

September 2012

VA DISABILITY COMPENSATION

Actions Needed to Address Hurdles Facing Program Modernization



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Why GAO Did This Study

VA administers one of the nation's largest federal disability compensation programs, providing veterans with a cash benefit based on average loss of earning capacity as a result of service-connected disabilities. However, concerns exist that VA's rating schedule—the criteria used to assign degree of work disability—is not consistent with changes in medicine and the labor market. Due in part to these types of challenges, GAO designated federal disability programs as high risk. Consequently, GAO examined (1) VA's progress in revising its rating schedule with updated medical and economic information; and (2) the opportunities and challenges of various policy approaches proposed by commissions and others for updating VA's disability benefits structure. To do this, GAO reviewed literature and VA documents, and relevant federal laws and regulations, as well as interviewed VA officials, disability experts, and veteran groups.

What GAO Recommends

Congress may wish to direct VA to conduct focused studies on various approaches to modernize disability benefits and, if necessary, propose relevant legislation. GAO is also making several recommendations to improve VA's capacity to revise the rating schedule now and in the future. These include completing plans for conducting earnings loss studies and developing a written strategy for implementing revisions to the rating schedule. VA agreed with the recommendations and noted plans to address them.

View [GAO-12-846](#). For more information, contact Daniel Bertoni at (202) 512-7215 or bertonid@gao.gov.

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What GAO Found

The Department of Veterans Affairs (VA) initiated a comprehensive effort in 2009 to revise its disability rating schedule with both updated medical and earnings information, but faces hurdles with several key aspects. The current revision effort takes a more comprehensive and empirical approach than VA's past efforts. VA has hired full-time staff to revise the rating schedule's medical information and plans to conduct studies to evaluate veterans' average loss of earnings in today's economy. As part of this effort, VA is considering modifying the rating schedule—currently based largely on degree of medical severity—to include a veteran's ability to function in the workplace. Moving in this direction is more consistent with how experts conceive of disability. However, this change, in part, has resulted in VA falling behind schedule. As of July 2012, VA is over 12 months behind in revising criteria for the first categories of impairments. In addition, VA has not developed its capacity to produce timely research on the impact of impairments on earnings. Moreover, VA lacks a complete plan—with specific activities and updated time frames—for conducting earnings loss and related studies. VA also does not have a written strategy to address the possible effects that revisions may have on agency operations, including impacts on an already strained claims workload. Finally, although VA intends to conduct medical and earnings updates beyond the current effort, VA lacks a formal mechanism to guide its commitment to do so. It is important that VA update and maintain its rating schedule to reflect current medical and labor market information to avoid overcompensating some veterans with service-connected disabilities while undercompensating others.

Three key approaches for modernizing VA's disability programs recommended by disability commissions and others—providing quality of life payments, providing integrated vocational services with transitional cash assistance, and systematically factoring the effects of assistive technology and medical interventions into rating decisions—hold opportunity and challenges. Experts and veteran groups GAO interviewed believe each approach holds at least some opportunity for serving veterans more fairly, equitably, and effectively. However, challenges exist. For example, they noted that it could be difficult to achieve consensus for specific design elements among the diverse set of stakeholders. Also, VA's capacity to administer these approaches—which could increase the complexity and/or number of claims—is questionable. Importantly, costs of each approach were raised. Some interviewees also noted that two or more of the approaches could be combined into a comprehensive benefits package that may mitigate concerns raised by the implementation of any single approach. For example, if factoring assistive technology into disability ratings resulted in lower disability compensation payment levels for some, a quality of life payment could offset that loss. VA officials told GAO they are not considering these approaches because they fall outside of VA's legal responsibility to compensate for loss of earning capacity. However, a system that maximizes equity, balances fiscal pressures, and ultimately serves individual veterans effectively will benefit from deliberations informed by more modern views about disability.

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United States Government Accountability Office
Washington, DC 20548

September 10, 2012

Congressional Committees

The nation is committed to caring for veterans who incurred injuries during their military service. To compensate for these sacrifices, the U.S. Department of Veterans Affairs (VA) administers one of the largest federal disability compensation programs in the nation. VA's disability compensation program provides veterans with a cash benefit based on the average loss in earning capacity in civilian occupations that result from injuries or conditions incurred or aggravated during military service. In fiscal year 2011, VA's program provided about \$39.4 billion in disability payments to nearly 3.4 million veterans with service-connected disabilities. In the years ahead, enrollment and costs could increase given the conflicts in Iraq and Afghanistan and as more Vietnam veterans—a significant proportion of the total veteran population—further age into disability-prone years. Given the large cash outlays and increasing demand for VA services, VA must be well positioned to make accurate disability decisions and ensure that veterans are appropriately and equitably compensated.

In 2003, GAO designated federal disability programs, including VA's disability program, as high risk due in part to challenges agencies face in keeping their criteria for evaluating disability and determining compensation consistent with advances in medicine, technology, and changes in the labor market and society. According to experts, VA's disability program infers the ability to work based on an individual's medical conditions and symptoms—a concept that originated with the creation of the schedule for rating disabilities over 65 years ago. However, experts believe that, in assessing disability, a modern practice includes considering an individual's ability to function in their work and other environments along with their medical conditions.

These concerns, in light of more modern concepts of disability, present an opportunity to reevaluate this federal program. Various reports and studies conducted by GAO, congressional- and presidential-appointed commissions (including the Veterans' Disability Benefits Commission and the Dole-Shalala Commission), and task forces have individually suggested various approaches to address a sensitive, but critical, national issue: how to update and strengthen VA's disability benefits structure, including the type, timing, and conditions of cash and other assistance to

ensure that veterans with service-connected disabilities receive the compensation and services they deserve.

We have prepared this report under the Comptroller General's authority to evaluate government programs as part of our continued effort to assist policymakers in determining how VA programs could more effectively meet the needs of veterans with disabilities in the 21st Century.¹ In this report, we (1) identify the progress that VA has made in revising the criteria used to determine eligibility for veterans' disability benefits with updated medical and economic information, and (2) discuss the opportunities and challenges associated with various policy approaches that disability commissions and others have raised for updating VA's disability benefits structure.

To conduct our work, we reviewed prior GAO, disability commission and committee reports; relevant federal laws and regulations; program documentation, including policies, procedures, strategic goals, and supporting project plans; and testimonies from disability groups and commissions. We interviewed VA officials, disability experts, and representatives of veteran groups. We also evaluated VA's project plans for revising its disability criteria against generally accepted project management practices. To identify the policy approaches for our second objective, we conducted a literature search of relevant reports by disability commissions, task forces, committees, as well as GAO reports. We selected policy approaches that address VA's disability benefits structure and which reflect more modern concepts of disability. To identify the opportunities and challenges associated with these policy approaches, we conducted 16 interviews with a range of informed experts and veteran groups on the political and administrative feasibility, effectiveness, and fiscal sustainability they believe are associated with each approach. Of those we interviewed, most said that the policy approaches we selected were relevant approaches for our research purposes. Our nongeneralizable sample of experts included individuals who participated in disability commissions, research, or congressional testimony on the topic, or who serve in an organization that represents veterans with disabilities. Additional information about our scope and methodology is provided in appendix I.

¹ For Comptroller General's authority, see 31 U.S.C. § 717(b)(1).

We conducted this performance audit from August 2011 to September 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

VA's Disability Compensation Program and Related Services

VA's disability program compensates veterans with a service-connected disability by providing a monthly cash benefit. As required by statute, the benefit is based upon an average reduction in earning capacity across a group of individuals with a similar physical or mental impairment.² Thus, the benefit is not based on the loss of individual earnings or noneconomic losses. A veteran with a service-connected disability receives the benefit whether or not employed and regardless of the amount of income he or she is earning.

The level of cash benefit is determined in part through the Veterans Affairs Schedule for Rating Disabilities (VASRD or rating schedule). The rating schedule is based on the extent to which the veteran's disability limits average earning capacity. VA staff use the rating schedule to assign disability ratings to veterans.³ The rating schedule contains medical conditions or injuries categorized into 15 body systems, with a level of severity ranging in 10 percent increments up to 100 percent. For example, the removal of three ribs is rated as a 30 percent impairment in earning capacity, or \$389 per month, and cash benefits are increased for veterans with spouses and dependents.⁴ A veteran must be rated at least

² 38 U.S.C. § 1155 provides that the "ratings shall be based, as far as practical, upon the average impairments of earning capacity resulting from such injuries in civil occupations."

³ According to a VA-commissioned report, although significant differences exist between state worker compensation programs and VA's disability compensation program, both compensate for total disability as well as the permanent consequences of injuries or diseases that are not totally disabling. In contrast, SSA's disability programs compensate individuals whose disabilities prevent them from engaging in any substantial gainful activity and have lasted or are expected to last at least 1 year or result in death.

⁴ Congress sets the amount of veteran disability compensation for each percentage disability rating, and this amount is subject to annual cost-of-living adjustments.

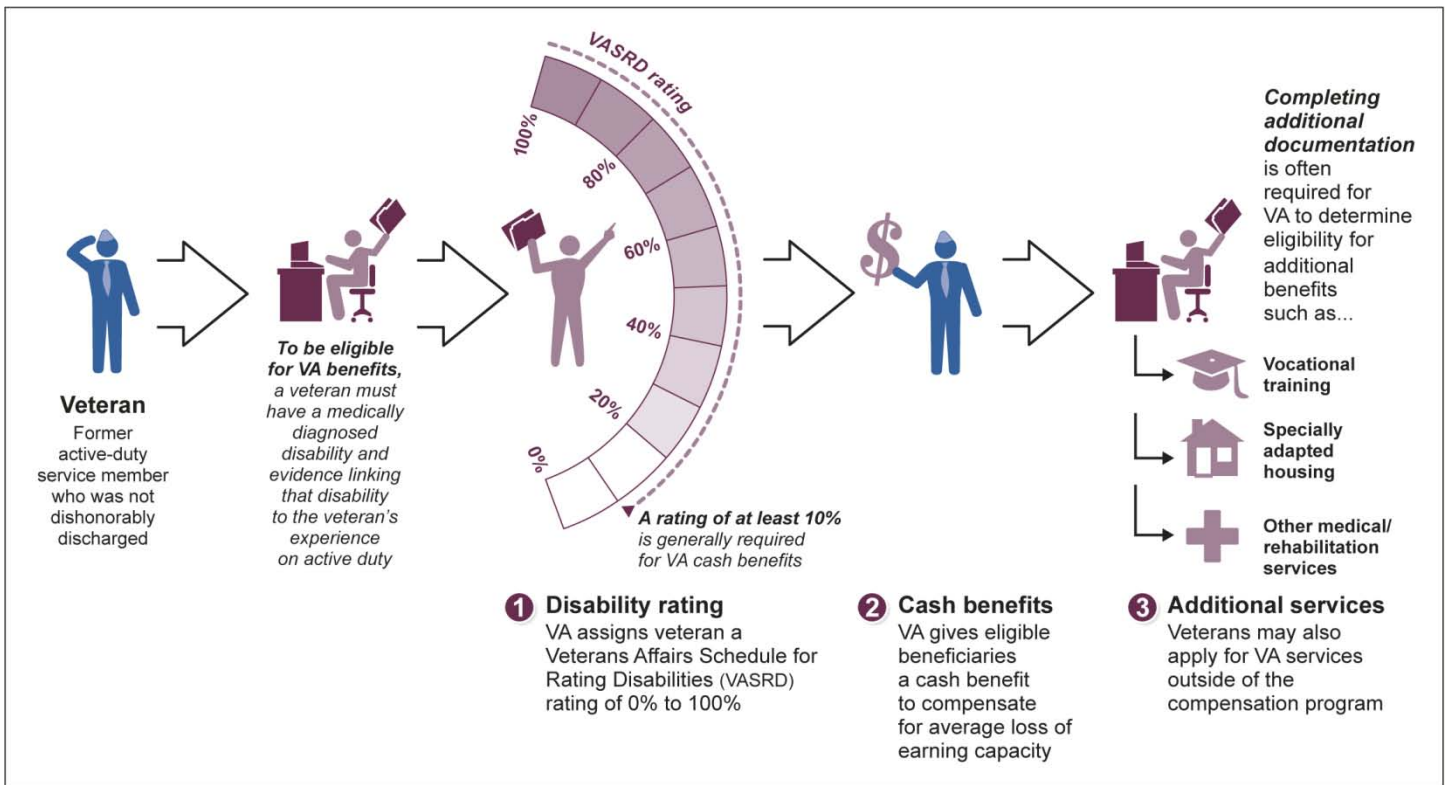
10 percent to receive cash benefits. For veterans with multiple impairments, VA uses a table that applies a formula for combining ratings into a single rating.⁵

Besides cash assistance, VA provides health care, housing, vocational rehabilitation, and other employment-related services to eligible veterans.⁶ These services are provided through multiple administrations and programs within VA, such as the Veterans Health Administration and Vocational Rehabilitation and Employment program. In many instances, a veteran must first receive a disability rating from the Veterans Benefits Administration (VBA) and then apply for these services at the discretion of the veteran, as shown in figure 1.

⁵ For a description of the procedures used to calculate combined disability ratings, see GAO, *Veterans' Disability Benefits: VA Should Improve Its Management of Individual Unemployability Benefits by Strengthening Criteria, Guidance, and Procedures*, [GAO-06-309](#) (Washington, D.C.: May 30, 2006).

⁶ Generally, veterans with a disability rating of 20 percent or higher (who have an employment handicap) and veterans with a disability rating of 10 percent (who have a serious employment handicap) are eligible to receive vocational rehabilitation services.

Figure 1: The VA Disability Benefits Process



Source: GAO analysis of VA and Congressional Research Service documents.

Note: This figure is intended to present a basic overview of VA's disability compensation program. For clarity purposes, we omitted some steps, processes, and legal options.

Concerns about VA's Disability Program in Light of Modern Approaches

Various commissions, expert panels, and our prior work have raised a variety of concerns about the soundness of the rating schedule and about VA's basic disability benefits structure. The following were among these concerns:

- VA's modifications of the medical information in the disability criteria have been slow and have not fully incorporated advances in technology and medicine. Moreover, the rating schedule has not been adjusted since its creation in 1945 to reflect ongoing changes in the labor market. Past studies evaluated veterans' with service-connected

disabilities average loss of earnings and found that not all veterans were being equitably compensated.⁷

- VA faces continuing challenges in the area of disability claims processing, contributing to a large backlog of initial compensation claims and appeals.⁸
- VA focuses too singularly on compensation without adequate focus on rehabilitation to maximize a veteran's recovery and reintegration. This issue was raised by the Bradley Commission and Dole-Shalala Commission.⁹ Also, a small proportion of veterans participate in VA's vocational services.¹⁰
- VA's various disability benefits and services need to be better integrated to serve individual veterans.

To address these and other concerns, GAO, commissions, committees, and expert panels made a range of recommendations that generally reflect modern concepts of disability. These modern concepts are reflected in the International Classification of Functioning, Disability, and Health (ICF), which is the World Health Organization's framework for health and disability.¹¹ This framework takes into account the interaction between an individual's medical condition or impairment and intervening factors, such as their physical and social environment.¹² That is, rather

⁷ For example, two studies, conducted by CNA and Economic Systems Inc., respectively, suggested that veterans with mental health impairments were being undercompensated.

⁸ See GAO, *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: February 2011).

⁹ The President's Commission on Veterans' Pensions (also known as the Bradley Commission) was presidentially chartered in 1955 to carry out a comprehensive study of the laws and policies pertaining to veterans. The President's Commission on Care for America's Returning Wounded Warriors (also known as the Dole-Shalala Commission) was also presidentially charged to study the needs of the current generation of "wounded warriors" in 2007.

¹⁰ We also have reported on employment and training programs for veterans with disabilities and made recommendations to improve program coordination and measurement of performance. See GAO, *Disabled Veterans' Employment: Additional Planning, Monitoring, and Data Collection Efforts Would Improve Assistance*, [GAO-07-1020](#) (Washington, D.C.: Sept. 12, 2007).

¹¹ All 191 World Health Organization member states in 2001 endorsed the use of the ICF as the international standard to describe and measure health and disability.

¹² Several modern frameworks of disability include the degree that an individual is unable to participate in life activities. These frameworks include the ICF, the Institute of Medicine model, and the Abridged Verbrugge and Jette Model of Disability.

than predominately viewing disability as a medical condition (e.g., loss of an arm), modern concepts of disability focus on an individual's functional ability. Under these concepts, two people with the same impairment and symptoms, for a variety of reasons, might have different degrees of disability. For example, some individuals with post-traumatic stress disorder (PTSD) may experience symptoms such as anxiety, depression, and insomnia that make maintaining employment very difficult. However, other individuals with PTSD may be able to mitigate these symptoms through medication or other therapies and perform adequately in a work environment. Some frameworks of disability also distinguish work participation from other consequences of injuries or diseases that have a broader impact on a person's quality of life. Examples include difficulty interacting with family and friends and managing personal finances.

VA Has Begun to Update Its Disability Criteria, but Faces Delays and Lacks Complete Planning in Key Areas

VA Has Begun a Comprehensive Update of Its Disability Criteria with Medical and Earnings Information

In response to a directive from the Secretary, VA initiated an effort in 2009 to comprehensively revise all 15 body systems in its disability rating schedule.¹³ This comprehensive revision will update the two major components of the rating schedule: (1) the medical criteria, and (2) earnings loss information. In 1989, VA took steps to conduct a comprehensive revision of the medical criteria, but it did not complete

¹³ The law states that VA shall adjust the rating schedule from time to time based on experience. 38 U.S.C. § 1155. In addition, the Advisory Committee on Disability Compensation was established by law to provide advice to VA on the maintenance and periodic readjustment of the rating schedule. 38 U.S.C. § 546.

revisions for all body systems.¹⁴ Since then, VA has updated portions of its medical criteria primarily in response to congressional or stakeholder requests. (See app. II for more information about previous updates to the rating schedule.) According to VA, while the agency has conducted economic earnings loss studies, it has never adjusted the rating schedule based on the findings from these studies.¹⁵ According to VA, the purpose of the current initiative to update the medical and earnings loss information is to ensure the rating schedule is as accurate and modernized as possible to meet the needs of veterans in the 21st century.¹⁶

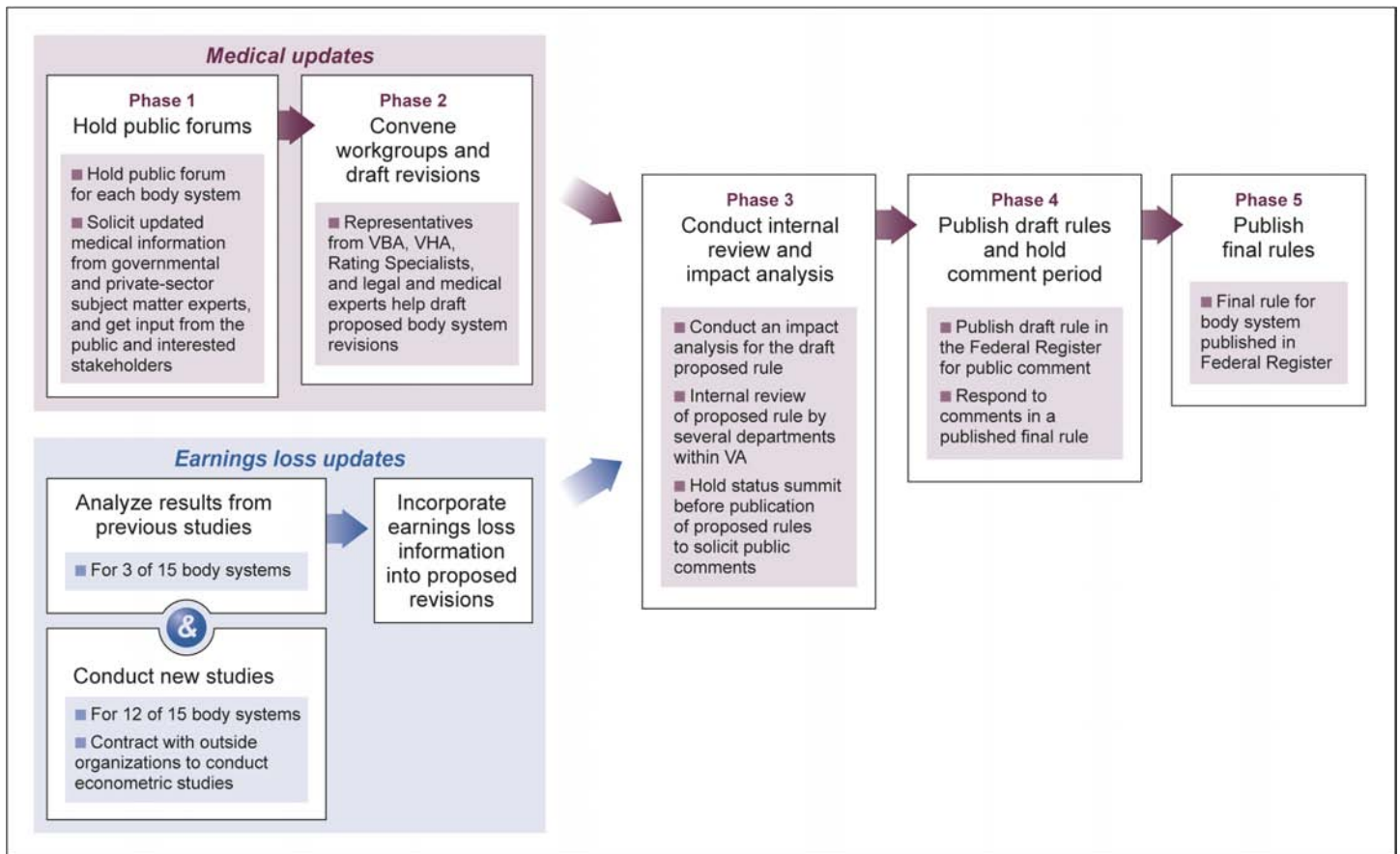
VA is using a multiphase process to comprehensively revise the medical and earnings information for each body system. This process is led by VBA—which hired six full-time medical officers to lead the revisions—in consultation with the Veterans Health Administration. Phase 1 involves a 2-day public forum to solicit updated medical information from various stakeholders, and the process ends with the publication of revisions as final rules in the Federal Register, as shown in figure 2.

¹⁴ GAO, *SSA and VA Disability Programs: Re-Examination of Disability Criteria Needed to Help Ensure Program Integrity*, [GAO-02-597](#) (Washington, D.C.: Aug. 9, 2002). Although VA initiated a medical update of its rating schedule in 1989, in 2002, we found that the updates generally took more than 5 years to complete for each body system. VA also did not complete revisions for all body systems, including the musculoskeletal system. This body system is the most common impairment category among all veterans receiving disability compensation by the end of fiscal year 2011.

¹⁵ Earnings loss studies include VA's Economic Validation of the Rating Schedule (ECVARS) published in the late 1960s; CNA's *Final Report for the Veterans' Disability Benefits Commission: Compensation, Survey Results, and Selected Topics* published in 2007; and Economic Systems Inc.'s *A Study of Compensation Payments for Service-Connected Disabilities*, published in 2008.

¹⁶ VA documents also state that a goal of the rating schedule revisions is to improve the efficiency of the disability claims process.

Figure 2: VA's Process for Revising the Disability Compensation Rating Schedule



Source: GAO analysis of VA documentation and interviews with VA officials.

To conduct the medical updates, the workgroups evaluate all impairments in the current rating schedule and make recommendations to add or remove impairments, update medical and diagnostic terminology, and clarify impairments that cannot be easily identified. For example, as part of the current updates, VA workgroups proposed adding a new body system, “rheumatic diseases.” See table 1 for examples of changes being considered to existing body systems. In addition to specific updates and clarifications, the medical workgroups consider broader concepts such as how VA measures pain for the purposes of evaluating claims.

Table 1: Examples of Medical Changes to VA's Rating Schedule Being Considered during the Current Update

Body system	Medical change being considered
Digestive/nutritional disorders	Add new criteria for liver transplants Update criteria for malnutrition and Celiac disease
Dental and oral conditions	Revise criteria for hard and soft tissue impairments
Skin	Use color photographs in the evaluations of dermatological disorders

Source: GAO analysis of VA presentations on rating schedule updates.

In recognition of medical advances and current research on disability, VA is considering revising its criteria to reflect a more modern view of disability that gives greater consideration to a veteran's ability to function with a service-connected disability.¹⁷ According to VA officials, a common theme emerging from the workgroups is the need to shift from the current symptom-based rating criteria to one that incorporates a veteran's ability to function in the workplace. Subject-matter experts involved in the workgroups have suggested that, while symptoms determine diagnosis, the best indicator of impairment in earnings is the translation of symptoms into functional impairment.¹⁸ To develop the indicators of functional impairment, VA conducted research and determined that four functional domains directly impact one's ability to secure and maintain gainful employment. These include interacting with others, developing and

¹⁷ This view is consistent with the ICF framework. As noted earlier, the ICF focuses on ability to function despite a medical impairment, including taking into account the impact of environmental factors, such as products and technology, public attitudes, and support services.

¹⁸ In July 2012, VA officials told us that the agency is moving forward with revisions to the mental health body system that incorporate measures of functional impairment. For the other body system revisions, VA is also considering changes that give greater consideration to a veteran's ability to function.

maintaining a routine or schedule, managing workload demands, and completing tasks that require mental skills.¹⁹

While VA is considering a number of different elements to update its medical criteria, it is giving only limited consideration to the role that supports—such as assistive technology and medical interventions—can play in enhancing a veteran’s earning capacity. In 2002, we reported that VA’s program was not designed to factor in the potential benefits of treatment, corrective devices, and assistive technology when evaluating a veteran’s service-connected disability.²⁰ Assistive devices and other supports can play a critical role in a veteran’s capacity for work, according to the ICF framework. VA officials told us that, while they plan to consider how medical advances have decreased the severity and duration of some conditions, they do not plan to change the way assistive technology and medical interventions are considered when making individual disability determinations for a number of reasons.²¹ Specifically, according to VA officials, including the effects of assistive technology in evaluations of disabilities would overlook the severity of the disability itself and focus on the individualized adaptation to an assistive device, and the statute for VA’s disability compensation program is based on the average reduction in earning capacity across a group of individuals with a similar physical or mental impairment.²²

Concurrent with the medical updates, VA also plans to obtain updated information on the average earnings loss associated with service-connected disabilities. VA officials stated that conducting earnings loss

¹⁹ During recent updates to its medical criteria, SSA has also taken steps to include an assessment of an individual’s functional abilities. For example, as part of SSA’s comprehensive revisions to the immune system criteria, the agency included several functional measures, such as completing tasks in a timely manner despite deficiencies in concentration or persistence. See GAO, *Modernizing SSA Disability Programs: Progress Made, but Key Efforts Warrant More Management Focus*, [GAO-12-420](#) (Washington, D.C.: June 19, 2012).

²⁰ [GAO-02-597](#).

²¹ Section two of this report provides further details on VA’s consideration of assistive technology and medical interventions.

²² Medical interventions and assistive devices are currently incorporated into the rating schedule for some medical diagnoses, according to VA officials. For example, prosthetic implants are rated within the anatomical locations and degree of residual effects of a prosthesis.

analyses are necessary to make knowledge-based adjustments to the rating schedule, a practice consistent with recommendations from expert panels and our prior work.²³ An important aspect of the earnings updates are validation studies to confirm the findings of the earnings loss analyses and to verify the accuracy of proposed changes to the rating schedule. The validation studies will be conducted through separate contracts. Specifically, VA plans to update all 15 body systems as follows:

- For the first three body systems—the mental health, hemic/lymphatic, and endocrine systems—VA plans to use the results from a 2008 earnings loss report to inform any adjustments to the level of compensation associated with these various impairments.²⁴
- For the remaining 12 body systems, VA plans to contract with external organizations to conduct earnings loss studies and validation studies. However, VA's first contracted earnings study with a university for the musculoskeletal system is pending termination as of August 2012, according to VA.

For each earnings loss study, the contractor will identify the average lifetime earnings loss incurred by veterans with specific service-connected disabilities. To do this, the studies will compare the earnings levels of veterans with various service-connected disabilities to veterans without a disability as well as with the nonveteran population. Contractors will identify differences between veterans' average earnings losses and VA disability compensation levels (i.e., the extent that veterans are being over- and undercompensated) and suggest improvements to the current system.

²³ In 1997, we reported that there are generally accepted and widely used approaches to statistically estimate the effect of specific service-connected conditions on veterans' average earnings. See GAO, *VA Disability Compensation: Disability Ratings May Not Reflect Veterans' Economic Losses*, [GAO/HEHS-97-9](#) (Washington, D.C.: Jan. 7, 1997). In addition, in more recent reports, the Institute of Medicine and CNA recommended that VA routinely assess the impact of impairments on earnings.

²⁴ VA will use data from the 2008 Economic Systems Inc. report because the report's findings reflect the findings of other independent studies related to the mental health diagnoses and do not require further validation. In addition, the relatively noncomplex nature of the hemic/lymphatic and endocrine body systems combined with the minimal findings in the 2008 Economic Systems Inc. report require no additional independent data, according to VA's project management plan.

VA's Revision Process Faces Delays and Additional Hurdles

VA has experienced delays in revising its disability rating schedule. Specifically, VA planned to publish final rules in the Federal Register (phase 5) for the first three body systems by June 2011. VA has not, however, met this goal. As of July 2012, VA has completed public forums for all 15 body systems (phase 1) and has working drafts of revisions for nine body systems (phase 3). However, VA has not issued any proposed or final rules (phases 4 and 5). Moreover, as of July 2012, VA was more than a year behind in completing the first earnings loss study for the musculoskeletal body system and has yet to complete studies for the remaining eleven body systems. According to VA officials, they now expect to issue proposed rules for all body systems by 2016, but they have moved the original project completion date from 2016 to an unspecified future date.

VA officials noted various reasons for the delays, including a lengthy drafting and review process for the potential medical revisions. VA officials told us that giving greater consideration to functional impairment represents a significant change to VA's current disability criteria. As a result, VA workgroups and staff have taken longer to draft and review revisions than originally planned. Furthermore, VA took additional steps to solicit comments from stakeholders about these changes. For example, VA held a rating schedule status summit in June 2012 to publically share the draft revisions for nine body systems before the publication of proposed rules in the Federal Register in an effort to promote transparency and solicit comments.

VA also is experiencing delays because it has had difficulty obtaining the data it needs to study earnings loss. Specifically, to conduct these studies, VA needs earnings data from the Social Security Administration (SSA) and the Internal Revenue Service (IRS), among other data sources, as well as VA data on veterans with service-connected disabilities. VA officials stated that the coordination between the various federal agencies took much longer than expected, in part, because federal law generally prohibits the release of certain individual information.²⁵ VA officials also stated that VBA contractors must work

²⁵ See 26 U.S.C. § 6103. Early in the update project, VA sought wage data on individual veterans from SSA and IRS. However, VA now plans to use aggregate earnings data like prior earnings loss studies. For example, to conduct their analyses in 2008, Economic Systems Inc. reported that SSA released only aggregate earnings information on groups of at least five veterans. The Veterans Disability Benefits Commission also cited this challenge.

very closely with SSA to process, analyze, and transmit earnings data. As of July 2012, VA had not obtained the aggregate data from SSA or the IRS needed to conduct the first earnings loss study. In addition, VA officials described hurdles obtaining internal agency data in a timely way. For example, VBA has experienced challenges coordinating with another VA office to obtain data needed to evaluate veterans' earnings losses. VBA recently received this data 12 months after first requesting it. To address this hurdle and streamline the process, VBA is implementing a system that will allow VBA staff to more independently access and analyze internal data. However, as of July 2012, VBA had not fully implemented this new system.

In addition to delays in obtaining data, VA faces other hurdles related to the earnings loss studies. For example, VA currently relies on external organizations that produce studies one body system at a time. Experts we interviewed, including members of VA's Advisory Committee on Disability Compensation, said this process is inefficient and may not best facilitate the agency's goal to measure earnings loss on an ongoing basis. As one expert noted, to contract with an external organization, VA must complete market research and evaluate and select a contractor, among other tasks. Once a contractor is selected, they must then perform a number of start-up tasks, including applying for security clearances and authorization to use VA data, reviewing the methodology of previous earnings studies, and identifying and gathering needed data from various federal agencies to create a study group of veterans with service-connected disabilities and a comparison group. To avoid repeating these tasks for each contract, several experts we interviewed suggested that VA should build its internal research capacity to more seamlessly conduct these studies. For example, VA could develop more in-house resources for conducting these types of analyses or establish long-term partnerships with research organizations. VA has explored methods to build their research capacity, but it has yet to adopt an approach for doing so.

According to some experts we interviewed, even after the earnings loss studies are completed, VA's revision initiative may face an additional hurdle: gaining acceptance from a diverse group of stakeholders. Various experts and veteran groups have raised concerns about the changes

being considered.²⁶ Some experts and veteran groups we interviewed raised concerns about incorporating measures of functional impairment into the rating schedule. They stated that assessing a veteran's function may result in a more prolonged disability claims process and questioned VA's ability to successfully implement new functional criteria. In addition, one veteran group raised concerns that the earnings loss studies may not adequately capture the complex nature of a veteran's impaired earning capacity. For example, measuring veterans' average lifetime earnings losses due to a service-connected injury or illness—the aim of the current studies—may not capture lost opportunities to pursue a more lucrative or fulfilling career. At the same time, several experts did not agree with the methodology of the current earnings loss studies.²⁷ Other experts said that these studies are a good way to measure average earnings loss. In addition, several veteran group representatives told us that the rating schedule in its present form generally represents an equitable method for determining disability compensation.

VA's Project Planning Reflects a Number of Sound Practices but Lacks Key Information

To guide the revision initiative, VA developed a project management plan and operating plan that contain many elements of sound planning but lack complete and updated information in key areas.²⁸ In our previous work, we have identified elements of sound planning that facilitate effective project management. Sound planning practices include identifying and documenting specific activities needed to achieve project goals. They also include documenting when work activities will occur, how long they will take, and how they are related to one another.²⁹ VA's project plans

²⁶ Under federal law, adjustments to the rating schedule generally cannot result in a reduction of a veteran's disability rating. 38 U.S.C. § 1155. Thus, if a recommended update would result in a decrease in rating levels and senior VA officials approve the change, veterans already in the system would not see a decrease in their compensation. Increases, if warranted, are allowable.

²⁷ Two experts we interviewed said that measuring earnings loss one body system at a time may not accurately capture the impact of multiple impairments on veterans' earnings.

²⁸ VA's project management plan is designed to document the organizational, developmental, and supporting processes that will result in the successful revision of the rating schedule. VA also developed an operating plan to consider the entire program lifecycle—initiating, planning, executing, monitoring and controlling, and closing.

²⁹ In addition, it is important that agencies establish policies, procedures, and mechanisms that enforce management's directives and clearly document activities, particularly with ongoing, long-term projects. See GAO, *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

include key elements of sound planning, such as clearly stating the purpose and strategy, including the goals and objectives, of the revision project. However, VA has not taken several key steps that may be critical to completing and maintaining an updated rating schedule, such as planning for earnings loss and validation studies, developing a strategy for implementing revisions, and adopting a formal policy for regular updates in the future (see table 2). Regarding an implementation strategy, for example, if revisions to the mental health rating criteria resulted in upward adjustments of the ratings, VA would re-rate those veterans with mental health disabilities, according to VA officials. As noted previously, the earnings study being used by VA to update the mental health rating criteria showed the veterans with those conditions are likely undercompensated. As of the end of fiscal year 2011, 878,417 or 6.7 percent of those disabilities for which veterans received benefits were mental health conditions. Any effort to re-rate those cases likely represents a significant workload increase. Some experts we interviewed recommended that VA immediately develop a written strategy for implementing these revisions to help ensure that veterans do not experience any negative service-delivery consequences, such as increased wait times for disability benefits.

Table 2: Key Steps Missing from VA’s Project Planning

Information in key areas	Steps not taken	Why is this important?
Earnings loss updates	<p>VA does not have a complete plan—containing specific activities and time frames—for conducting earnings loss studies for all body systems in the rating schedule.</p> <p>VA’s project plans are missing details and updated time frames associated with a number of critical steps, such as finalizing contracts with research organizations.</p> <p>VA project plans are also missing descriptions of the activities and time frames for conducting validation studies.</p>	<p>VA officials stated that conducting earnings loss analyses are necessary to make knowledge-based adjustments to the rating schedule, a practice consistent with recommendations from expert panels and our prior work.</p> <p>VA officials said that validation studies are an integral part of the earnings update process.</p>
Implementation strategy	<p>VA has not developed a written strategy for addressing the full range of effects that revisions to the rating schedule may have on agency operations, which may include increased staff and resource needs, reconfiguring staff duties, and developing a plan for training and developing new procedures.</p> <p>VA has not yet assessed possible effects of revisions on agency operations or documented activities that need to occur, according to VA officials.</p>	<p>VA should be proactively assessing potential impacts of any revisions and developing plans for implementation, according to some experts we interviewed. VA officials told us they recognize the need to do this.</p> <p>If the current revisions resulted in higher disability ratings for conditions affecting a significant number of veterans, this could negatively impact VA’s claims processing workload. VA’s disability claims system already has a substantial backlog, and changes to the rating schedule may pose an administrative burden.^a</p> <p>It is important that agencies clearly document activities, particularly to help manage change to cope with shifting environments and evolving demands and priorities.^b</p>
Regular updates	<p>Although VA intends to continue comprehensive revisions beyond the completion of the current project, it lacks a formal policy, procedure, or mechanism committing itself to doing so.^c</p> <p>VA has not established a policy—through regulation, policy manual, or other means—for the continuation of the revision project in the future.</p> <p>VA officials told us they intend to use lessons learned from the current process to guide future efforts, but are not currently documenting these to inform a formal policy.^d</p>	<p>Many experts and veteran groups we interviewed said it is important that VA continue to update the rating schedule in the future.</p> <p>Several commission reports, including the Institute of Medicine’s, recommended that VA update the rating schedule at regular intervals to serve veterans with disabilities more effectively and equitably.</p> <p>It is important that agencies establish policies, procedures, and mechanisms that enforce management’s directives.</p>

Source: GAO analysis of VA documents, interviews with VA officials and experts, and GAO guidance and prior work related to internal controls.

^aIn 2010, we found that VA’s disability claims and appeals processing had improved in some aspects and worsened in others. In recent years, the number of claims completed annually by VA has increased but not by enough to keep pace with the increasing number of compensation claims received, resulting in more claims awaiting a decision. GAO, *Veterans’ Disability Benefits: Further Evaluation of Ongoing Initiatives Could Help Identify Effective Approaches for Improving Claims Processing*, [GAO-10-213](#) (Washington, D.C.: Jan. 29, 2010).

^bSee GAO, [GAO/AIMD-00-21.3.1](#).

Selected Policy Approaches for Updating VA's Benefit Structure Present Both Opportunities and Challenges

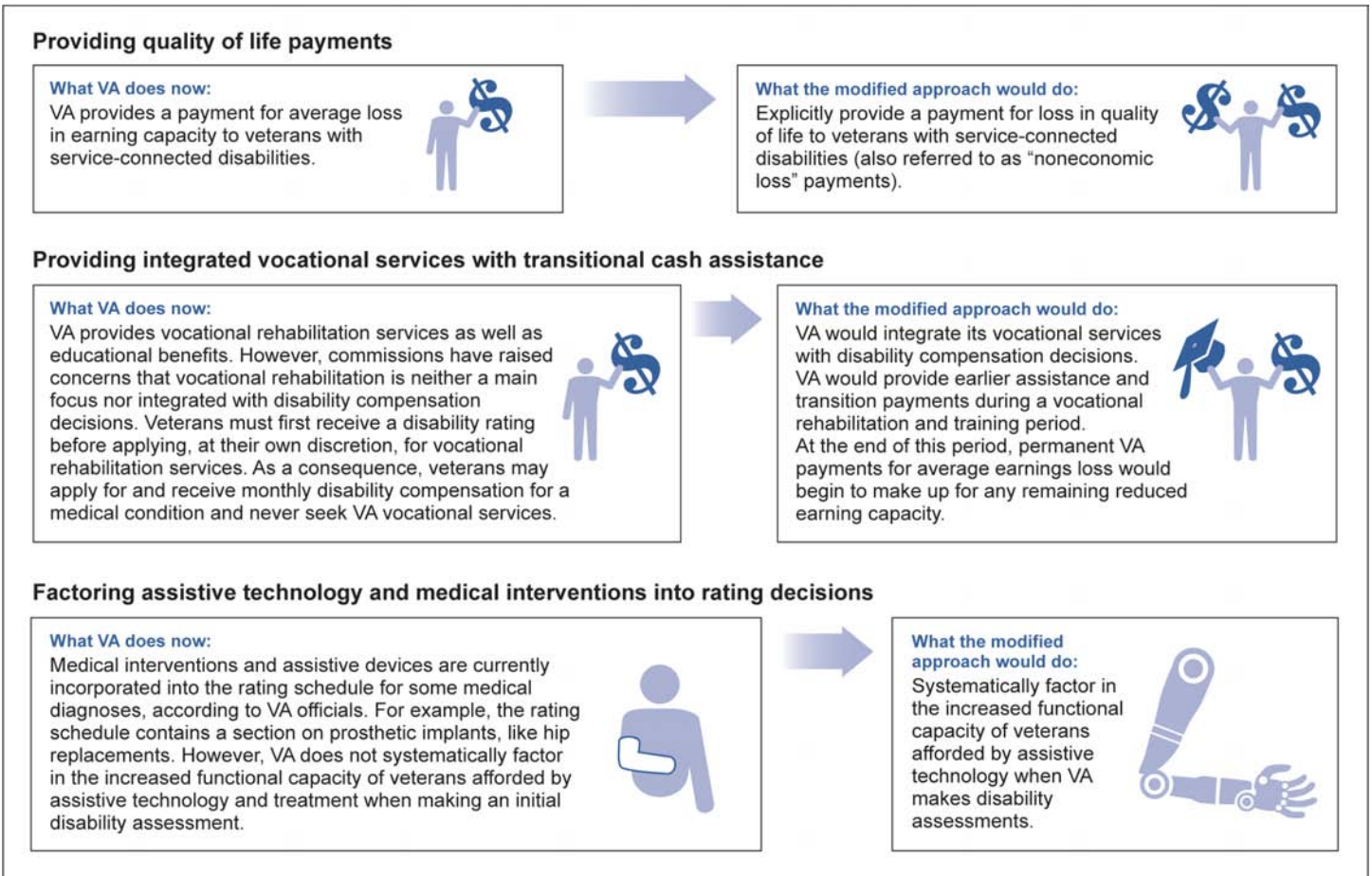
^cIn 2002, we found that VA did not have a well-defined plan to conduct future medical criteria updates. At the time, VA provided us with a statement acknowledging the need to re-review the medical criteria in the future, but had neither a time frame nor strategy for completing the task. See GAO, *SSA and VA Disability Programs: Re-Examination of Disability Criteria Needed to Help Ensure Program Integrity*, [GAO-02-597](#) (Washington, D.C.: Aug. 9, 2002).

^dIn July 2012, VA stated that they are taking steps to update their current project management plan to include future reviews of each body system every 5 years.

Three key approaches for modernizing VA's disability programs—as recommended by disability commissions and others—present opportunities and challenges. These approaches are (1) providing quality of life payments, (2) providing integrated vocational services with transitional cash assistance, and (3) factoring the effects of assistive technology and medical interventions systematically into rating decisions. See figure 3 for an overview of what VA does now and what these approaches would do. Those we interviewed said to varying degrees that the approaches could provide more equitable compensation and that approaches two and three could better help veterans integrate into the workforce and society. At the same time, however, experts and veteran groups identified administrative, political feasibility, and cost challenges, among others. Nevertheless, some experts said that combining the approaches could create a more integrated, comprehensive benefits package and could also mitigate challenges associated with any one approach. When considering such large-scale policy changes, we have previously identified strategies for policymakers to use to develop specific policy proposals. In translating broad policy approaches or concepts—including the three outlined below—into specific proposals, policymakers will need to define key design features (e.g., eligibility requirements and the type and timing of payments). For a summary of key questions raised during our discussions with experts and veteran groups about the possible design of the approaches, see appendix III.

When assessing these policy approaches, one must keep in mind that VA's disability compensation program is a statutory scheme with parameters set forth in federal law. This statutory scheme restricts the extent to which VA can reform its disability program, as there are many actions VA cannot take without Congress amending the relevant laws. For example, under 38 U.S.C. § 1155, VA is required, as far as is practicable, to base its disability ratings on the average impairments of earning capacity resulting from various types of injuries. This provision essentially prohibits VA from basing disability ratings (or a portion of the ratings) on a loss of quality of life, thus making the first policy approach discussed below legally impossible without a statutory change.

Figure 3: Overview of What VA Does Now and the Modified Approaches



Source: GAO analysis of VA program information and relevant reports by disability commissions, task forces, committees, and GAO.

Note: Regarding the integrated vocational services with transitional cash assistance approach, the Dole-Shalala Commission stated that the goal of VA's disability program should be to return veterans to normal activities, if feasible, as quickly as possible. The commission recommended integrating vocational rehabilitation with transition payments into the VA disability compensation system. According to VA officials, Congress and VA have made efforts to address issues related to the timing and incentives for rehabilitation for wounded servicemembers. For example, according to VA, the National Defense Authorization Act for Fiscal Year 2008 established Vocational Rehabilitation and Employment eligibility for severely injured active duty individuals before a VA rating is issued. In addition, VA is initiating the Integrated Disability Evaluation System (IDES) that provides Vocational Rehabilitation and Employment outreach and transition services to active duty servicemembers at 48 IDES installations. This outreach includes a mandatory meeting with a Vocational Rehabilitation and Employment counselor.

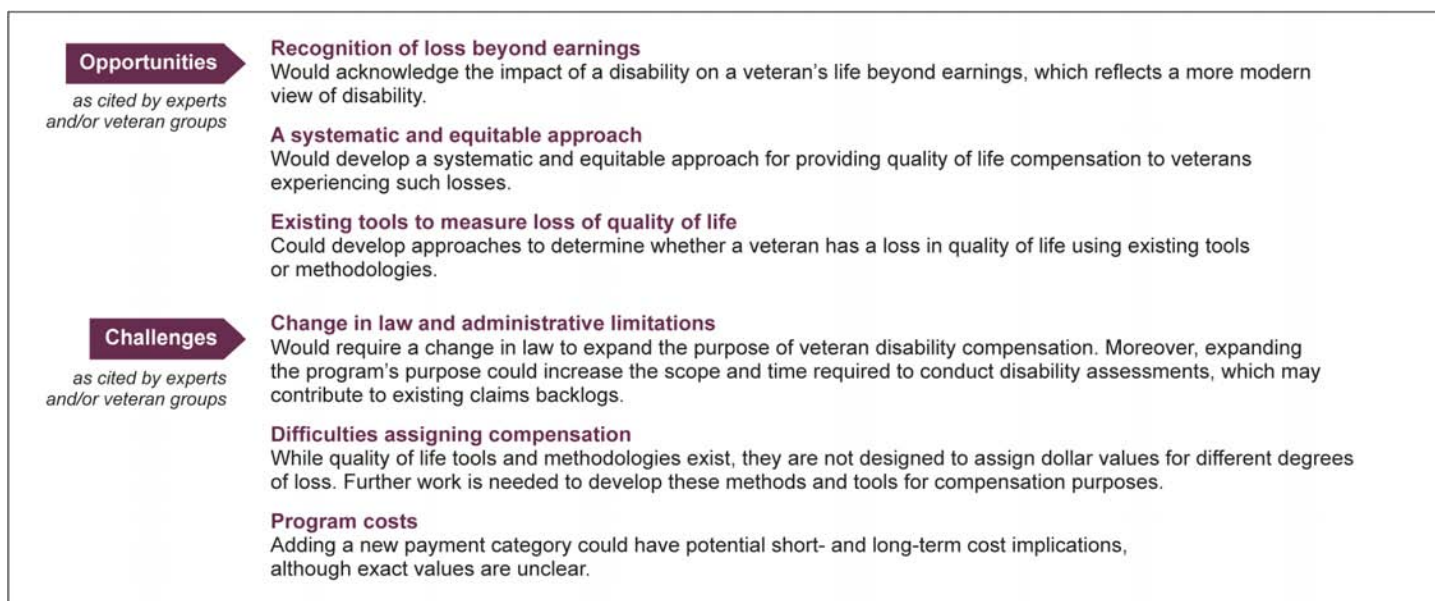
Selected Policy Approaches Hold Opportunities, but Would Present Challenges

Quality of Life Payments

According to several of the experts and veteran groups we interviewed, quality of life payments could better align VA's compensation program with more current thinking about disability while simultaneously providing greater equity to VA's disability compensation program.³⁰ In general, experts and veteran groups we interviewed said that a payment for quality of life held more opportunity than the other proposed approaches to update the nation's veteran benefits program. However, they also cited challenges relating to its implementation and fiscal sustainability, as shown in figure 4.

³⁰ Several commission reports addressed the definition of quality of life. Economic Systems Inc. defined quality of life for veterans as an overall sense of well-being based on physical and psychological health, social relationships, and economic factors. See Economic Systems Inc., *A Study of Compensation Payments for Service-Connected Disabilities* (Falls Church, VA: September 2008). The Institute of Medicine defined quality of life as including the cultural, psychological, physical, interpersonal, spiritual, financial, political, temporal, and philosophical dimensions of a person's life. See Institute of Medicine, *A 21st Century System for Evaluating Veterans for Disability Benefits* (Washington, D.C.: 2007).

Figure 4: Experts' and Veteran Groups' Views on Potential Opportunities and Challenges of Providing a Quality of Life Payment



Source: GAO summary of experts' and veteran groups' views.

In terms of opportunities, a payment for veterans' loss in quality of life might help align the program with more current thinking about disability by recognizing the impact of illness or injury beyond loss in earnings. Along these lines, many experts and veteran groups said that loss in earnings and quality of life should be explicitly integrated into the compensation program to recognize the overall impact of disability on veterans. For example, veterans who lose a hand may be able to work in today's economy, but the injury could prevent them from tossing a football with their children or engaging in other life activities. Most of those we interviewed agreed with commissions and experts who concluded that a modern program should compensate veterans with disabilities for losses beyond their earnings, even though the current program is designed to compensate based on economic losses.

According to several experts, VA has an opportunity to develop a systematic approach to more equitably award quality of life compensation. According to these experts, VA currently provides implicit quality of life benefits to some veterans with service-connected disabilities

but not others.³¹ For example, several experts argued that some veterans may receive compensation for impairments in the rating schedule that have little, if any, associated earnings loss.³² Several experts added that, in considering a quality of life payment, VA needs to determine the degree to which the rating schedule already includes consideration of the effect of a disability on quality of life. Two experts we interviewed said that benefits currently provided to veterans outside of the rating schedule, such as enhanced monthly compensation payments, could be viewed as compensation for loss in quality of life.³³

While this approach presents opportunities, it could prove challenging because it would require a change in law and could create a more complex system, according to several of those we interviewed. Congress, they noted, would likely need to revise the statute to expand the purpose of disability compensation to include quality of life. And if the program's purpose is expanded, VA would need to determine how to make fair, timely, and accurate payments but not exacerbate the existing claims backlog, according to several experts and veteran groups we interviewed. Specifically, adding a quality of life assessment might require additional time to assess claims and create another avenue for appeals. Further, VA would need to address how to adjust compensation for any changes in a veteran's quality of life loss over time, according to VA.

Another implementation challenge is how to measure quality of life—a subjective judgment—and assign a dollar value to different degrees of these losses. Two veterans with the same service-connected illness or injury may experience pain, social difficulties, and other intangible impacts that, depending on their circumstances and characteristics, may result in different degrees of losses in quality of life. According to several

³¹ The Institute of Medicine noted that that Congress and VA have added conditions in the rating schedule that have little if any effect on ability to work. However, the expansions of conditions have been ad hoc and may not address the full range or extent of impacts of injuries on quality of life. See Institute of Medicine, *A 21st Century System for Evaluating Veterans for Disability Benefits* (Washington, D.C.: 2007).

³² For example, in the rating schedule, a higher evaluation is assigned for an amputation of an extremity that prevents the use of a prosthetic device as compared to an evaluation of an extremity at the same location, which allows for a prosthetic device. According to VA officials, this higher evaluation could be argued as a quality of life benefit.

³³ Enhanced compensation is provided to veterans with disabilities who are housebound or who are in need of aid and attendance from others.

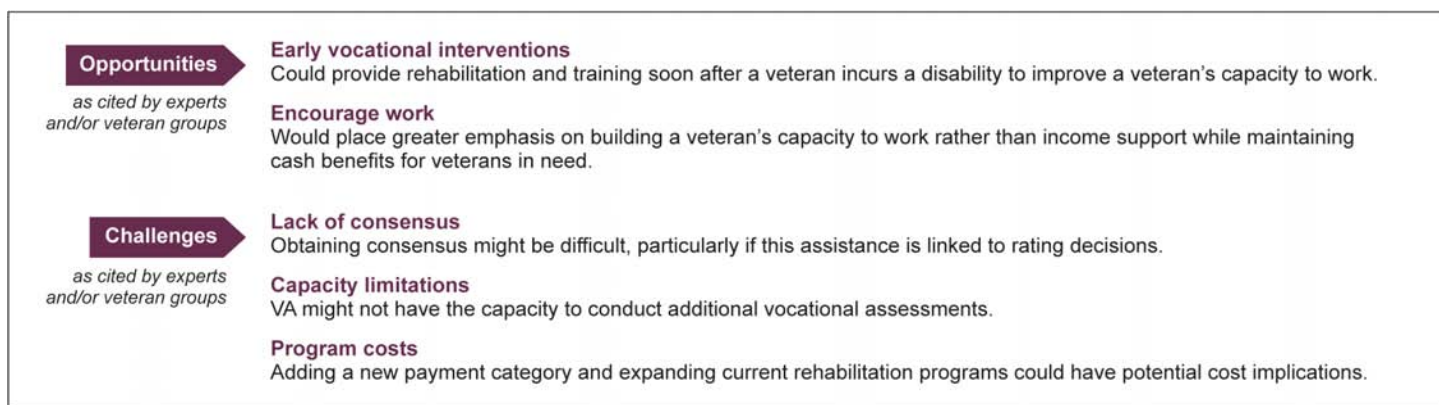
experts and veteran groups, a number of tools exist to make the process more objective. For example, CNA surveyed veterans with and without service-connected disabilities to show differences in quality of life loss between the two groups. While losses in quality of life can be measured, a process to attach a dollar value will need to be developed and refined, according to several experts and veteran groups, because none of the existing tools are intended to determine levels of compensation. Also, several experts suggested that VA could use benchmarks, such as the compensation provided by other countries' programs.

Finally, many experts added that quality of life payments would increase program costs. In the short term, VA would likely need additional funds to cover the costs of researching and developing assessment tools and for training staff on new procedures. In the long term, according to experts and veteran groups, veterans may receive increased levels of compensation, which could also affect the program's long-term cost. Any increased costs would need to be considered in the context of our nation's current and future fiscal challenges. However, several experts noted that quality of life payments could offset any reduced compensation for service-connected conditions that have no associated earnings loss, subsequently resulting in total compensation remaining level.

Providing Integrated Vocational Services with Transitional Cash Assistance

Several of the experts we interviewed stated that a key goal for VA should be helping veterans with disabilities return to the workforce. Moreover, they identified this approach as an opportunity to provide early assistance to help veterans achieve their full work potential. However, experts and veteran groups suggested that moving forward with this approach would present challenges, such as gaining consensus for the approach and its potential cost, as shown in figure 5.

Figure 5: Experts' and Veteran Groups' Views on Potential Opportunities and Challenges of Providing Integrated Vocational Services along with Transitional Cash Assistance



Source: GAO summary of experts' and veteran groups' views.

According to several experts we interviewed, the goal of VA's disability program should be to build a veteran's capacity to work rather than mainly providing income support or cash benefits.³⁴ These experts said that participation in work leads to better integration into civilian life and other intangible benefits like greater satisfaction and self-esteem. In addition, several experts suggested that, if vocational assistance increases a veteran's earning capacity, VA should consider that when determining losses in earnings. That is, veterans should be rated after they reach maximum medical improvement.³⁵ However, several cautioned that VA should maintain protections for veterans with service-connected disabilities who may not succeed at work even after extensive assistance.

³⁴ In 2004, the VA Vocational Rehabilitation and Employment Task Force reached a similar conclusion, stating that VA had reduced its focus on the ultimate mission of returning veterans with service-connected disabilities to the workforce and stressed the preeminent role of vocational rehabilitation in achieving that goal. See VA Vocational Rehabilitation and Employment Task Force, *Report to the Secretary of Veterans Affairs: The Vocational Rehabilitation and Employment Program for the 21st Century Veteran* (Washington, D.C.: March 2004).

³⁵ A 2008 study commissioned by VA noted that a useful distinction is to separate the temporary disability period from the permanent disability period. The temporary disability period begins when the veteran is first affected by a service-connected disability and ends on the date when the veteran reaches maximum medical improvement. See Economic Systems Inc., *A Study of Compensation Payments for Service-Connected Disabilities* (Falls Church, VA: September 2008).

According to many experts we interviewed, this policy approach could enhance veterans' capacity to work by providing earlier vocational assistance after the onset of disability rather than after a veteran has been rated for disability compensation. Experts we interviewed cited several benefits of early vocational assistance. For example, they said that it improves the likelihood that veterans with service-connected disabilities will obtain and retain employment after injury.

At the same time, achieving consensus for this approach may be difficult. Several of those we interviewed suggested that the approach does not provide much additional incentive to participate in rehabilitation. For example, veterans already have access to employment and training services, and many veterans work with or without these services.³⁶ While veteran groups we spoke with said they support rehabilitation services, they would not favor this policy shift if it means that a veteran's disability payment may be reduced because of increased vocational capacity. They maintained, in fact, that a veteran whose work potential was increased or who completed the program should receive the same level of compensation he or she would have received had he or she not received services. Officials from two veteran groups also said that these services should not be mandatory. In addition, while this approach would target veterans of working age, several of the experts' and veteran groups' views differed on whether the approach should target veterans at any point after military discharge and/or veterans shortly after discharge, particularly those with no or little civilian work history.³⁷

³⁶ VA and others offer a range of employment and training programs. For example, as previously discussed, VA's Vocational Rehabilitation and Employment program provides rehabilitative services as well as training toward degrees and certifications. VA, the Department of Labor, and the Department of Defense also offer transitioning servicemembers with short-term vocational assistance through the Disabled Transition Assistance Program and Transition Assistance Program (TAP). TAP, for example, provides 3-day employment workshops at military installations to servicemembers up to 6 months before they separate from the military (e.g., job searches, career decision making, current occupational and labor market conditions, etc.). In addition, veterans are given priority for Department of Labor-funded federal workforce employment and training programs through a streamlined delivery system, called the one-stop system, required by federal law.

³⁷ The basic period of eligibility for Vocational Rehabilitation and Employment program services is generally the 12 years after the date of separation from active military service. The basic period of eligibility may be extended in certain circumstances, such as if it is determined that a veteran is in need of services to overcome a serious employment handicap.

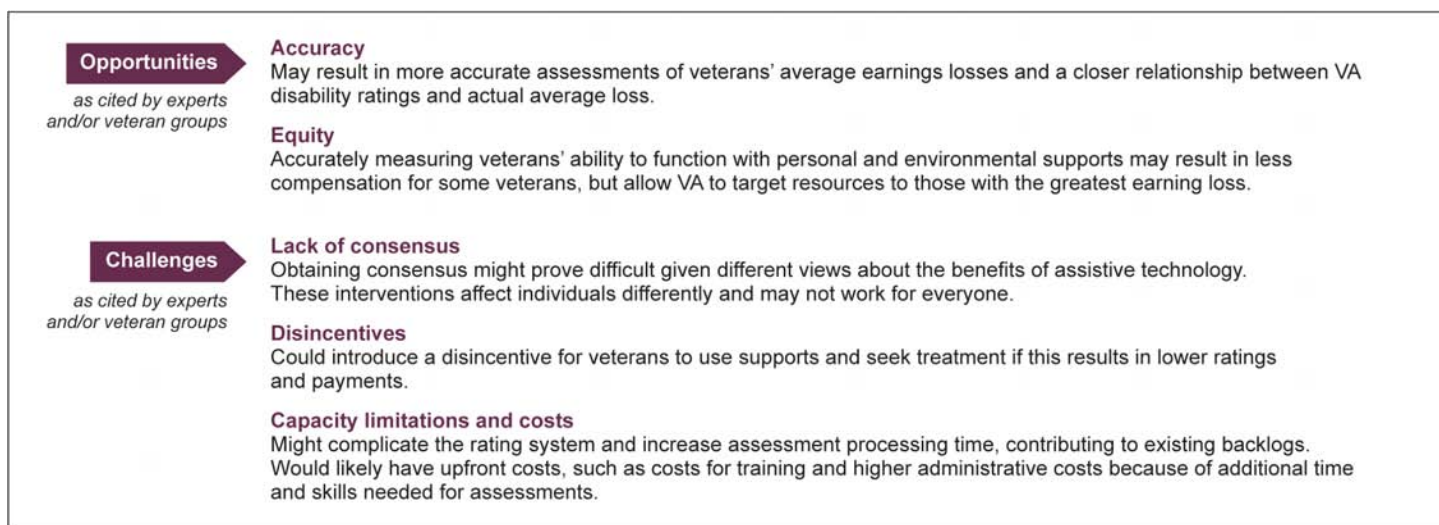
Several veteran groups and experts also expressed concerns about VA's capacity to administer this approach. For example, they said that VA does not have sufficient numbers of staff capable of assessing a veteran's vocational capacity or providing work supports through its current vocational program. Moreover, others noted that this reform could divert resources from current VA management initiatives, such as efforts to expedite the delivery of VA benefits to servicemembers and veterans.

This approach also would likely have cost implications. In the short term, VA would need to estimate costs, pilot the approach while running VA's current programs, and then implement the program, according to several of those we interviewed. Others said that there could also be long-term cost implications if this approach required resources in addition to those being expended under the current program. According to two of those we interviewed, the ultimate costs would depend on who is eligible for the services. For example, limiting eligibility to veterans shortly after discharge would be less costly than making services available to veterans at any point in time after discharge.

Systematically Incorporate Assistive Technology and Medical Interventions in Rating Decisions

According to experts we interviewed, systematically incorporating the effects of assistive technology and medical interventions into rating decisions affords an opportunity to more accurately assess veterans' impaired earning capacity, including the loss of functioning in the workplace. Assistive technology and medical interventions include, for example, a prosthetic device for walking, a device to assist with a vision impairment, and medications for pain. However, they suggested that implementing this approach would present challenges, such as its acceptability among veterans and other stakeholders, as shown in figure 6.

Figure 6: Experts' and Veteran Groups' Views on Potential Opportunities and Challenges of Incorporating Assistive Technology and Medical Interventions into Disability Rating Decisions



Source: GAO summary of experts' and veteran groups' views.

According to several experts we interviewed, factoring in these advances may result in more accurate assessments of veterans' average earnings losses. Advances in assistive technology and modern medicine can help veterans with service-connected disabilities increase their earnings by helping them more fully integrate into the workplace. While assistive devices and medications can play a critical role in an individual's ability to function, VA does not always consider them in its assessment of disability. According to several experts we talked with, accurately measuring veterans' ability to function with personal and environmental supports may result in less compensation for certain veterans. However, a couple of experts said that this may allow VA to target resources to those with the greatest earnings losses.

While many of those we interviewed acknowledged the benefits of assistive technology and medicine, many of those we interviewed and VA officials expressed concerns with factoring assistive technology into disability rating decisions, including the following:

- The effectiveness of assistive technology and medication is difficult to demonstrate, or research is incomplete.
- The interventions affect individuals differently and may not work for everyone. Also, the effectiveness of assistive technology varies over the lifetime of an individual—for example, as a person ages and

experiences changes in musculature, their ability to compensate using a prosthetic decreases. Others described assistive technology that did not perform as expected.

- The incorporation of assistive technology into rating decisions could introduce a disincentive for veterans to use such tools and supports.

Many experts and veteran groups discussed challenges similar to those raised with the other policy approaches, such as potentially needing to administer new assessments and the associated upfront costs. In particular, individually assessing veterans would add complexity to a ratings process that already faces challenges with making timely and accurate rating decisions. For example, VA may need to determine whether veterans are making good faith efforts to use interventions when making disability assessments, according to two of those we interviewed. In addition, to assess a veteran's ability to function while using these interventions, VA would need to hire staff with necessary skills. To address some of these challenges, several experts said that VA's planned studies to measure earnings loss would automatically factor in the average economic benefits of assistive technology use without needing a new assessment. However, one expert cautioned that this approach might not be as precise as an individual assessment.

Experts and Veteran Groups Discussed Combining Selected Policy Approaches

According to several of those we interviewed, policymakers could create a comprehensive benefits package for individual veterans by integrating compensation with vocational training and treatment. Several experts outlined a sequence for implementing the approaches to improve the timing of benefits and provide seamless support to veterans. Initially, VA would provide financial support during a temporary medical and vocational rehabilitation period to maximize a veteran's recovery. This temporary period would be followed by long-term compensation for any reduced earnings loss. In conjunction with these payments, veterans would receive an explicit quality of life payment.

Several of the experts we talked to described potential benefits of combining approaches. Specifically, VA may be able to

-
- provide more equitable compensation and services to veterans by examining the interactive effects of existing and new approaches,³⁸
 - clarify the distinction between compensation for earnings loss and the other impacts of living with a disability, and/or
 - mitigate potential adverse effects associated with any single approach. For example, if payments for average earnings loss were reduced because the impact of assistive devices was incorporated, adding an offsetting quality of life payment could ensure that future veterans get sufficient compensation.

Several experts and veteran groups, however, did not necessarily support combining the three approaches. Finally, if a comprehensive program was targeted to new enrollees, VA may need to administer dual programs.

Key Strategies to Consider in Updating VA's Disability Program for the 21st Century

Although we and others have identified a need to reexamine federal disability programs to meet the challenges and expectations of the 21st Century, VA officials said they are not currently considering the three policy approaches discussed in this report. VA officials said they have, however, kept abreast of all studies and recommendations arising from the various commissions and reports. Further, they said they have taken into consideration many of the recommendations made in these studies. For example, VA is implementing recommendations to comprehensively revise the rating schedule. Moreover, in 2008 VA contracted with a private consultant to study disability compensation, loss in quality of life, transition benefits for rehabilitation, assistive technology, and other areas raised by the disability commissions and our work. While their report proposed many specific policy options to address these issues, it stated that the Congress and VA needed to decide on the key goals of the approaches.³⁹ Doing so would help further specify how to design and implement a new approach. According to VA officials, they currently are not acting on these approaches because they fall outside the VA's

³⁸ Our previous work suggests some weaknesses in communication and coordination among various VA disability programs. Overall, we have noted that federal programs should be structured in a manner that collectively allows them to provide coherent and seamless support to people with disabilities. For example, see GAO, *Federal Disability Assistance: Wide Array of Programs Needs to be Examined in Light of 21st Century Challenges*, [GAO-05-626](#) (Washington, D.C.: June 2, 2005).

³⁹ Economic Systems Inc., *A Study of Compensation Payments for Service-Connected Disabilities* (Falls Church, VA: September 2008).

statutory requirement to compensate veterans for average earnings loss. VA officials said they will further consider new policy approaches at the request of the Congress.

As our high-risk series notes, however, continued attention by the Office of Management and Budget (OMB) and concerted efforts by agencies, as well as sustained congressional attention, are critical to fully resolve high-risk areas, which include federal disability programs.⁴⁰ Should the Congress choose to pursue fundamental changes to the disability compensation program, with assistance from VA, we have identified key reexamination strategies that should be considered,⁴¹ such as

- building support within the Congress, the Administration, the agency, and the broader public to justify a reexamination of the program.
- identifying the most important goals for the program and developing specific policy proposals to meet those goals.
- choosing reexamination methods to guide the process and help evaluate potential changes.⁴²

Conclusions

The nation has a long-standing commitment to compensate veterans for injuries or illnesses incurred during their military service. After decades of recurring criticism that VA's rating schedule is out of date, VA is now demonstrating a commitment to comprehensive revision of its disability criteria and consideration of a more modern approach to determining disability. VA faces challenges, however, that may impede its ability to complete and implement the revisions. Specifically, without sufficient capacity to conduct research on earnings loss, VA may be unable to make fact-based and timely revisions to its rating schedule. Moreover, incomplete plans for conducting earnings loss and related studies could jeopardize project outcomes and result in a rating schedule that remains,

⁴⁰ GAO, *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: February 2011).

⁴¹ Several overarching components are necessary for the reexamination strategies, including (1) sustained leadership to champion program changes; (2) broad-based input from a range of stakeholders; (3) empirically based research to assess alternative approaches; and (4) clear and transparent processes for engaging the broader public in the debate over recommended changes. See GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, [GAO-05-325SP](#) (Washington, D.C.: February 2005).

⁴² *Ibid.*

in the end, outdated. In addition, without a written strategy for implementing the revisions, VA might not be adequately positioned to mitigate possible increases to the disability claims backlogs. This could increase veterans' wait times for disability benefits, which runs counter to one of the desired outcomes of the revision goal of improving claims efficiency. Finally, in the absence of sustained, ongoing revisions and adjustments, VA's rating schedule is increasingly at risk of not reflecting advances in medicine and changes in the labor market. Without a formal policy for conducting regular updates in the future, VA may experience extended gaps in its efforts to revise the rating schedule. Consequently, some future veterans may not receive the appropriate level of compensation. We recognize that adjusting the rating schedule and making changes to veterans' disability benefits can be contentious. Stakeholders have different views about how to define disability, measure the loss of earning capacity, and even the purpose of veterans' disability compensation. Nevertheless, without a rating schedule that reflects advances in medicine and changes in the labor market, VA may continue to overcompensate some veterans while undercompensating others.

As underscored by the policy approaches recommended by previous commissions and other experts, current thinking on disability has outpaced consideration of updates to VA's disability compensation benefits structure. Changes in our understanding of disability and the economy create a compelling case for the Congress, VA, and stakeholders to reexamine the goals of VA's disability compensation programs and how to best serve veterans with service-connected disabilities. This examination would raise important, but difficult, questions: Should veterans with disabilities be compensated for more than loss of earning capacity? Should the discussion of disability benefits structure be intertwined with efforts to build a veteran's capacity to work and provide work supports? Should some compensation be considered temporary? Should any proposed disability compensation changes apply to existing and/or future veterans? VA officials are giving little attention to these larger issues, and the trade-offs involved. However, a system that maximizes equity, balances fiscal pressures, and ultimately serves individual veterans effectively will benefit from deliberations informed by more modern views about disability. VA has signaled that, absent further direction from the Congress, it will focus its efforts within its current framework. Without a broader perspective, VA may miss the opportunity to be an agent in its own transformation to the benefit of those it serves.

Matter for Congressional Consideration

To the extent that Congress wishes to consider various options to modernize VA's disability benefits program, Congress could direct the VA to conduct focused studies on these or other policy approaches and, if necessary, propose relevant legislation for congressional consideration. For example, providing explicit quality of life payments, or some other combination of policy changes, to veterans with service-connected disabilities may help to modernize VA's program, but such changes need further study to determine their feasibility and fiscal impact.

Recommendations for Executive Action

Based on our review, we are making three recommendations.

1. To ensure that decisions about veteran disability compensation benefits are informed by current earnings loss information, we recommend that the Secretary of Veterans Affairs
 - take necessary steps to increase research capacity to determine the impact of impairments on earnings in a timely manner and
 - develop a more complete plan for conducting earnings loss and validation studies for the entire rating schedule.
2. To ensure that VA is positioned to seamlessly implement revisions to the rating schedule, we recommend that the Secretary of Veterans Affairs develop a written implementation strategy. This strategy could include steps to mitigate the possible effects of rating schedule revisions on agency operations, including an increase in the number of claims received.
3. To ensure the rating schedule revisions are sustained beyond the current update project, we recommend that the Secretary of Veterans Affairs establish a formal policy, procedure, or mechanism to revise the rating schedule—with updated medical and earnings loss information—at regular intervals.

Agency Comments and Our Evaluation

We provided a draft of this report to VA for review and comment. VA concurred with our recommendations and indicated it will take steps to address them by a target completion date of August 31, 2013. Its written comments are reproduced in appendix IV. VA also provided technical comments that we incorporated, as appropriate.

VA agreed with our recommendation to take necessary steps to increase its research capacity to determine the impact of impairments on earnings in a timely manner and develop a more complete plan for conducting earnings loss and validation studies for the entire rating schedule. VA

stated that it is exploring the option of engaging in research partnerships to conduct more than one earnings loss study at a time. After exploring this and any other appropriate options, we encourage VA to take all necessary actions to ensure it conducts earnings loss studies in a timely manner, now and in the future. In addition, VA stated that it will expand its current project management plan to include milestones, deliverables, and the designation of a sub-program manager to manage the earnings loss and validation studies.

VA also agreed with our recommendation to develop a written implementation strategy that could include steps to mitigate the possible effects of rating schedule revisions on agency operations, including an increase in the number of claims received. VA stated that, going forward, it will develop a formal plan that establishes cross-functional teams representing all business processes and procedural functions involved in the rating schedule changes. VA acknowledged that now is the time to standardize a process for implementing the rating schedule revisions.

Finally, VA agreed with our recommendation to establish a formal policy, procedure, or mechanism to revise the rating schedule with updated medical and earnings loss information at regular intervals. According to VA, it is currently formulating a plan that evaluates the rating schedule revision process, which will allow VA's Compensation Service to establish a formal, continuous revision policy that is efficient, traceable, and transparent to produce a rating schedule that reflects up-to-date medical information.

We are sending copies of this report to the appropriate congressional committees; the Secretary of Veterans Affairs; and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or bertonid@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.

A handwritten signature in black ink that reads "Daniel Bertoni". The signature is written in a cursive, flowing style.

Daniel Bertoni
Director, Education, Workforce,
and Income Security Issues

List of Committees

The Honorable Patty Murray
Chairman
The Honorable Richard Burr
Ranking Member
Committee on Veterans' Affairs
United States Senate

The Honorable Darrell Issa
Chairman
Committee on Oversight and Government Reform
House of Representatives

The Honorable Jeff Miller
Chairman
The Honorable Bob Filner
Ranking Member
Committee on Veterans' Affairs
House of Representatives

Appendix I: Scope and Methodology

In this report, we (1) identified the progress that the Department of Veterans Affairs (VA) has made in revising the criteria used to determine eligibility for veterans' disability benefits with updated medical and economic information, and (2) discussed the opportunities and challenges associated with selected policy approaches that disability commissions and others have raised for updating VA's disability benefits structure. Overall, we reviewed prior GAO, disability commission, and committee reports; relevant federal laws and regulations; program documentation, including policies, procedures, strategic goals, and supporting project plans; and congressional testimonies from disability groups and commissions. We also interviewed VA officials, key stakeholders, disability experts, and representatives of veteran groups.

To address our first reporting objective, we reviewed VA's strategic goals, plans, policies, Federal Register notices, and other relevant program documentation and interviewed VA officials. We also reviewed VA's Advisory Committee on Disability Compensation reports, recommendations, and meeting minutes and presentations on the rating schedule updates. In addition, we interviewed several Advisory Committee on Disability Compensation members and reviewed reports and interviewed experts from relevant organizations—such as the Institute of Medicine—and veteran disability commissions—such as the Veterans Disability Benefits Commission. We also evaluated VA's project planning documents using established elements for sound planning.

Elements of Sound Planning

To determine the extent to which VA's project plans to revise its disability criteria included elements of sound planning, we relied on project management practices in *A Guide to Project Management Body of Knowledge*, our guidance on internal controls, and the Government Performance and Results Act of 1993 (GPRA).¹ We also considered recent GAO work that evaluated federal planning efforts. Through these efforts, we identified six elements for sound planning. Although there is no established set of requirements for all project plans, we determined that these elements of sound planning help decision makers effectively shape policies, programs, priorities, and resource allocations intended to help achieve desired results and ensure accountability. While these elements may be organized in a variety of ways and use different terms, for the

¹ Pub. L. No. 103-62, 107 Stat. 285.

purposes of this report, we grouped them into six categories, from plan conception through implementation, that represent sufficiently broad, higher-level criteria that may apply to a wide variety of project plans and priorities. (See table 3.)

Table 3: Six Elements of Sound Planning Used to Evaluate VA’s Efforts

Problem, goals, and methodology	In establishing the problem, goals, and methodology, the agency identifies the problem to be addressed and the causes of the problem, as well as the strategy, including goal and objectives, and the methodology for achieving these goals and objectives.
Activities and timelines	An agency should identify and document the specific activities that must be performed to complete the project. The agency should develop a schedule that defines, among other things, when work activities will occur, how long they will take, and how they are related to one another, as well as interim milestones and checkpoints to gauge the completion of the project.
Resources	The agency should identify the sources and types of resources or investments needed (e.g., budgetary, human capital, information technology, research and development, contracts) to complete project activities. If resource availability cannot be assured, the agency will need to establish alternate plans. The agency should develop a reliable estimate of the costs of these resources.
Coordination	The agency should identify stakeholders—individuals and organizations that are involved in or may be affected by project activities—and ensure that they are included in developing and executing the project plan, allowing them to contribute appropriately. In addition to internal communications, management should ensure there are adequate means of communicating with, and obtaining information from, external stakeholders that may have a significant impact on the agency achieving its goals.
Risk	Risk assessment generally includes estimating the significance of risks from both external and internal sources, assessing the likelihood of its occurrence, and deciding how to manage the risk.
Performance evaluation	The agency should describe how goals will be achieved and establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity, and identify a process to monitor and report on progress.

Source: GAO analysis based on the Program Management Institute Information, the Government Performance and Results Act of 1993, and selected GAO reports.

Selection and Expert Assessment of Policy Approaches

To address our second reporting objective, we identified policy approaches that could update VA’s disability benefits structure by conducting a literature search for relevant reports by disability commissions, task forces, committees, and GAO. We selected approaches from the following reports:

- Advisory Committee on Disability Compensation, Biennial Report dated 27, July 2010; Interim Report dated 7 July, 2009;
- CNA, Final Report for the Veterans’ Disability Benefits Commission: Compensation, Survey Results, and Selected Topics (August 2007);
- Economic Systems Inc., A Study of Compensation Payments for Service-Connected Disabilities (September 2008);

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- GAO, SSA and VA Disability Programs: Re-Examination of Disability Criteria Needed to Help Ensure Program Integrity, [GAO-02-597](#) (August 2002);
 - Institute of Medicine, Committee on Medical Evaluation of Veterans for Disability Compensation, A 21st Century System for Evaluating Veterans for Disability Benefits and PTSD Compensation and Military Service (2007);
 - President's Commission on Care for America's Returning Wounded Warriors (Dole-Shalala Commission), Serve, Support, Simplify: Report of the President's Commission on Care for America's Returning Wounded Warriors (July 2007); and
 - Veterans' Disability Benefits Commission, Honoring the Call to Duty: Veterans' Disability Benefits in the 21st Century (October 2007).

These sources offered numerous recommendations intended to improve VA's disability benefits structure. We assumed that these high-level commissions and review groups had identified many of the major policy approaches to update VA's disability benefits structure. We limited selection of policy approaches to those that address more broadly focused updates to VA's current disability benefits structure, such as changes to the type, timing, or conditions of disability benefits (e.g., levels of benefits and changes in legislative authorities) and those that align with modern concepts of disability. For example, policy approaches of relevant scope would be those that facilitate the participation of people with disabilities in the workforce and society by evaluating and addressing environmental factors that can hinder employment and other activities. For this review, we excluded recommendations aimed at VA's organizational structure, administrative processes, and management operations (e.g., developing and using performance metrics and improving processes for communicating with veterans).

Applying these criteria, we identified three relevant policy approaches: (1) providing quality of life payments, (2) providing integrated vocational services with transitional cash assistance, and (3) systematically factoring assistive technology and medical interventions into rating decisions. To identify other policy approaches, we asked 16 experts and veteran groups what other policy approaches, if any, might improve VA's disability benefits structure. Of those we interviewed, most said that the policy approaches we selected were the relevant approaches for our research purposes.

Selection of Experts

To obtain information from experts and veteran groups on the opportunities and challenges associated with each approach, we

developed a list of semi-structured interview questions. We conducted several pretests of the interview questions to validate its structure and ensure the clarity and logical sequence of the questions asked. During each semi-structured interview, we obtained information from experts and veteran groups on several topics, including their general assessments of the fiscal sustainability, political and administrative feasibility, and effectiveness of each approach. In addition, we obtained experts' and veteran groups' views on design features—such as eligibility criteria and the type and duration of payments—that could be considered part of each policy approach. We also obtained experts' and veteran groups' perspectives on the need, if any, to combine two or more policy approaches. Finally, we analyzed the information obtained from experts and veteran groups to identify underlying opportunities and challenges associated with each policy approach.

We selected a nongeneralizable sample of experts who had participated in disability commissions, research, or a congressional hearing on the topic, or who serve in an organization that represents veterans with disabilities. In addition, we selected a group of experts to help ensure a range of viewpoints. Although many points of view were represented by our experts, they may not represent the complete range of opinions on the policy approaches. Table 4 identifies the experts and veteran groups we interviewed, including their respective title and professional affiliation.

Table 4: Experts and Veteran Groups Interviewed by GAO

Name and title	Current affiliation
Carl Blake, National Legislative Director	Paralyzed Veterans of America
Lonnie R. Bristow, Former President	American Medical Association
John F. Burton, Jr., Professor Emeritus	Rutgers University and Cornell University
Edward Eckenhoff, Founder and President Emeritus	National Rehabilitation Hospital Network
Bob Epley, Independent Consultant	VA Advisory Committee on Disability Compensation
Howard H. Goldman, Professor of Psychiatry	University of Maryland, School of Medicine
Barry A. Jesinoski, Executive Director	Disabled American Veterans
George Kettner, President	Economic Systems Inc.
Michael McGeary, Senior Program Officer	Institute of Medicine
Lori Perkio, Assistant Director	The American Legion

Appendix I: Scope and Methodology

Name and title	Current affiliation
Sally Satel, Resident Scholar	American Enterprise Institute
David Stapleton, Senior Fellow	Mathematica Policy Research
Tom Tarantino, Deputy Policy Director	Iraq and Afghanistan Veterans of America
Rick Weidman, Executive Director for Policy and Government Affairs	Vietnam Veterans of America
Ray Wilburn, Senior Analyst	CNA
Gail R. Wilensky, Senior Fellow	Project HOPE

Source: GAO.

Appendix II: Comprehensive Revisions and Other Key Updates to the VA Schedule for Rating Disabilities (VASRD)

Body system	Most recent comprehensive body system update (Final rule source)	Most recent noncomprehensive revision to diagnostic codes (since last comprehensive update) (Final rule source)	Nature of noncomprehensive change
Musculoskeletal	1945 ^a	2005 (70 Fed. Reg. 75,399, Dec. 20, 2005)	Reference to conditions to be rated analogously to diagnostic code for atrophic rheumatoid arthritis was revised
Muscle Injuries Section	1997 (Major Revision - 62 Fed. Reg. 30,235, June 3, 1997)	Not applicable (n/a)	n/a
Digestive	1945	2001 (66 Fed. Reg. 29,486, May 31, 2001)	Revision of diagnostic codes for residuals of injury and cirrhosis of the liver and revision to weight loss regulation
Neurological Conditions and Convulsive Disorders	1961	2011 (76 Fed. Reg. 78,824, Dec. 20, 2011)	Revised rating criteria for amyotrophic lateral sclerosis
Dental and Oral Conditions	1994 (59 Fed. Reg. 2530, Jan. 18, 1994)	1997 (62 Fed. Reg. 8201, Feb. 24, 1997)	Relocated portions pertaining to noncompensable conditions to Part 3
Genitourinary	1994 (59 Fed. Reg. 2523, Jan. 18, 1994)	1994 (59 Fed. Reg. 46,339, Sept. 8, 1994)	Note regarding entitlement to Special Monthly Compensation (SMC) for deformity of the penis with loss of erectile power, testis atrophy and removal
Gynecological Conditions/ Disorders of the Breast	1995 (60 Fed. Reg. 19,851, April 21, 1995)	2002 (67 Fed. Reg. 6874, Feb. 14, 2002; corrected by 67 Fed. Reg. 37,695, May 30, 2002)	Entitlement to SMC for loss of a breast
Hemic/Lymphatic	1995 (60 Fed. Reg. 49,227, Sept. 22, 1995)	2012 (77 Fed. Reg. 6467, Feb. 8, 2012)	Diagnostic code for AL amyloidosis (primary amyloidosis) was added
Mental Health	1996 (71 Fed. Reg. 52,695, Oct. 8, 1996)	2009 (74 Fed. Reg. 18,467, Apr. 23, 2009)	Post-traumatic stress disorder nomenclature change
Endocrine	1996 (61 Fed. Reg. 20,446, May 7, 1996)	n/a	n/a
Infectious Diseases, Immune Disorders and Nutritional Deficiencies	1996 (61 Fed. Reg. 39,875, July 31, 1996)	n/a	n/a

**Appendix II: Comprehensive Revisions and
Other Key Updates to the VA Schedule for
Rating Disabilities (VASRD)**

Body system	Most recent comprehensive body system update (Final rule source)	Most recent noncomprehensive revision to diagnostic codes (since last comprehensive update) (Final rule source)	Nature of noncomprehensive change
Respiratory System	1996 (61 Fed. Reg. 46,720, Sept. 5, 1996)	2006 (71 Fed. Reg. 52,457, Sept. 6, 2006) (71 Fed. Reg. 28,586, May 17, 2006)	Substantive revisions to the evaluation criteria for certain respiratory and cardiovascular conditions, hypertension with heart disease; amended provisions pertaining to tuberculosis for those entitled on August 19, 1968
Cardiovascular	1997 (62 Fed. Reg. 65,207, Dec. 11, 1997)	2006 (71 Fed. Reg. 52,460, Sept. 6, 2006)	Substantive revisions to the evaluation criteria for respiratory and cardiovascular conditions, hypertension with heart disease
Impairment of Auditory Acuity	1999 (64 Fed. Reg. 25,210, May 11, 1999)	2003 (68 Fed. Reg. 25,822, May 14, 2003)	Amendment on the evaluation of tinnitus
Skin	2002 (67 Fed. Reg. 49,590, July 31, 2002; corrected by 67 Fed. Reg. 58,448, Sept. 16, 2002)	2008 (73 Fed. Reg. 54,708, Sept. 23, 2008; corrected by 77 Fed. Reg. 2910, Jan. 20, 2012)	Modified evaluation of scars
Organs of the Special Sense	2008 (73 Fed. Reg. 66,543, Nov. 10, 2008)	n/a	n/a

Source: GAO analysis of VA information and Institute of Medicine report, verified by VA officials.

^a According to the Institute of Medicine report, the "Spine" section was comprehensively updated in 2003 (68 Fed. Reg. 51,454, Aug. 27, 2003).

Appendix III: Key Questions for Designing New Disability Compensation Programs

Transforming broad policy approaches into specific programs requires that design features be defined. In reference to VA's disability program for veterans, the features relate to the form, amount, and eligibility for the payments and services. The following summarizes key questions raised during our discussions with experts and veteran groups about the possible design of programs for providing quality of life payments, providing integrated vocational services with transitional cash assistance, and factoring the effects of assistive technology and medical interventions systematically into rating decisions.

Quality of life payments

- Should existing veterans be eligible for quality of life payments or just new enrollees?
- Should veterans have the opportunity to opt in or out of a new program that provides quality of life payments?
- Should quality of life payments supplement earnings loss payments for veterans with low, high, or all disability ratings levels?
- Should disability compensation be based primarily on quality of life, with earnings loss payments being made only when actual earnings loss occurs?
- How frequently should quality of life payments be provided to veterans (e.g., one-time lump sum, monthly annuity)?
- What system should be used to determine payment levels (e.g., individual assessments or an average loss in quality of life across a group of veterans)?
- Should quality of life be inferred from impairment or measured directly?
- For veterans receiving quality of life payments and earnings loss payments, should the earnings loss payments end at retirement age?

Integrating vocational rehabilitation services with disability compensation

- Should all veterans be eligible for the program or just veterans shortly after discharge?
- Should the program be available for veterans at all disability rating levels or for veterans with lower or higher degrees of disability?
- Should the program focus on veterans with certain kinds of impairments?
- Should the payments be provided while the veteran participates in vocational rehabilitation, education, or training programs (i.e., for a longer rehabilitative period)? Or, should the payments also be provided on a short-term basis to support a veteran's return to the community?

- Should the loss of earnings be periodically reassessed following a temporary rehabilitation period?

Assistive technology and medical interventions

- Should VA assess the effects of assistive technology and medical interventions during the disability examination process?
- Should an assessment of the effects of assistive technology and medical interventions only be considered for future enrollees/veterans?
- Should VA incorporate the anticipated effects of assistive technology and medical interventions only when a veteran actually uses them?
- Should VA incorporate the estimated effects of assistive technology and medical interventions?
- Should VA limit the incorporation of the effects of assistive technology and medical interventions to those with empirically-based demonstrations of their effectiveness?

Appendix IV: Comments from the Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS
Washington DC 20420

August 21, 2012


Mr. Daniel Bertoni
Director, Education Workforce
and Income Security Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Bertoni:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report, "**VA DISABILITY COMPENSATION: Actions Needed to Address Hurdles Facing Program Modernization**" (GAO-12-846). VA concurs with GAO's recommendations to the Department.

The enclosure specifically addresses each of GAO's recommendations and provides technical comments to the draft report. VA appreciates the opportunity to comment on your draft report.

Sincerely,


John R. Gingrich
Chief of Staff

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
***“VA DISABILITY COMPENSATION: Actions Needed to Address
Hurdles Facing Program Modernization”***
(GAO-12-846)

Recommendation 1: To ensure that decisions about veteran disability compensation benefits are informed by current earnings loss information, we recommend that the Secretary of Veterans Affairs: take necessary steps to increase research capacity to determine the impact of impairments on earnings in a timely manner; and develop a more complete plan for conducting earnings loss and validation studies for the entire rating schedule.

VA Response: Concur. Beginning in early June 2011, VA conducted market research into the possibility of increasing our research capacity and partnerships with research organizations. VA is exploring the option of engaging in research partnerships to conduct more than one study at a time to increase VA's research capacity. With regard to developing a more complete and overall plan for the earnings loss studies, VA is expanding the Project Management Plan (PMP) to include a specific addendum that will include milestones, deliverables, and the designation of a sub-program manager who is dedicated to managing the earnings loss and validation studies. Targeted completion date is August 31, 2013.

Recommendation 2: To ensure that VA is positioned to seamlessly implement revisions to the rating schedule, we recommend that the Secretary of Veterans Affairs develop a written implementation strategy. This strategy could include steps to mitigate the possible effects of rating schedule revisions on agency operations, including an increase in the number of claims received.

VA Response: Concur. VA recognizes the need to ensure that changes to the rating schedule are seamlessly integrated into business processes and rating procedures. Currently, proposed rules regarding rating schedule changes, the first step in the rating schedule update process, have not yet been approved by VA. However, VA agrees that now is the time to standardize a process for implementing rating schedule changes. One step VA has already taken is including members of the rating community on the workgroups that are developing the proposed changes to the rating schedule. This helps ensure that changes do not unnecessarily adversely impact the rating process and suggestions that would improve the process are taken into account.

Going forward, VA will convene point persons from affected staffs to develop a formal plan. The plan will establish cross-functional teams representing all business processes and procedural functions involved in rating schedule changes, including needs in areas of training curriculum; procedure, field guidance, and VA manual updates; rating automation; and other related areas. Targeted completion date is August 31, 2013.

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
***“VA DISABILITY COMPENSATION: Actions Needed to Address
Hurdles Facing Program Modernization”***
(GAO-12-846)

Recommendation 3: To ensure the rating schedule revisions are sustained beyond the current update project, we recommend that the Secretary of Veterans Affairs establish a formal policy, procedure, or mechanism to revise the rating schedule – with updated medical and earnings loss information – at regular intervals.

VA Response: Concur. VA is currently formulating a plan that evaluates the rating schedule revision process to date. This includes the acquisition and analysis of “lessons learned” data from the public forums, working groups, drafting of proposed rules, a Veteran Service Organization Summit, and the internal rulemaking concurrence process. VA is also reviewing auditing tools to determine the efficiency and effectiveness of operations associated with the revision process.

Evaluating the “lessons learned” data and auditing the current revision process will allow Compensation Service to establish a formal, continuous revision policy that is efficient, traceable, and transparent to produce a rating schedule that reflects up-to-date medical information. Targeted completion date is August 31, 2013.

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

Daniel Bertoni, (202) 512-7215 or bertonid@gao.gov.

Staff Acknowledgments

In addition to the contact named above, individuals making key contributions to this report were Brett Fallavollita, Assistant Director; Alison Grantham; Mark Ward; and James Whitcomb. In addition, key support was provided by James Bennett, Tim Carr, David Chrisinger, Alex Galuten, Kristen Jones, Jean McSween, Patricia Owens, and Almeta Spencer.

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