policies and procedures, and its own performance measures and outcomes. Each serves a different segment of our veteran customer populous. To blur the distinctions between our business lines and to represent the issues of compensation and pension processing as analogous to all VBA operations is simply wrong. In doing so, NAPA does a disservice to this agency, the readers of your report and the veterans we serve.

For example, your report recommends that VBA explore alternatives to its organizational structure. This suggests that VBA, as a whole, has not been active in analyzing, planning and implementing structural change. This is inaccurate and misleading. VBA is in the process of consolidating operations in loan guaranty servicing and processing from 46 stations to just 8 regional loan centers. In education servicing, we've restructured from 58 sites to just 4 regional processing centers. In insurance, we're consolidating our two national service centers into just one. We are also in the process of redesigning our vocational rehabilitation and counseling program.

Specific to our adjudication divisions, nobody better understands the potential benefits of field office restructuring than the management of this agency. As is well documented and well known to NAPA, VBA recently undertook an aggressive program of field office restructuring, with 10 separate restructuring transition year initiatives recommended to Congress. The resultant feedback was clear and consistent: VBA should not attempt to restructure its adjudication divisions until all business process improvement opportunities have been assessed and a major reengineering of veterans claims processing has been implemented. VBA accepted that feedback, learned from that

experience and has continued to design and implement innovative forms of workload management pending the system-wide restructuring opportunities that will result from our BPR activities. We have undertaken significant initiatives in the management of our C&P claims workload, such as our remote management pilot project, brokered work among regional offices, case management initiatives, and partnerships with Veteran Service Organizations in the development of claims "ready-to-rate," just to name a few.

To be clear, we have not abandoned our restructuring goals in the compensation and pension arena. In the near term, we will continue to identify and implement innovative business techniques to manage our adjudication workload and leverage our adjudication staffing resources. Strategically, our ongoing C&P BPR plans clearly define alternative organizational structures as a leading business driver.

We appreciate the strength and reinforcement NAPA gives to our restructuring concepts, as exemplified by VBA's long-term strategy of functional streamlining and consolidation of our field facilities, and we remain fully committed to the consolidation of our benefits servicing divisions. Our goal is to improve the delivery of benefits and services to veterans and reduce resource requirements via the implementation of reengineered business processes and a streamlined organizational structure across all VBA business lines, not just compensation and pension.

Much of the assessment underlying NAPA's findings and recommendations relates to the capacity of this organization to strategically manage itself. While we recognize that much remains to be done to strengthen and further support our strategic management processes, we are proud of our progress in instituting a GPRA-based business planning and budgeting process and can point to some true successes in our progress to date in the overall strategic management of the agency. First and foremost was the realization by the top leadership of VBA that a strategic management process is critical for the organization's successful accomplishment of our mission. VBA's leadership is committed to making that process work. VBA's corporate vision, goals, and values statement, developed by our senior managers and adopted throughout the organization, reflect our fundamental commitment to long-term change and improvement in the delivery of benefits and services to veterans.

Second, is the establishment of the Strategic Management Committee (SMC) composed of the Deputy Under Secretary for Benefits, all four of the Area Directors, the Directors of the five VBA Services, the Chief Financial Officer, the Chief Information Officer and the Director of the Office of Executive Management and Communications. Each member of the SMC has an equal voice; no one program director carries more weight or influence than another. This group has been the driving force behind the transformation of the VBA planning process. They have been instrumental in establishing critical linkages between the planning process, budget formulation, and the execution of the budget through resource distribution and the setting of performance targets for the individual components of the organization. Every level of VBA is included in the planning process because individual employees are empowered to conceive new ideas or ways of

doing our work smarter, faster and cheaper. Those ideas are developed and included in SMC discussion of new initiatives to be considered for nationwide implementation. While the SMC strives to encourage creativity, it also recognizes that resources are limited and that judgment must be exercised in the prudent expenditure of resources for new ideas. The Committee serves to weed out duplicative efforts and to assure a level of uniformity through the formulation of overall policy and direction, and dissemination of these "best practices."

A third success in our strategic management efforts is the design of the VBA business plan, which is the central document providing overall direction for VBA, and serves as the platform for our strategic planning, annual planning, and annual reporting requirements mandated by GPRA. The process for development of the business plan was instituted last year and included each of the five VBA business lines. The business plan was the actual document transmitted to Congress by the President for the FY 1998 budget. It defined mission, goals, objectives, and specific performance measures for each of the five business lines. Its development was an intensive, inclusive, coordinated effort involving our field elements, area offices, and services and was driven and executed by the Strategic Management Committee.

As an organization, we continue to make progress in establishing accountability for the process and achievement of results. In September 1996, the VBA top leadership met to establish performance targets for each of the business lines for FY 1997. Realizing that organizational support and buy-in was critical before full accountability for results could be achieved, it was agreed that FY 1997 would serve as a test year. A monitoring system was put into place to measure our progress in achievement of the performance goals identified for this fiscal year. Quarterly reports of results have been presented to the SMC and mid-course corrections have been discussed and made as needed. VBA is currently in the process of developing a performance measurement tracking system for use in FY 1998 along the lines of a "report card" on progress in achieving stated performance goals by program and regional office. A work group has also been assembled to address short-term needs and to develop a long-term strategy for performance measures and the data elements necessary to support them. We recognize that information gathering and analytical activities, including actuarial and demographic information, need to be fortified and enhanced and we are working with the Department to develop that capacity.

VBA has adopted a "balanced scorecard" approach to performance measurement, which includes looking at our timeliness, quality, unit cost, customer satisfaction and employee satisfaction, rather than relying solely on traditional forms of measurement. We developed a customer survey specific to the C&P claims process which was administered at every regional office and the results of those surveys are now being disseminated and evaluated. In addition, the Loan Guaranty program developed and has been administering comprehensive customer surveys for both its veteran and lender customers since 1994. The analysis of these instruments will help us to better focus our performance measures to reflect what the customer is expecting of the organization. It is our intention to administer a nationwide C&P survey annually. A VA-wide employee survey has been conducted, and

VBA will use the results of that survey to better meet the needs of its current employees, as well as better prepare ourselves for satisfying future employees. VBA is one of the forerunners in the federal government in its efforts to apply Activity Based Costing (ABC) to develop unit cost capability. Five sites have piloted the unit cost model, and we are moving toward implementation throughout the system within the next several years. Of course, as an organization we realize the importance of establishing outcomes for our programs which will help to focus and drive the development of our performance measures. We have made progress in this area and will continue to challenge ourselves to refine and improve the measures already developed.

VBA appreciates NAPA's recognition that a stable resource base is vital to the success of our business improvement strategies and we fully agree with NAPA that the "Congress should ensure the resources necessary to guarantee continued benefits to the veteran and not hastily reduce VBA resources." There is little doubt that resources will continue to be limited for VBA's administrative accounts. The FY 1998 President's Budget requires that all payroll and inflation increases, and investments to improve performance (i.e., BPR), be absorbed in future years. VBA has endeavored to balance its pursuit of improved claims processing with managing at reduced budget levels; however, the investments required for BPR and other customer-based initiatives, plus the resources needed to maintain current levels of performance cannot be accommodated within current targets. VBA supports NAPA's suggestion that a "stable environment" be provided for VBA to accomplish long-term improvements in performance.

VBA recognizes that the development of a strong strategic management capacity for the organization is an evolving process which takes tremendous amounts of time, energy, resources, commitment and leadership; however, we are confident that we are headed in the right direction. We remain committed to the continuation of a course of action which will drive us toward better strategic management, in concert with the Department and our stakeholders.

VBA acknowledges, as does NAPA, the critical role that training plays in the improvement of individual and organizational skill and capacity. NAPA acknowledges that VBA has taken the correct first steps as it pursues the development of courses through the application of rigorous instructional system design (ISD) and evaluation techniques that are consistent with the recommendations of the Blue Ribbon Commission Report. We have taken a number of steps to reinvigorate a coherent agency strategy for training in our adjudication function as well as our other lines of business. An acting director has been assigned to lead the Employee Development and Training Staff. An ISD based validation has been completed on an Appeals Training Module. An assessment of VSR training is also underway. What we learn from these activities will provide us with the capability to expand this approach to other areas of our C & P program. At the same time, we have also begun a comprehensive needs assessment in our Housing Program. NAPA raised the issue of the advantages and disadvantages of locating staff in Orlando or Washington. We believe it is premature to draw any conclusions on that issue. On the other hand, we agree that a comprehensive plan for substantial investment of resources

for an integrated training program should be developed for the 1999 budget and strategic plan.

Finally, it is especially noteworthy that NAPA expresses full support for the findings and recommendations of the recently completed Veterans Claims Adjudication Commission (VCAC) Report to Congress. The VCAC report was overwhelmingly supportive of VBA's planned and ongoing improvement activities and encouraged VBA to continue with our core business reengineering and technology initiatives. In response to the VCAC report, the leadership of VBA, in partnership with top managers at the Department, the Veterans Health Administration and the Board of Veterans Appeals, has developed a constructive and comprehensive plan to implement the majority of the recommendations of the VCAC; most of which support and strengthen our ongoing improvement initiatives.

Thank you again for the opportunity to review and comment on the draft NAPA report. I trust that this response, to include the two enclosed white papers, will be carefully considered by your project team and that the final NAPA report will be reflective of the comments and clarifications provided herein.

Sincerely,

A handwritten signature in black ink, reading "Stephen L. Lemons". The signature is fluid and cursive, with the first name "Stephen" being the most prominent.

Stephen L. Lemons
Acting Under Secretary for Benefits

Enclosures (3)

White Paper

Enclosure 1

A VBA Response to the draft NAPA Report on the Veterans Compensation and
Pension Claim Processes

VBA Strategic Management - A Record of Accomplishments

VBA is very proud of the recognition we have received as a pioneer in the Federal Government's entire strategic management and GPRA effort. In late 1995, the VA Inspector General's office conducted a review to assess VBA's progress in implementing the strategic plan and performance measurements required by GPRA. They noted that VBA had participated in the GPRA performance plan pilot projects both at the New York Regional Office and in the VACO Loan Guaranty Service. As pilot participants, the FY 1994 performance plans for both offices were submitted to OMB for evaluation. The plans contained performance measurements directly tied to program goals and objectives. The performance measurements specified actions and milestones required to accomplish the program goals and objectives in the pilot projects' performance plans. VACO New York's FY 1994 performance plan was rated one of ten exemplars in the federal government by OMB, who also noted that Loan Guaranty Service's plan contained one of the better descriptive and introductory narratives of any plan and the goals covered a wide range of activity.

Since that time, VBA has moved forward with the integrated planning process, described below. We have established a Strategic Management Committee (SMC) as the cornerstone of the process; worked with the business lines to develop goals, objectives, and performance measures for their programs; piloted the development of unit cost information; conducted a nationwide survey of Compensation and Pension recipients; and consulted with our stakeholders on their expectations. These efforts are often occurring simultaneously in our zeal to become more fully integrated. We recently held consultations with OMB and the Hill where we requested their views and recommendations on our programs' progress in meeting GPRA requirements. All of these sessions have been very fruitful in that we have received feedback on the progress to date, and ideas for future consideration. In fact, the Staff Director for the Subcommittee on Benefits complimented VBA for providing some of the most informative presentations he has been involved in since his arrival on the Hill.

VBA must be doing something right, judging by the number of times we have been asked to be spokespersons for GPRA and Strategic Planning by various training forums, organizational entities, and professional associations. VBA's Chief Financial Officer, as well as the Director and Assistant Director of the New York Regional Office have led workshops and training on GPRA; Strategic Planning; and the Balanced Scorecard Approach to Performance Measurement at Central Michigan University management courses; NPR workgroups; Leadership VA; the International Quality & Productivity Center; to name just a few. It is clear that we are in front of many other government agencies and that they want to learn from us about our successes, experiences, failures and challenges in trying to address GPRA. VBA has been a leader in this area over the past several years, and plans to continue to refine the process and implementation strategies.

Issues Specific to Strategic Management

The Veterans Benefits Administration has developed and is implementing an effective strategic planning and management system. This commitment responds to the Government Performance and Results Act (GPRA), which requires Federal agencies to develop strategic plans, annual performance plans and reports, and budget requests linking resources with performance objectives. More importantly, *it is our firm belief that strategic management is the best way VBA can improve the way it provides benefits and services to veterans and their families.* It will also ensure the best use of taxpayer investments and provides a clear blueprint that will guide VBA's future direction and success.

VBA started the transition to strategic planning and management in FY 1994 – well before most other Federal agencies – with the establishment of two GPRA pilots, the Loan Guaranty Program and the New York Regional Office. VBA volunteered to be a part of these pilot efforts at the very beginning of GPRA implementation so that we could learn what was involved in carrying out the GPRA. These two pilots provided good experience for learning about the development of performance objectives and indicators. Concurrent with the establishment of the pilot projects, VBA formed a GPRA Steering Committee consisting of senior leaders in both central office and the field to assist the pilots, learn from the experiences of the pilots, and assist the organization in implementing GPRA. They were instrumental in the development of the strategic planning process and the core measures used in the pilots and ultimately those considered for use in the business plans. The GPRA Steering Committee's efforts provided the framework for the GPRA training which was provided to Regional Office Directors. In FY 1995, VBA established a new strategic planning process built on the concepts of establishing long range plans with mid- and short-range performance planning and monitoring, linked to the annual budget cycle. This new GPRA-based process includes the development of a Strategic Plan, five Business Line plans—Compensation and Pension, Educational Assistance, Loan Guaranty, Vocational Rehabilitation and Counseling and Insurance—which are integrated and combined into one comprehensive VBA Business Plan, and performance plans. This VBA Business Plan became our annual budget request. Within each business line plan the associated managerial and support activities were identified. By linking these indirect activities to its lines of business, VBA is able to account for all of its overhead costs in terms of program performance.

In July 1995, VBA's senior management team conferred in the design of the VBA Strategic Plan. As a result, revised VBA Mission, Vision, Core Values, and Core Performance Measures were developed, which became the foundation for VBA's new Strategic Plan. This document was used in late FY 1995 to begin the development of the five business line plans. At the same time, several performance work groups were formed to identify performance measures for each of the five VBA business lines as well as for unit cost and employee development and satisfaction. The products of these work groups were combined with the five business plans and became the starting point for the FY 1998 Business Plan and the FY 1998 General Operating Expenses Budget Request submitted internally to the Department.

This plan was refined further in the summer and fall of 1996 as new information and decisions from Department and OMB review were incorporated. The final document now represents VBA's FY 1998 strategy for accomplishing its mission with the resources requested. After the VA's FY 1998 appropriations process is completed, this plan will be adjusted as necessary and then translated into subordinate area, regional office and support office plans providing guidance for VBA managers for the fiscal year beginning October 1, 1997.

VBA's Planning Process

VBA has formulated an extensive process with distinct stages from the global to the operational level, not unlike the one outlined in Section 3, Figure 3.1, of the NAPA report. This process was developed nearly two years ago by a VBA GPRA Steering Committee, and was adopted and approved by the VBA SMC. The process begins in the late summer or early fall of each year with the development, review or revalidation of the VBA Strategic Plan and strategic guidance. The planning cycle ends approximately two years later with the final end-of-fiscal-year performance report.

The **Strategic Phase** involves the development and refinement of the VBA Strategic Plan which provides guidance and direction to VBA's operations. It is the roadmap which leads decision-makers toward accomplishment of an overall vision of the future, as well as broad organizational goals. Each VBA business line is expected to follow this direction in the development of the business line plans, in order to meet VBA's goals. Each element of the VBA organization is an integral part of VBA's strategic planning process. Strategic guidance provides the direction for each business line to use in setting its goals and objectives. From this, each business line produces more specific, results driven goals and objectives based on the voice of the customer, the voice of the business, and the Secretary's policy agenda or Departmental goals.

The **Business Plan Phase** is complex and requires substantial integration and cooperation among all VBA operating elements. The results of the strategic phase form the basis for development of regional office, area, business line and support office plans. Field initiatives are developed, reviewed, updated, and coordinated in full partnership with the business lines. Cross-cutting* types of initiatives are considered as well, and a separate plan is prepared for them. All of the initiatives are reviewed by the SMC to identify priority objectives and initiatives for the planning cycle. Once these determinations have been made by the SMC, each business line is expected to prepare a business plan containing a program mission, vision statement, goals, performance objectives, initiatives and performance measures which becomes the budget submission for the next year.

The **Resource Phase** involves two major activities. First, resources are identified and added to the business line plans to support planning objectives and initiatives. Then the final plans and resource formulation document is reviewed by the SMC before being approved by the Under Secretary and forwarded to the Department for the Secretary's VA budget decisions.



The Review and Performance Target Phase occurs just prior to the beginning of the operating fiscal year. At that point, the business plans, including the support and cross-cutting initiatives and the performance measures and resources become the annual performance plans. Adjustments may be made to performance targets and planning initiatives based on resource realities. The second aspect of this phase involves the development of performance targets for each business line. Each Service within VBA establishes a limited number of national performance objectives for their business line, ideally covering the five core performance measures which VBA endorses. Once finalized, the program directors and area directors establish performance targets for the areas, based on the national measures, which are cascaded down to individual regional offices. The SMC reviews all performance plans, performance objectives, resource allocations and initiatives; and may re-prioritize operating initiatives in the VBA Business Plan or individual business line plans for the fiscal year, if needed.

The Initiative and Reporting Phase is the final phase and requires review and monitoring of the national performance objectives, and area and regional office performance targets. Quarterly reports are provided to the SMC and the Under Secretary. At the end of each fiscal year, VBA prepares a series of reports on the performance improvement and other achievements for the fiscal year. Information from each end of year report is valuable in reviewing the strategic phase plan, in development of business line, support office and cross-cutting plans in the planning level, and in the development of performance targets and resources in the operating level. Monitoring is conducted throughout the year and a performance report is prepared at the end of the year for Congress and OMB.

White Paper

A VBA Response to the draft NAPA Report on the Veterans Compensation and Pension Claim Processes

Issues Specific to Claims Adjudication Process

VBA disagrees that there is no comprehensive system within this agency which "manages" the quality of the claims adjudication of compensation and pension claims. The quality assurance and quality improvement review programs require a systematic review and analysis of claims at both the local and central levels. At the regional office, adjudication and station management are involved in the process on at least a monthly basis. Within the C&P Service, the quarterly reports of the local reviews are assessed periodically, and a separate sample of cases is reviewed for each office annually. When the quality review program was revised in 1992, based in large part on input from field personnel and contractor assistance, the focus of the revision was the veteran customer. Hence, in addition to reviewing the decision elements in a particular case, we included consideration of the control and development of the claim as a prelude to the decision, as well as the notification sent to the claimant after the decision was made. This revision of the quality review program did in fact add the timely processing of the claim on receipt—although not scored in terms of days or percentages—and proper notification to complete the product correctly. Each of the three elements was given equal weight because a deficiency in one would adversely affect the processing of the claims as a whole and the veteran customer's perception of it.

Notwithstanding the sound bases of the current quality review program, VBA has recognized a need to make its quality review of compensation and pension claims processing even better. The Director of the Compensation and Pension Service convened a work group consisting of central office and field personnel, as well as representatives from BVA, VHA and GC, to review and revise the current quality assessment system to make it more vigorous and more representative of the future environment—to reengineer it. Changes this group effects will be in place in FY 1998. In addition, in its response to two of the recommendations of the VCAC, VBA will continue to work with BVA (and VHA) to ensure that accuracy extends throughout the full life cycle of a claim, from its receipt at a local regional office through development, examination, decision and notification, and when applicable, appeal.

As part of VBA's response to GPRA, the revised performance measures that emanate from this revision of the quality assessment program will become part of C&P's business plan and part of the goals and objectives for field managers and claims processors. As it does now, the C&P Service will collect data necessary to assess the accuracy and timeliness of claims processing. As part of this assessment process, VBA and BVA are working together build a more unified data collection system and, within Department parameters, will continue to work to make quality review a more unified process. Also as part of this assessment process and its response to GPRA, VBA is implementing customer survey instruments that will give us relevant data for

customer satisfaction, a most important performance measure. When available this data will become a part of the performance measurement for both claims and appeals processing.

NAPA does recognize the progress that VBA, VHA and BVA have made in dealing with issues surrounding the adequacy of disability rating examinations. The group, however, did not recognize to the appropriate degree, or if it did recognize, did not acknowledge, that this progress was a result of VA initiatives with large VBA involvement, starting, for example, with a memorandum of understanding between VBA and VHA on the timeliness of examinations as far back as 1991; and the result of concerted efforts of VBA, VHA and BVA together. The collective development of the AMIE system for exchange of information between VHA and VBA, the revised memorandum of understanding in 1994 to focus on the sufficiency of examinations, the Examination Focus Group in 1995 and 1996, and the Examination Process Workgroup that started in 1996 and continues in operation are some examples of the measured steps VBA has taken—with VHA and BVA—to make the disability examination a more accurate and more timely part of the disability claims process. We are pleased to note that the key recommendations of the Veterans' Claims Adjudication Commission in the area relating to disability examinations focused on and validated steps that VBA, VHA and BVA had already begun to take. Its main recommendation called for a high level VA-wide group to work toward the improvement of disability examinations; such a group already existed. It did, however, recognize the need to give this group greater emphasis within the Department.

The progress in the area of examinations for disability claims noted by NAPA was planned. It was the result of the recognition by VBA that as it was reengineering the whole claims process, it had to improve examinations for disability claims. We still recognize, however, that more progress is needed before VA is satisfied that these examinations are the best that can be provided our veteran customers. The Examination Process Workgroup meets virtually every month in its efforts to identify areas of improvement, both short and long-term. VBA and BVA continue to work with VHA in efforts to improve the training of the examining physicians so they are more aware of the specific needs of examination for disability claims. As an example of this effort, VBA coordinated a joint training program with BVA in September, 1996, that saw training in the area of appeals process, with a special emphasis on disability examinations, at 24 regional offices for over 1,100 employees from VBA, BVA and VHA. VBA continues to work with VHA throughout the country to identify and support the best of local initiatives intended to improve the quality and timeliness of examinations.

VBA continues forward in measured steps to implement the pilot program for the use of contract physicians for disability examinations under PL 104-275 (Section 504) to draw the full value from this legislated initiative. At the same time, VBA expands the various initiatives that are bringing the VA examination and the claims process right to the service members leaving the military. This pre-discharge examination process, in a more fully perfected form, is one of the keystones of the Business Processing Reengineering vision. As a result of the continued focus on disability examinations throughout VA, VHA has determined to study the examination in full with the intent of reengineering the process in full to provide better service to the veteran and to the

various stakeholders. By design, VBA will be an integral part of this reengineering effort.

While we acknowledge that current measures to assess the adequacy of examinations by VHA for disability claims need improvement, we do not agree that they are insufficient or potentially misleading. We do need to expand how we assess the sufficiency of examinations for rating purposes so that we have a more comprehensive system agreed upon by VBA, VHA and BVA. This is one of the areas that the Examination Process Workgroup and other activities within VBA and VHA will continue to work on. As we create this improved system of assessing the sufficiency we will include the perspective of our veteran customer as we are planning to do with performance measures in general as part of the GPRA effort.

Issues Specific to the Appellate Process

While the generalization in the NAPA draft report about the nature of control of the appeal workload by VBA is fairly accurate in describing the past few years, it does not recognize renewed management efforts to re-establish solid control of this highly sensitive, albeit relatively small, segment of our annual workload of more than two and a half million cases. For some very good reasons, VBA's focus had been placed on our original and supplemental claims. Included among these reasons is the fact that BVA suspended the call-up of new appeals for some 18 months in the 1994-1995 timeframe, and as a consequence VBA had to develop a time consuming and labor intensive system of case pre-certification and suspense controls at each regional office. With legislated emphasis on remands created by PL 103-446, the resumption of the call-up of new appeals in September, 1995, and the decided progress regional offices made in the reduction of the original and supplemental claims workload, VBA began to reinvestigate its efforts to address the appeal workload.

As noted in the report, BVA has made decided progress in reducing its appeal workload. VBA is now showing evidence of progress in reducing the work backlogs in those steps for which it bears processing responsibility. The BVA has completed more final actions so far this fiscal year than it had at this same point in recent years. Its efforts, in large part, account for a reduction of nearly 15,000 cases in pre-certified status awaiting BVA call-up during the period from the end of September 1996 to the end of May 1997. Most recently VBA has put even greater emphasis on the appeal workload by providing overtime funds to help the field stations to concentrate efforts to reduce the number of remand cases. During the months of April and May of this year, VBA was able to reduce the number of remands under VACOLS control by over 2,000 cases.

Even as these individual improvement efforts are underway, BVA and VBA are working jointly to improve the control and processing of appellate cases. As an example of this effort, let us note again that VBA coordinated a joint training program with BVA in September, 1996, that saw training in the area of appeals process, with a special emphasis on disability examinations, at 24 regional offices for over 1,100 employees from VBA, BVA and VHA. Members of the Board routinely attend certain VBA training sessions, such as Adjudication Officer conferences, to provide their

insight and expertise on the topic of appeals. Generally, the Deputy Chair and some or all of the Deputy Vice Chairs will be in attendance at such training endeavors. During May of this year, VBA field managers and a BVA official appeared together on a satellite broadcast addressing appeal workload management issues. Via a pre-recorded videotape I spoke for some minutes on the subject of appeals, noting BVA's progress and VBA's need to improve.

In a continuation of this cooperative effort; and with BVA in the lead by expending capital resources, a video-conference capability has been established at some 14 field stations across the country so that Travel Board hearings can be conducted with claimants via this advanced technology. This initiative will significantly impact the large backlog of appeal cases awaiting Travel Board hearings. In addition, this video-conferencing system allows for on-call training sessions between the Board in Washington and any station connected through the system. The pre-existing cooperative effort to develop a single computer system to control and track appeal cases is now showing results. All field stations were given limited access to VACOLS during FY 1996. Since then, that access has been enhanced through incremental steps so that by April of 1998 (according to the implementation plan) VBA and BVA will be using this single system to manage the appeal workload from field processing through final BVA action.

One recommendation in the report warrants a specific comment in this response: i.e., the recommendation that the Secretary, along with the Under Secretary for Benefits and Chairman of the Board of Veterans' Appeals, consider the concept recommended by the VCAC as well as other options for revising the basic design of the appeals process. The Secretary has not concurred with the Commission's recommendation to make BVA purely an appellate level review board rather than a *de novo* reviewer as it currently is. VBA fully agrees with this decision of the Secretary for all the reasons the Department provided in its response to the Commission's report. Having emphasized this area of specific disagreement, we must note again that we have been and will continue to work with the Board in improving the totality of the appeal process. As an example, we will expand the role of VBA's field Hearing Officer as part of the BPR environment which will reduce the number and improve the timeliness of appeals processing.

Issues Specific to Business Process Reengineering (BPR)

NAPA's comments on VBA's BPR initiatives fall into five thematic groups which are basically criticisms of:

- the lack of a operations analysis capability to measure and evaluate forecast and performance data,
- the validity of VBA using the BPR study product, *A Case for Change*, as guide for designing a future way of delivering compensation and pension benefits,
- the appropriateness of using the outcomes of that study to portray potential improvements in budget projections,

- the lack of participation by VBA stakeholders in the development and implementation of changes, and
- the organizational competence to plan and manage implementation of the vision.

In developing a tactical plan for FY 1995, the VBA Policy Board identified reengineering as a key focus area for the organization. A reengineering Work Group was created to develop and prepare a strategy for incorporating reengineering into the organization's activities. Throughout FY 1995, considerable effort was devoted to the BPR effort. In September 1995, VBA met with Systems Research and Applications Corporation (SRA) to review reengineering efforts to date. SRA's review confirmed the value of VBA business improvement projects completed or in progress but also identified two major shortcomings: (1) the lack of an effective program infrastructure for leading BPR; and (2) the need to follow a structured approach as part of a comprehensive review of core business processes. The need for a strong BPR program was apparent, with expertise in the areas of operations research and simulation modeling, and the SRA was contracted to provide VBA with needed technical expertise.

The ubiquitous use of the generic term "VBA staff" throughout the NAPA report when referring to unique aspects of business, such as modeling and budget forecasting, creates an expectation on the part of the reader that everyone in VBA should understand the intricacies of these processes. In reality, given the esoteric nature of such work, the number of employees familiar with the details of modeling and the budget process are relatively few. As such only a limited number of key VBA employees have been involved in the development of the simulation models. Likewise, only employees directly involved in the BPR budget process have been involved in the development of scenarios used for budget forecasting. While these individuals, in fact, do not have a total understanding of the simulation models, SRA has been working to familiarize key employees with the details of the simulation models created during the development of the *Case for Change*. VBA will likewise continue to contract for needed modeling expertise to supplement that which is available within the organization.

The VBA BPR process is consistent with the reengineering tenants as articulated by GAO. Strict attention was given to the need to reassess mission, goals, the impact of drivers such as client base and expected resources, the use of measures and data collection. Acceptance of the results of the BPR study was, however, a subject of much debate within the organization and the decision to incorporate BPR/model outputs into the FY 1998 budget was not lightly made.

Faced with the expectation of severe cuts in resources in future budgets, VBA adopted the strategy of incorporating the *Case for Change* vision in the FY 1998 budget as a means of depicting the potential improvements which would result if the proposed initiatives were supported. The contingency aspect of performance improvements was accentuated. As a counterpoint, the impossibility of achieving more than marginal improvement in performance without radical changes in operation was highlighted.



The reengineered claim and appellate processes are modeled using assumptions and VBA must determine the accuracy of these assumptions as soon as possible. In order to validate these assumptions, VBA is creating BPR labs in FY 1997 to measure transition initiatives as tested. Similarly, assumptions pertaining to discrete aspects of the process, such as the expansion of pre-discharge development of claims and partnerships with veterans service officers, will be piloted and measured at additional locations.

Planning the implementation of the reengineered processes has been a priority, and VBA has involved its stakeholders and partners in the process. Since January of this year, 102 individuals from VBA field, CO program, VHA, BVA, General Counsel, Inspector General, DoD, national union partners and veterans service organizations have participated in teams, with contracted assistance from SRA, to develop implementation plans and to transition VBA to the new way of doing business. The teams have prepared a detailed plan with recommended proposals for implementation.

The recommendations of these teams, which went to the Director, Compensation and Pension Service, who is currently charged with responsibility for planning the implementation of the vision, will result in an implementation proposal to be presented to the VBA Strategic Management Committee for approval. As a result of the SMC decision, VBA will decide how and by whom the implementation is to be managed over the upcoming years.

Key components of the implementation proposal address the needs of VBA to ensure coherence in the implementation. Although the implementation teams' recommendations preceded the release of the NAPA report, the teams shared the same concerns about coherent planning and management of the process, validation of assumptions and giving special attention to skill and knowledge gaps which are critical success factors.

Based on the input of the employees and stakeholders who have participated, the following principles have been extracted from the specific recommendations. These principles evidence the awareness of VBA that the future cannot be business as usual:

- The basic outcome expected is improved quality of the product; improved operational effectiveness is an expected consequence of quality improvements
- Employees and partners must understand what BPR is and why we must change
- Management of the employee attitudes toward transition cultural change is a primary concern requiring special attention
- All principals affected by the outcome should participate in implementation of the vision both nationally and locally
- Management of the transition is a major business effort requiring a national and mirroring local management structures to guide, monitor and assist in the changes
- Position descriptions, basic work flow and the organization will be standardized among benefit delivery sites
- Transition of personnel to new positions should be predicated on the existence of targeted skill sets and competencies, assessment of individual capabilities, and standard training approaches to eliminate the gaps.

New ways of doing business must be piloted and measured in BPR labs and selected sites before national implementation
GPRA performance measures must exist for all operations and be applied hierarchically throughout the organization, from the employee interacting with the veteran or processing a claim to the managers at all levels and in all locations.



White Paper

A VBA Response to the draft NAPA Report on the Veterans Compensation and Pension Claims Processes

Issues Specific to VBA's Information Technology Vision and the Support of VBA Business Goals

The Information Technology Program is being shaped by a growing demand for improved service and more timely information from our customer base. The need is expected to be met through business process reengineering (BPR) efforts through the VBA business lines. This will be supported by leveraging new business processes with technology to:

- increase personal contact and communication via telephone or electronic means;
- significantly reduce the amount of paper required from the veteran and the manipulation of hard-copy records;
- reuse information to the greatest extent possible, and;
- use electronic interfaces to access and collect data (particularly from other government sources).

It is envisioned that access to VBA will no longer be limited to mail and walk-in service as increasing amounts of information will be available over the phone through the implementation of Information Centers. While the Information Center concept is still in its infancy, VBA envisions that veterans will be able to call VBA using a single "800" number, get through on the first try, and access a state-of-the-art system that helps them obtain the information they need. Whether looking for directions and hours of operation for a specific facility, searching for types of benefits for which they qualify, filing a claim, requesting status information, or responding to a query initiated by VBA in support of a claim, VBA's customers will be able to transact all business with a single phone call.

Integrated information systems will be available to VBA employees and, in some cases, to Veterans' Services Organizations to support their work. Whether they are located in an Information Center, a Regional Office, or servicing veterans from a remote location (e.g. VHA Hospitals, Rehabilitation Centers, Discharge Centers, or employees' homes), these systems will provide access to information for any veteran from a single point of entry and will be supported by a single Corporate Database.

In order to provide the desired functionality, the operating environment in VBA must be supported by an integrated and modern technical infrastructure. OIM is proceeding with a phased evolution of its IT infrastructure to provide a powerful, distributed and transparent computing and communication medium that will enable fast and reliable information processing and exchange across the entire organization.

These phased activities include, but are not limited to:

- Establishing the corporate database;
- Rehosting applications
- Implementing new technology to support business needs;
- Implementing and maintaining open, scaleable platforms that accommodate integration of multiple products;
- Implementing consistent workstation configurations that can support all planned applications, and;
- Developing Information Centers to provide state-of-the-art support to veterans.

Perhaps the single biggest benefit to result from these efforts will be the implementation of a corporate database containing all veteran data. This database will enable the integration of numerous stand-alone systems, allow for data sharing within and across service lines, and provide the means for vastly improved analysis and reporting functionality into the 21st century.

Needs Assessment:

About 10 years ago it became apparent that the hardware supporting the Benefits Delivery System was a material weakness in that it was well beyond its expected life cycle, becoming increasingly difficult to maintain, experiencing more processing failures, and no longer supporting the business needs of its users. The system was designed to be a payment system, to run in a central location with batch updates and provide input (only) through dumb terminals. The system serves us well as a payment. However, without data access for its users any analysis and decision support information has to be programmed, scheduled and run independent of the production cycles. This approach to information processing was outdated even then.

To rectify these problems, VBA embarked upon a plan to modernize its equipment and processing. The end state of that effort, VETSNET, was preceded by contractor-supported studies in telecommunications, relational data base trends, enabling technologies, cost/benefits analysis and industry trends. VBA sponsored its own studies: the Vision 2000 and functional requirements documentation both of which supported the goal of a veteran-based system. Other high-level goals included a "one-stop shopping" approach and open systems architecture that would not be tied to any proprietary equipment and would solve the problem of non-communication across program/system lines. Because the system had five important business communities to support, a grand design approach to development was abandoned for a more reasonable, more manageable incremental approach that is in use today. Further, to support an undertaking of this size data modeling, rapid applications development, joint applications development with the user client and other modern technologies supporting systems construction were incorporated into the VBA approach.

Architecture:

One key objective in the VBA approach was to provide an infrastructure that would support efficient and effective delivery of benefits and services to the veteran. VBA developed an enterprise architecture made up of a Systems Architecture, Information Architecture, Application Architecture, and Data Architecture. This enterprise architecture addresses business information and processes, applications, data, and systems and supports all RO information technology platforms, the applications development environment, and applications implementation environment in support of development by VBA Systems Development Teams.

The **Systems Architecture** describes computing platforms, operating systems, and the external environment (networks) needed to provide the connectivity or interoperability between users, applications, and data. The goals used in defining this technical systems architecture are to:

- Support the current development of applications;
- Make effective use of existing systems and software;
- Address operational difficulties with system needs;
- Distribute user functionality close to the user;
- Provide flexibility to accommodate needed changes;
- Provide high performance, tunable systems;
- Allow production implementation with the appropriate hardware without requiring application changes;
- Provide a single development environment.

VBA evaluated all business requirements to determine the options for the systems configuration. The recommended final configuration meets all of these goals. The general business needs examined were:

- Support for ROs;
- Support for outbased sites;
- Support for storefront operations;
- Support for individual RO workers outside the RO;
- Support for exchange of information with other Government Agencies;
- Support for veteran information access.

The VETSNET (including VETSNET C&P, Education 1606, LS&C, ALPS, etc.) systems architecture contains a Centralized Data Server, supporting all On-Line Transaction Processing (OLTP) for all VETSNET applications. The central data server will consist of a Sequent NUMA-Q processor and may evolve over time to support performance requirements. There will be ten Application Servers. These servers will be located at optimal regional sites and connected to the local area network (LAN) at all regional offices. Each server will start as a Sequent 750 machine and contain the Tuxedo Transaction Manager (TM). Currently, data will not be replicated at these servers. These servers will primarily be used to multiplex connections from the remote offices in to the centralized data server. The centralized database management system will be Oracle. Non-OLTP functions, such as batch processing, printing, mailings, etc., may be performed on an IBM mainframe system. Some interfaces with systems on the IBM, such as FMS will be required as well as other external interfaces.

Evolution of the Centralized Processing Platform

In 1991, the VBA Stage I Request for Proposal (RFP) specified the requirement for a mid-range central processing unit for VBA Sector sites and Regional Offices. The hardware, software, and communications for the central processing unit were required to conform to open systems standards – the POSIX standard was required for the operating system, the GOSIP standard was required for communications. Transaction processing benchmarks were also specified, requiring high levels of transaction throughput. The winning Stage I proposal, submitted by Federal Data Corporation (FDC), proposed the Sequent series of computers to satisfy VBA Stage I processing requirements.

During the initial Stage I procurement in 1992-1993, VBA purchased and installed 11 upper level Sequent 750 computers at 10 Sector sites and a centralized development platform at the Hines BDC. Twelve mid-level Sequent 450 computers were also procured and installed at 11 Regional Offices (ROs) and at the Hines BDC. The Hines BDC system is used for pre-production testing. The Sequent computers were initially scaled to the size required to support the amount of data to be maintained at local sites, in accordance with concepts of decentralized data distribution. There were planned upgrades intended to increase the capacity of the systems as applications were implemented.

Three applications were developed which take advantage of the distributed concept originally envisioned by designers of the Stage I RFP. These applications are: Control of Veterans Records System (COVERS), Claims Processing System (CPS) and Loan Service and Claims (LS&C). Subsequent application design efforts will utilize the VBA central Sequent processing platform. All of these applications can be implemented either distributed or centralized. With the addition of a centralized Sequent, CPS and LS&C will be implemented centrally.

With downsizing and strategic business centralization taking place throughout government and industry, the VBA has adopted a centralized computing strategy. Centralization will make the information system less sensitive to the changes that will be made in the organization and in its business processes. Those changes can be accommodated more easily with less complexity and risk in a centrally managed database. The centralization strategy will allow VBA to make changes in how benefits are processed and remove technology as a limiting factor when restructuring business processes.

Additional advantages to centralization include: (a) Centralization reduces the number of information system components needed for servicing on-line transaction and in performing database backup and recovery processes. This provides the most efficient way to ensure prescribed levels of continued system availability, system performance, and data accuracy, and (b) Centralization reduces the number of servers and related components required and concentrates them in one location, thus simplifying the logistics support structure required to ensure continued information system availability to the on-line user.

The Sequent NUMA-Q (Non Uniform Memory Access - Quad) computer has been selected by VBA as the central Sequent processor that will support the future needs of the VETSNET applications. The Sequent computer can be sized to meet VBA's database and application needs into the next century. The computer as installed will have quad Pentium Pro 200 MHz processors with 3.0 gigabytes of memory and over a terabyte of disk storage space. It is scaleable to 8 quad Pentium 200 processors, 16.0 gigabytes of memory and 25 terabytes of storage. In addition, four NUMA-Q systems can be clustered together to provide 252 processors, 64 gigabytes of memory, and 100 terabytes of disk storage space. The Sequent NUMA-Q will handle the expected VBA workload of over 900K on-line VBA transactions per day.

From any location, the Sequent NUMA-Q computer can provide access to all VBA workstations in the country. The VBA enterprise network enables access from all nodes to the centralized site, enabling our adaptation to downsizing and facilitating our response to reorganization requirements with minimal change to the VBA Systems Architecture.

With the addition of a high-end Sequent NUMA-Q processor as the centralized processing platform, existing VBA hardware, software, and communications components can be used to support the centralized approach. VBA's investment in Sequent computers, the ptx operating system and networking software, Tuxedo on-line transaction processing software, and the Oracle RDBMS can be readily utilized as valuable assets of the Veterans Benefits Administration.

The **Data Architecture** includes a definition of the physical databases in the VBA environment, identifies performance requirements, and indicates their geographical distribution. It provides support for standard data elements, data integrity, data availability, shared databases, and ultimately enables the separation of applications and data.

The **Information Architecture** is the integrating model of VBA's business operations. It includes business processes VBA performs and the data needed to perform the processes. It serves as a centralized view of VBA's activities and data requirements,

which facilitates communication between users and the application development staff in identifying common processes and data shared between applications. The model containing the total sum of VBA data and processes can be referred to as the VBA Corporate Model. Its purpose is to provide an infrastructure or framework, within which application development is scoped, planned, implemented, and shared. The VBA Corporate Model can be used as the basis for any application development project team to create individual project models. In this way all projects start from a stable foundation ensuring a consistent and accurate system that supports the business. It also enables the integration of multiple systems without requiring conversion between them. These models are also the basis for the Systems Architecture Program to establish an efficient, operational database for system implementation.

Evolution of the VBA Corporate Model and Database

VBA has accomplished what few government or private agencies have done; created one central source for defining its business. No longer, will VBA have to look in multiple systems to find a veteran's address or try to resolve conflicting data retrieved from multiple databases. Instead, VBA can define its data and processes one time and share these VBA-wide. The VBA has created one corporate model, the VBA Corporate Model, and one corporate database, the VBA Corporate Database, which, when fully implemented, will define all VBA business processes and data. VBA has the capability to use the corporate model and database for strategic planning level all the way to an operational level. VBA is using these to share data, services, and common functions such as accounting. The VBA Corporate Model and VBA Corporate Database are key to VBA's planning, application development efforts, decision support, and BPR efforts.

In 1992 VBA created the VBA Business Model. This model was created as a result of VBA's recognition that VBA's business operations needed to focus on providing veteran-centered services quickly and efficiently and that its current information technology base was not keeping pace and could not meet this goal. The VBA Business Model was created by staff at all levels from all business disciplines from the regional and central offices to ensure that the entire business was accurately represented by the re-engineered model of the business.

This effort confirmed that the existing stove-pipe systems, although effective, did not meet the future direction VBA was taking towards a "one-stop" shopping concept. The Data and Process Models of the VBA Business Model represent the re-engineered vision of VBA's business operations in terms of business data and business processes. The VBA Business Model was used as a blueprint for building VBA's vision. The first effort, which was ranked as a priority, was the VETSNET C&P project.

The VETSNET C&P took a portion of the VBA Business Model and started a more detailed analysis of the Data and Process Model which evolved into the VBA Corporate Model. Subsequent to the VETSNET C&P project, other VETSNET development efforts have started from the VBA Corporate Model, such as Education 1606, Loan Processing, and Loan Services and Claims.

The VBA Corporate Model is a graphical representation, in the form of data and process models, of all of the business activities performed by VBA and the data needed to perform those activities. The model contains the total sum of *existing* VBA data and processes that are currently found in VBA's disparate legacy systems but it also contains *re-engineered* VBA data and processes. The VBA Corporate Model can be used as the basis for any application development project team to plan, scope, develop, and implement its application. In this way all projects start from a stable foundation ensuring a consistent and accurate system that supports the business. It also enables the integration of VBA's stove-pipe legacy systems. As the VETSNET development teams have progressed, they have contributed to the establishment of a mature model which accurately reflects VBA's business.

From the VBA Corporate Model, VBA has established the VBA Corporate Database. The VBA Corporate Database is the physical implementation of the VBA Corporate Model and is the underlying operational structure for all VETSNET applications. The VBA Corporate Database is an Oracle relational database which offers more flexibility and maintainability than VBA's current non-relational databases. The VBA Corporate Database is one, centralized database supportive of VBA's vision and the VA's vision of one-stop service to the veteran. It has been designed for flexibility, performance, scalability, availability, and reliability. It will accommodate VBA's changing business needs and changing technology.

The VBA Corporate Model and Corporate Database are part of VBA's common infrastructure and are key in supporting the future direction of VBA.

The *Application Architecture* describes VBA mission specific applications, defines their functions and interrelationships, and maps their functionality into the major VBA business lines. It supports the consolidation of systems by VBA business line and the development of reusable applications, defined independently of the underlying data and platforms on which they run.

VBA Systems Development

The Veterans Benefits Administration (VBA) is modernizing its aging information systems. The legacy systems no longer adequately support the VBA business processes. The systems frequently break down and are getting more difficult to maintain. The systems are not integrated and they proliferate redundant and inconsistent data. In addition, the legacy systems cannot support the year 2000.

The traditional VBA methods for developing systems have proved insufficient in developing reliable client/server applications. The time it takes to build a system from requirements gathering to implementation has been much too long (usually five to eight years). The systems built do not usually address the real needs of VBA business users, usually because system developers are isolated from business users after initial requirements are gathered.

VBA decided to improve systems development, the length of time required to build them and the quality of the systems. In 1996, the VBA developed a new methodology for application development, the VBA Rapid Application Development (RAD) methodology, through a series of facilitated Joint Requirements Planning (JRP) sessions with representatives from information systems and the business. RAD is a business-driven iterative development process designed for rapid development and high quality results. The goal of RAD within VBA is to build integrated systems rapidly which reflect corporate business needs as defined. The essential components of RAD are: 1) a methodology which provides a common framework for developing systems; 2) techniques which are best suited to complete the tasks defined in the methodology; 3) tools which automate the accomplishment of tasks and deliverables; and 4) people which consists of both technical and business area experts who comprise small teams who are the "producers" of the system. RAD involves constant involvement from the business users. The end result is a system that is produced in less than two years that provides quality service to the business. All VETSNET applications, as well as regional office developed applications such as WINRS and CATS, are using the VBA RAD Methodology.

To even further improve its application development, VBA will expand the RAD methodology and use a Customer-focused systems development approach. Customer-focused systems development is an approach that concentrates on building information systems to support the VBA business site with an integrated development team. Like RAD, this team includes VBA business analysts and users, information technology support staff, and partner information technology firms. However, Customer-focused development goes further and places the development right at the site where the work is performed. The purpose of conducting this work at a business location is to put the development team in the same environment with the VBA employees who are actually providing benefits services to veterans. The object is to bring together business users and technology experts to apply advanced technology to improve the quality and efficiency of services provided.

Customer-focused development is a new software engineering approach that involves day-to-day business users in every phase of systems development. Partnerships are formed between a development team comprised of business users and information technology specialists. When ambiguity arises in the analysis or specification process, the team has direct access to 'live' business operations and the personnel conducting them. Such proximity to ongoing activities has been extremely beneficial both in terms of time saving as well as in the clarity of analytical results.

The Systems Architecture Program is responsible for defining application development methodologies and techniques as well as policies and guidelines for their use. The program must develop and maintain guidelines to ensure data and processes contained in VBA applications are standard, consistent, non-redundant, and shareable.

APPENDIX

G

Dissenting Views of Panel Member Anthony J. Principi

INTRODUCTION

From its inception, the task of the panel and staff of the National Academy of Public Administration (NAPA) – to assess the strengths and weaknesses of the Veterans Benefits Administration's (VBA's) compensation and pension processing environment and recommend ways to improve those processes – provided us with a tremendous opportunity to directly and positively impact the ways in which this nation provides for its most deserving. We were given an opportunity to prescribe a course of action that will benefit millions of American veterans, as well as provide a roadmap to better government. The panel report accurately identifies a number of deficiencies and problem areas that must be addressed by VBA and its partners in veterans benefits delivery in order to achieve real improvements in veterans claims processing.

Regrettably, I disagree with portions of the panel's analysis of VBA improvement initiatives and the related findings and recommendations contained in the report. This minority report presents an alternative perspective with regard to the challenges and opportunities that lie ahead in the improvement of VBA's compensation and pension processes.

ACCOMPLISHING THE MISSION

The VBA is accountable for the delivery of over \$20 billion annually in benefits and services to veterans and their families, and has been successfully accomplishing that mission, albeit less quickly than desired, for years. The results of VBA's successful accomplishment of its benefits delivery mission are everywhere we look – in the hundreds of thousands of veterans trained and employed as a result of VA's vocational rehabilitation and counseling services; in the millions of veterans educated on the G.I. Bill; in the millions of veterans homes purchased with VA loan guarantees; in the millions of veterans insured under VA's various life insurance programs; and in the millions of veterans receiving compensation and pension payments as a result of service connected disabilities. The leadership and management of VBA has ensured the successful delivery of benefits to veterans and will continue to do so despite ever

increasing customer expectations, declining budgets, reduced staffing, governmental shutdowns, continuous legislatively-mandated program changes, major judicial reform actions, and countless oversight review activities.

In the midst of this demanding and dynamic environment, VBA managers have implemented a strategic management planning process, a corporate business planning and budgeting process, a business process reengineering initiative, a restructuring program, three business-line consolidation initiatives, a total quality management training program, a reinvention laboratory, a nationwide satellite-based training network, a new regional office computer network and infrastructure, and countless other business line and technology innovations. The leaders and managers at VBA are not only changing programs and processes; they are changing an environment and a culture, and that sea change in attitude and vision at VBA cannot be overlooked. In all fairness, I recognize that this is just a beginning and that much more needs to be done, but I would be remiss if I did not identify the many self-initiated improvement activities ongoing within VBA today. It is incumbent on those of us outside VBA to acknowledge the progress that is being made and to assist in the further development of constructive ideas and actions which will address any weaknesses or deficiencies in VBA's efforts to improve.

CHALLENGES AND OPPORTUNITIES FOR VBA

There is no doubt that the methods and processes in place today within VBA to provide entitlements to veterans are dated and in need of significant revision and improvement. Strong leadership is critical to this process and VBA's leadership must renew its commitment to the successful completion of its many vital improvement initiatives. I have no doubt that VBA's compensation and pension customer service improvement goals can be achieved, and even bettered, but this will only happen if *all* of those with a stake and an interest in improving veterans services, both in and out of the VA, come together with a common understanding of the exceptionally complex issues facing the agency and its constituents. With all the various federal, state, congressional, union, national service and local veterans organizations involved in this equation, it is of utmost importance that we strive to foster an atmosphere of constructive dialogue and cooperation - one that builds on VBA's strong record of dedication to the mission of providing benefits and services to veterans and their families.

The issues which have the greatest impact on claims processing timeliness and **which cannot be over-emphasized are VA issues** – they transcend the boundaries of any one VA component – and they must be addressed at the highest levels within the Department. The Secretary should take the lead in breaking down the stove-pipe structures and barriers existing within VA today. Those barriers are tall and thick, and they are protected by elements more focused on turf than on meaningful change, but change they must. The Secretary should also look at the opportunities that exist for real improvements in information gathering and sharing *beyond* the VA. The Department of Defense, as well as other federal agencies, holds the keys to much of the information needed to streamline veterans claims processes. The Secretary, with the backing of Congress and the Administration, should make these opportunities his highest priority.



Another area deserving of significant attention is that of VBA's need to initiate new efforts to restructure and consolidate, where appropriate, its regional offices. Recent advancements in telecommunications, database management systems, paperless work processes and electronic data interchange can provide the tools needed to increase the accuracy, consistency and timeliness of veterans claims processing. Here again, the important role of the Department, Congress, Administration and veterans service community as a whole cannot be over-emphasized. As exemplified by VBA's successes in restructuring its education loan guarantee and insurance operations, this agency has proven that they have the analytical capability to assess operational efficiencies and design a business plan for a restructured processing environment. The Secretary should dedicate Departmental resources to the development of a consensus among the VBA's various stakeholder organizations that a restructuring business plan is vital to improvements in veterans services. The Congress and veterans service organizations, at both the state and local level, must be made partners in this process.

VBA must also place additional emphasis on innovative actions ongoing within its regional offices and the need to institutionalize a process whereby these activities and accomplishments become known and implemented on a nationwide scale. VBA's field managers employ unique and innovative business practices on a daily basis to accomplish their benefits delivery mission, but those practices are devalued exponentially by the lack of a mainstream process to evaluate their benefits and monitor their successful implementation throughout VBA's claims processing environment.

INFORMATION TECHNOLOGY

In the area of information technology, I strongly disagree with the panel recommendation that VBA defer or suspend its Veteran Services Network (VETSNET) project. VETSNET is the key to unleashing the vast array of service improvements planned under the VBA's C&P Business Process Reengineering initiative, a program to dramatically improve veterans claims processing quality and timeliness and a program that the panel supports.

VBA's antiquated Honeywell computer systems, though fully functional in their current state, are not capable of supporting the veteran-focused database and automated tools needed to improve veterans benefits delivery. I accept the panel's concerns with regard to the risk associated with VBA's and to an even greater extent, VA's information technology management programs. Those risks concern me as well; however, VA must not abandon the functional requirements, claims processing concepts and customer service goals that underline the VETSNET initiative. The report highlights a number of technical and project management deficiencies, to include VBA's technical approach, use of technical resources and implementation strategies. The answer to these concerns is to ensure that a capable and sound project management team is in place and that actions are taken to address programmatic deficiencies and integrate all the good work in the development of case work concepts, a central database, real-time processing vs. batch updating of veteran information and numerous other enhancements represented in the VETSNET initiative. Stopping this initiative, with the expectation of restarting it again at some later date, will not address the problems described by the

panel; but rather, will further impede and delay VBA's IT modernization and BPR initiatives. Again, the panel has the opportunity to play a vital role in identifying the steps needed to improve and secure this critically important activity.

The panel's discussion of the analysis and findings of the Veterans Claims Adjudication Commission (VCAC) represents another area of disagreement. The panel concurs in and endorses the findings and recommendations put forth by the VCAC report; however, much of what the VCAC report finds worthwhile and positive in VBA's management and improvements initiatives, the panel criticizes as insufficient or inappropriate.

In addition, both the VCAC and the panel find fault with VBA's efforts to "fine tune" the cumbersome and outmoded adjudicative and appeals process, but neither identifies or analyzes the root cause of those processes – the mandate of law. VBA's operating policies and procedures are based on legislative requirements as enacted by Congress. These laws, dating back to pre-civil war days, have been amended and modified countless times, creating some of the most arcane and complex requirements in all of government. How can we, in good conscience, say to the readers of this report, in a section entitled "A Challenge for the Congress," that VBA must improve *its* performance if Congress is to gain trust in the agency? I agree that Congress has an important challenge ahead. If VBA is to achieve its claims processing improvement targets, Congress will need to play an active role, including enacting legislative reform, streamlining claims processing requirements, and supporting VBA with a stable staffing and resource base, and in its organizational restructuring activities.

Also, with regard to accountability, I disagree with the panel's treatment of the Year 2000 issue. To be sure, the Year 2000 technology problem is one of the most critically important challenges facing all of VA today; however, to suggest that any Secretary, Deputy Secretary or Under Secretary for Benefits could conceivably permit the discontinuation of payments to veterans is unrealistic. There are interim steps that could and would be taken in the event of problems in the implementation of Year 2000 computing systems that would enable VBA to continue to process payments.

THE NEED FOR CONSTRUCTIVE DIALOGUE

The panel should share its findings and recommendations in a way that facilitates constructive dialogue and renewed energies for the tasks that lay ahead in improving veterans benefits delivery. Far from adding a positive and unifying voice to the chorus of those who seek to improve our veterans benefits delivery systems, the panel report will likely engender defensiveness and a continued factionalism among those we seek to inform and support.

The panel has undertaken efforts to moderate the tone of the report and better represent VBA's processes, problem areas and opportunities in a more constructive manner and those efforts are applauded; however, there remain a number of needlessly negative representations of VBA plans, programs and people. I believe that this approach will lessen the good that should come from this effort.



CLOSING

The leadership and management of the VBA, along with the VA and all of those in the veterans support community, should carefully review the findings and recommendations of the panel report. There is much to be learned and much benefit to be gained from this effort; however, as outlined above, I believe the findings and recommendations contained in the report are, in some cases, ill conceived. This report should be viewed with a critical eye and from the perspective of an improved opportunity for continued, constructive dialogue.

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*Dissenting Views of
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