

# Department of Veterans Affairs (VA) Strategic Plan to Eliminate the Compensation Claims Backlog



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## Introduction

The Obama Administration has shown unwavering commitment to serve Veterans. VA has completed a record-breaking 1 million claims per year the last three fiscal years. But too many Veterans have to wait too long to get the benefits they have earned and deserve. These delays are unacceptable. This report outlines VA's robust plan to tackle this problem and build a paperless, digital disability claims system – a lasting solution that will transform how we operate and ensure we achieve the Secretary's goal of eliminating the claims backlog and improving decision accuracy to 98 percent in 2015 – to deliver faster, better decisions for Veterans.

The first section describes the compensation claims backlog.

The second section describes the VBA's Transformation Plan to improve personnel performance, redesign business processes, and replace paperbound and manual systems with digitized and automated ones.

The third section identifies two potential future factors that could further increase our claims volume over the three-year period, FY 2013 through FY 2015, and how we will address these challenges.

The fourth section focuses on performance management.

Finally, we provide more specific information on the Veterans Benefits Management System in the appendix to this document.

## Section 1: The Backlog

VBA completed a record-breaking 1M claims per year in fiscal years 2010, 2011, and 2012. Yet the number of claims received continues to exceed the number processed. In 2010 VBA received 1.2M claims. In 2011, VBA received another 1.3M claims, including claims from Veterans made eligible for benefits as a result of the Secretary's decision to add three new presumptive conditions for Veterans exposed to Agent Orange. In 2012, VBA received 1.08M claims. Over the last three years, the claims backlog has grown from 180K to 594K claims as of the end of December 2012.

For decades, the VBA system has carried an inventory of pending claims, and a backlog that was ambiguously defined and sometimes confused with inventory. In 2010, the Secretary of Veterans Affairs defined the backlog as any disability claim over 125 days old.

The number of service-connected disability claims grows during periods of armed conflict and economic downturn. The backlog also grows when policymakers establish new presumptive conditions, courts make new decisions, and legislators make laws that establish new entitlements.

In 2009, the Secretary made the decision to add three presumptive conditions (Parkinson's disease, ischemic heart disease, and B-cell leukemias) for Veterans who served in the Republic of Vietnam or were otherwise exposed to the herbicide Agent Orange. Beginning in 2010, VBA identified these claims for special handling to ensure compliance with the provisions in the Nehmer court decision that requires VA to re-adjudicate claims for these three conditions that were previously denied. Nehmer claims for all live Veterans were completed as of April 2012. VA identified the next of kin for the last remaining Nehmer survivor claim and awarded benefits in October 2012. To date, VA has awarded over \$4.4 B in retroactive benefits for the three new Agent Orange presumptive conditions to more than 150K Veterans and survivors

Many other factors have had an impact on the backlog, including initiatives to increase access and increased demand due to national security strategy and the economy:

#### Increased Access

1. Increased use of technology and social media by Veterans, families, and survivors to self-inform about available benefits and resources
2. Improved access to benefits through the joint VA and DoD Pre-Discharge programs
3. Additional presumptive decisions resulting in more claims for exposure-related disabilities
4. Extensive and successful use of VA outreach programs encouraging more Veterans to submit claims

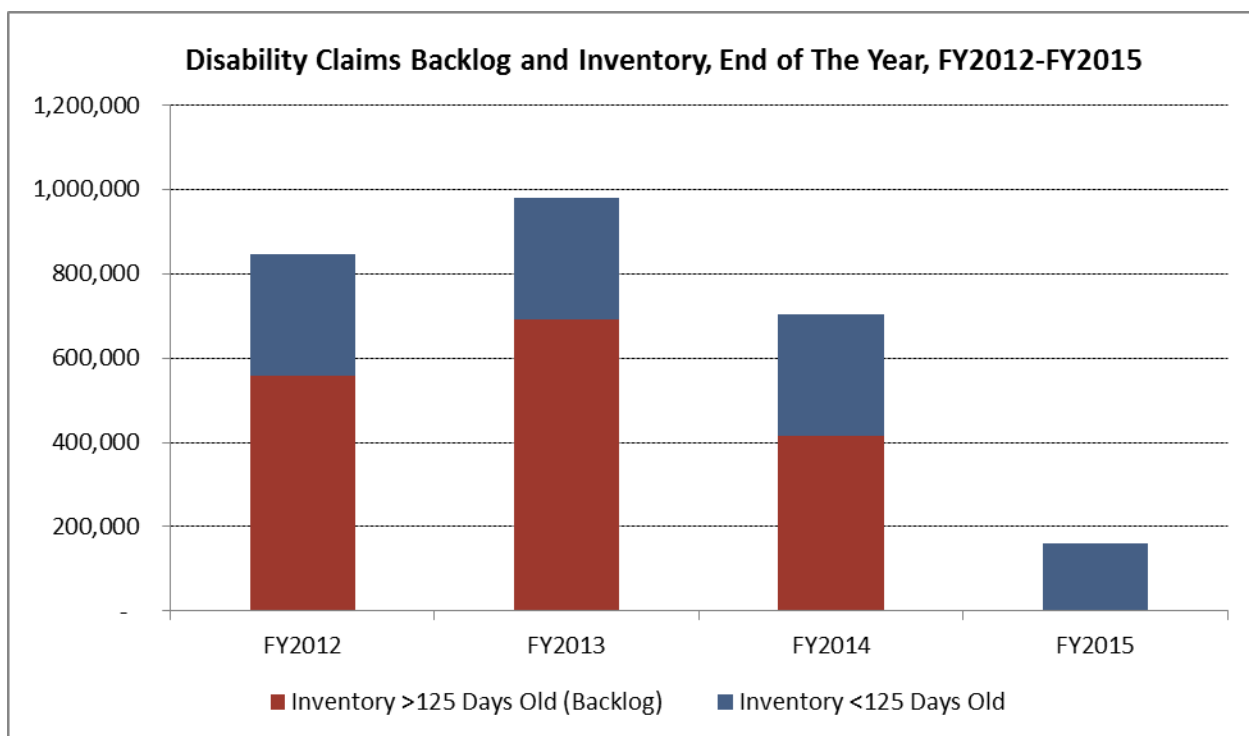
#### Increased Demand

1. Ten years of war with increased survival rates, resulting in more claims
2. Post-conflict downsizing of the military
3. Impact of a difficult economy
4. Growth in the complexity of claims decisions as of result of the increase in the average number of medical conditions for which each claimant files

## Section 2: The VBA Transformation Plan

VBA’s transformation is demanded by a new era, emerging technologies, the latest demographic realities, and a renewed commitment to today’s Veterans, family members, and survivors. In the face of dramatically increasing workloads, VBA must deliver first-rate and timely benefits and services – and they must be delivered with greater efficiency. VBA is aggressively pursuing its Transformation Plan, a series of tightly integrated people, process, and technology initiatives designed to eliminate the claims backlog and achieve our goal of processing all claims within 125 days with 98% accuracy in 2015. VBA is retraining, reorganizing, streamlining business processes, and building and implementing technology solutions based on the newly redesigned processes in order to improve benefits delivery.

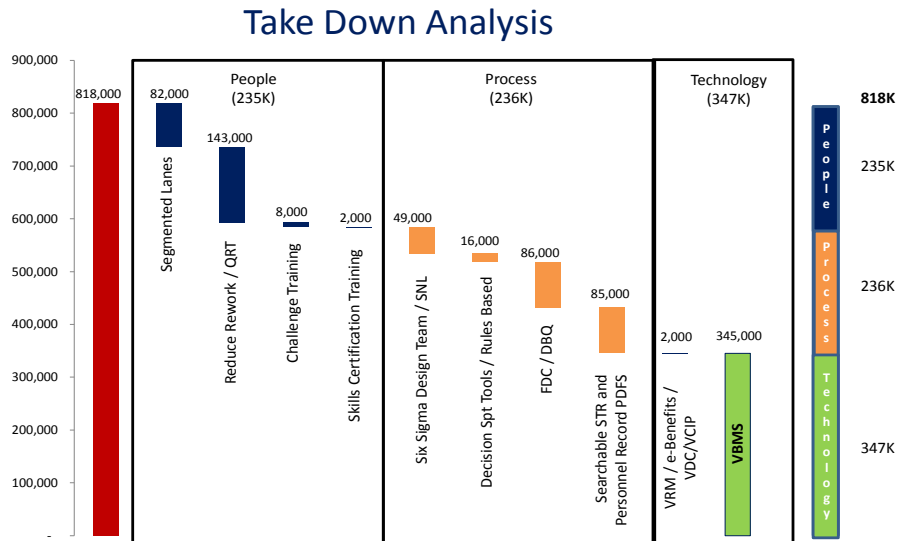
This integrated approach to people, process and technology in the VBA Transformation Plan will eliminate the backlog of disability compensation claims by the end of fiscal year 2015.



**Exhibit 1 Eliminate the Backlog Over Four Years by Increased Production Capacity**

The graph above displays the projected annual number of claims more than 125 days old in the inventory – what VBA defines as the backlog – at the end of each fiscal year. The continued growth in the inventory in 2013 reflects VBA’s projection that receipts will continue to exceed decision output until 2014. The chart depicts how the backlog will be eliminated over the period Q1 2014 (the first time production exceeds intake, see Exhibit 5) and Q4 2015 (when the no claim in the inventory is older than 125 days). These are the key milestones and dates VBA will meet. The timeline for eliminating the backlog could be affected if policymakers establish new presumptive conditions, courts make new precedential decisions, or legislators make laws that establish new entitlements.

The forecasted major Transformation initiatives on the disability claims backlog are summarized in the “Take-Down” Chart below. Specific reductions associated with each initiative are cumulative. The red bar represents the increased production required to eliminate the backlog of all claims more than 125 days old in 2015. The anticipated lift from the initiatives will create the take-down to reach zero backlog.



**Exhibit 2 Take Down Analysis**

The corresponding timeline for each of the “people, process, technology” components of VBA Transformation Plan are provided in Exhibit 3. Currently we are on track with the below milestone dates.

Focus	Initiative Name	Key Dates	Impact by Quarter														
			FY2011			FY2012			FY2013			FY2014			FY2015		
			4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
People	Segmented Lanes	16 RO's in FY12 Remaining RO's in FY13															
People	Reduce Rework/Quality Review Teams (QRT)	2QFY12															
People	Challenge Training	4QFY11															
People	Skills Certification Training	1QFY12															
Process	Six Sigma Design Team / Simplified Notification Letter (SNL)	2QFY12															
Process	VBMS Decision Spt Tools / Rules Based Processing	3QFY12 (IOC) 4QFY13 (FOC)															
Process	Fully Developed Claims (FDC)	3% FY12 20% 4QFY13															
Process	Disability Benefits Questionnaire (DBQ)	3QFY12 (IOC) 1QFY13 (FOC)															
Process	Searchable Service Treatment Records (STR) and Personnel Record PDFs	1QFY13 (IOC) 4QFY13 (FOC)															
Technology	VRM/e-Benefits/VDC	4QFY12 (IOC) 4QFY13 (FOC)															
Technology	VBMS	16 RO's in CY12 34 RO's in FY13 6 RO's 1QFY14															

**Exhibit 3 Effective Dates by Initiative**

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A more detailed description of the plan's initiatives is provided below.

## 1.0 People

VBA's employees are the key to Transformation success, and over 50% of them are Veterans themselves. In order to have the best-trained, most efficient and highly skilled workforce, VBA is changing how its workforce is organized and trained to decide disability compensation claims. The productivity of the workforce and the accuracy of decisions are being increased through new national training programs and standards. VBA's new standardized organizational model incorporates a case-management approach to claims processing. VBA is reorganizing its workforce into cross-functional teams that enable employee visibility of the entire processing cycle of a Veteran's claim. These cross-functional teams work together on one of three segmented lanes: express, special operations, or core. Claims that predictably can take less time will flow through an express lane (30%); those taking more time or requiring special handling will flow through a special operations lane (10%); and the rest of the claims flow through the core lane (60%).

VBA projects that segmented lanes can accelerate 350K "express" claims from 262 days to complete to 80 days, a reduction of 182 days, reducing average days to complete (for all claims) by 54 days. As of December 2012, 51 regional offices implemented this structure, and the remaining 5 offices are implementing the new model during the second quarter of FY 2013.

VBA instituted Challenge Training in 2011 and Quality Review Teams (QRTs) in 2012 to improve employee training and accuracy while decreasing rework time. Challenge Training is focused on overall skills and readiness of the workforce, and QRTs focus on improving performance on the most common sources of error in the claims processing cycle; data on VBA's largest sources of error are captured and analyzed by its National Accuracy Team. Today, for example, QRTs are focused on the process by which proper physical examinations are ordered; incorrect or insufficient exams previously accounted for 30% of VBA's error rate. As a result of this focus, VBA has seen a 23% improvement in this area.

The 1,900 new employees who have received Challenge Training decide 150% more claims per day than predecessor cohorts, with a 30% increase in accuracy, i.e. these new employees decide 30% more claims per day than previous groups of employees at a similar stage in their development. This is a marked improvement in performance, and is being scaled across the entire enterprise. As of 1 March 2012, VBA initiated a new Challenge course focused on improving the low performing regional offices.

VBA established Quality Review Teams (QRTs) in all 56 regional offices on 1 March 2012 to provide timely, responsive quality assurance and training to its workforce. These QRTs reduce the lag-time in measuring accuracy from 4 months to 1 week, permitting timely corrective actions to prevent repeat errors. VBA also focused its new QRTs on "in process reviews" (IPRs) for training on errors made repeatedly and in high volume.

VBA tracks the impact of these initiatives on accuracy through a 3-month rolling average accuracy metric that is reported in ASPIRE and can be seen by anyone inside or outside VA. FY 2012 data demonstrated a 3% increase in national accuracy standards from 83% to 86%. The accuracy outcome objectives for the next 3 years are: 90% in FY 2013, 93% in FY 2014, and 98% in FY 2015.

## 2.0 Process

Through process-improvement initiatives, VBA is rapidly developing and testing streamlined business processes, focusing on eliminating repetition and rework. VBA established a "Design Team" concept to support business-process transformation. Using design teams, VBA conducts rapid development and testing of process changes and automated processing tools in the workplace. This design team process demonstrates through pilot initiatives that changes are actionable and effective before they are implemented nationwide.



Since 2009, VBA has actively solicited innovative ideas for process improvement from Veterans, employees, and industry stakeholders through a variety of structured mechanisms. Literally thousands of ideas were received and culled down to those with the largest potential to attack the backlog. For example, automated Disability Benefits Questionnaires (DBQs) (discussed below) – arguably one of the most highly leveraged changes – came from one of the VBA employee idea competitions. Additionally, VBA has also conducted Lean Six Sigma and Kaizen events on these selected targets of opportunity, all focused on 5 major areas of focus: wait time, rework, productivity, digital intake, and variance.

VBA also implemented the Simplified Notification Letter initiative. This initiative has reduced key strokes and automated production language in preparation of the Veteran’s decision letter, thus improving rating decision productivity and accuracy. VBA implemented this initiative on 1 March 2012; it has decreased claims “waiting” for a rating decision by 35%. This translated into nearly 32K more rating decisions in the month of July (115,912) than in the month of March (84,115). At this rate and adjusting for the percentage of the claims processing cycle that the rating component represents (approximately one-third), VBA will complete 120K additional claims per year. Again, this is a national level initiative that is deployed in all 56 regional offices.

VBA has built new decision-support tools to improve efficiency and consistency (accuracy) and reduce rework. The stand-alone evaluation builders and rules-based calculators (for 52 body systems) have been deployed in a “rudimentary” capacity to all 56 regional offices. The evaluation builder functionality has been integrated for all body systems and is included in the electronic claims processing system known as the Veterans Benefits Management System (VBMS). In the test phase with new employees, these calculators improved the accuracy and consistency of non-complex claims decisions by 9%, from 89% to 98%. Future VBMS releases will contain integration with DBQs.

Fully Developed Claims (FDCs) are critical to achieving VBA’s goals. A fully developed claim is one that includes all DoD service medical and personnel records, including entrance and exit exams, applicable DBQs, any private medical records, and a fully completed claim form. An FDC is critical to reducing “wait time” and “rework”. Today, VBA receives only 3% of claims in fully developed form<sup>1</sup>. When a qualified FDC is received, VBA is not required to continue the long and exhaustive search for “potential evidence” as mandated by the Veterans Claims Assistance Act. This mandate, known as the “Duty to Assist” Act, is the greatest portion of the current 262-day process. Today, VBA completes these FDCs in 117 days.

VBA’s target for FY 2013 is to increase these FDCs to 20% – meaning VBA will have the ability, if this goal is reached, to decide 153K additional claims in 117 days. VBA is exploring “monetary and/or nonmonetary” incentives for its VSO partners to increase FDC submission because of the game-changing impact this can have on claims-decision timeliness, including creation of a National Honor Roll to recognize exceptional and outstanding achievement that is of significant benefit to the nation with regard to eliminating the disability claims backlog and supporting Transformation. A 20% FDC submission level will increase annual production by 70K claims and reduce overall average days to complete by 18 days.

An agreement by DoD to provide 100% complete service treatment and personnel records for the 300K departing Active Duty, National Guard and Reserve Servicemembers – in an electronic, searchable format – will further increase the number of FDCs. When implemented, this action will cut as much as 60-90 days from the “awaiting evidence” portion of claims processing, and reduce the currently needed time to make a claim “ready for decision” from 133 days to 73 days for departing Servicemembers.

Electronic DBQs are forms that physicians complete during an exam that contain explicit medical information needed to decide a disability compensation claim. The single largest category for rework

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<sup>1</sup> 25K of June’s 766,234 pending claims



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that results in delays in rating decisions is exams that contain insufficient data. Fully and properly completed DBQs would eliminate these errors.

Veterans Health Administration (VHA) medical exam support for the increase in claims is estimated at 500K exams per year beginning in FY 2013. This projection is associated with the additional disability claims production from FY 2013 through FY 2015. Since 61% of the claims in backlog are supplemental claims, the likelihood is high that a Veteran's disability will be rated at a 50% or higher level, placing these Veterans in a higher priority group for care.

The DBQs, now deployed to all 56 regional offices, can increase production by 60K claims while reducing overall average days to complete by 16 days. Seventy-one DBQs are now available to private physicians as well. VBA continues to seek DoD use of DBQs in exit exams.

### 3.0 Technology

Key to VBA's transformation is ending the reliance on the outmoded paper-intensive processes that thwart timely and accurate claims processing. VBA is deploying technology solutions that improve access, drive automation, reduce variance, and enable faster and more efficient operations. VBA's planned digital, paperless environment will also enable greater exchange of information and increased transparency to Veterans, the workforce, and stakeholders.

VBMS is a web-based, electronic claims processing solution complemented by improved business processes. It will assist in eliminating the existing claims backlog and serve as the technology platform for quicker, more accurate claims processing.

Moreover, VBMS will reduce delays resulting from errors in medical exam processing by incorporating Disability Benefits Questionnaire (DBQ) selection into the electronic claims development. The accuracy and timeliness of rating decisions will also be improved via the VBMS evaluation builder and rules-based decision-support tools.

National deployment of VBMS began in 2012, with a total of 18 ROs operational as of the end of the calendar year. Deployment to the remaining stations will be completed by the end of calendar year 2013. We estimate that once VBMS is fully developed, integrated, and implemented, it will help improve VBA's production performance by at least 20% (in each of fiscal years 2014 and 2015) and accuracy by at least 8%.

VBA recently established the Veterans Claims Intake Program (VCIP). This program is tasked with streamlining processes for receiving records and data into VBMS and other VBA systems. Scanning operations and the transfer of Veteran data into VBMS are primary intake capabilities that are managed by VCIP. As VBMS is deployed to additional regional offices, document scanning will become increasingly important as the main mechanism for transitioning from paper-based claim folders to the new electronic environment. The VCIP contractors began scanning on September 10, 2012. The ramp-up volume mirrored the VBMS deployment plan for the 18 regional offices on VBMS as of the end of CY 2012. By the end of December 2012, the VBA contractors were providing 5M images per month. By the end of CY 2013, the contractors will be providing 70M images per month.

With electronic submission, we anticipate shaving 18 days from the ADC, in addition to eliminating mailing, shipping, copying and storage costs for these claims records.

A crucially important element of our technology plan is the ability to file an on-line claim through a new DoD-VA shared self-service portal called eBenefits, which is part of the Veterans Relationship Management (VRM) initiative. VRM will provide multiple self-service options for Veterans and their service providers. In addition to eBenefits, VRM includes the Stakeholder Enterprise Portal (SEP), the Direct Electronic Gateway (D2D), and VLER-dependent intake solutions like Access or Direct Connect

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that provide service treatment records (STRs) from DoD and medical records from VHA, and – with the new DBQs – private physicians.

VBA estimates that 10% of claims will be submitted in this format in 2013, 25% in 2014, and grow to 75% by 2015. For example, because VSOs represent an estimated 60% of compensation claimants, usage of SEP/D2D (a special service for VSOs and States with their own electronic submission system) is estimated to peak at approximately 60,000 claims per month in 2015, or 3,000 per day through that channel alone.

## 4.0 Implementation Strategy

VBA has implemented many initiatives nationally and is currently in the phased deployment of its new organizational model and VBMS. VBA is closely tracking current metrics and is already seeing success. VBA is expanding what is measured to more clearly show the impact of the Transformation initiatives, both at local and national levels. VBA also continues its quest for additional new and innovative ideas to further transform our claims processes.

VBA's Implementation Center, established at VBA headquarters as a program management office, is streamlining the process of transformation by ensuring new ideas are approved through a governance process, and that implementation and training are carefully planned and executed utilizing a comprehensive change-management approach. This allows VBA to focus on implementing initiatives that will achieve the greatest gains, without degrading current performance.

The VBA Transformation Plan is designed to build upon success and prepare each regional office with key capabilities to meet the needs of the future. First, VBA implemented national initiatives at all 56 regional offices, including Challenge Training, Quality Review Teams, Skills Certification Testing, Simplified Notification Letter, and Fully Developed Claims. By building support and trust with its labor partners through these national initiatives, VBA built the foundation for the larger organizational change management effort. An emphasis was placed on training and communication during this first stage to prepare the workforce for the new reality.

VBA accelerated the implementation of the new organizational model of segmented lanes with cross-functional teams. Given the magnitude of this change, each office transitions to the new organizational model individually. Significant support and training from VBA central office are critical in this stage. As of December 2012, the new organizational model is fully operational at 51 regional offices. The remaining five regional offices are implementing the model during quarter 2 of FY 2013.

After employees are comfortable with the new organizational model, technology tools are added in the third and final phase. VBMS is the cornerstone of VBA's technology transformation efforts and provides the new electronic environment for claims processing at VBA. VBMS was operational at 18 ROs as of the end of 2012 and will be deployed to the remaining 38 ROs by the end of CY 2013.

By using this phased approach, VBA is able to build upon previous training efforts, continually realize productivity gains, and ensure successful integration of the people, process, and technology initiatives.

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## Section 3: Potential Future Factors

Implementation of VBA's transformation is currently on track based on our current workload projections. However, VBA continues to evaluate other external factors that could potentially have an impact. As VBA assesses and works through these potential factors, VBA will make strategic adjustments to the plan, continuing to engage with Congress and other stakeholders throughout the process.

The current plan does not include two important factors. These factors could add an estimated 774K claims over the 3-year period FY 2013 through FY 2015. While critical policy decisions have yet to be made, the consequence of these complicating factors may require additional productivity improvements and/or resources to achieve the 125/98 goal in 2015.

### 1.0 Veterans Opportunity to Work Act/Veterans Employment Initiative (VOW/VEI)

The VOW to Hire Heroes Act of 2011 mandated participation in the Transition Assistance Program for all separating Servicemembers as well as Guard and Reserve members activated for more than 180 days. The Transition Assistance Program provides information and assistance to separating Servicemembers to ensure a successful transition from military to civilian life. VA successfully implemented Mandatory TAP on November 21, 2012. It is projected that 307K military personnel will transition to civilian status annually over the next four years, and VA will provide comprehensive benefit briefings at 250 sites around the world. Mandatory TAP includes an employment class delivered by the Department of Labor and a benefits brief delivered by VA.

Subsequently the President announced the inauguration of the Veterans Employment Initiative (VEI). VEI enhanced the existing Transition Assistance Program, adding optional modules of instruction for technical training, education, and small business startup. It also directed one-on-one counseling and a warm hand-off for Servicemembers transitioning to civilian life. VEI is to be fully implemented no later than 30 September 2013.

Servicemembers will transition into civilian life through the VOW/VEI program each year and file claims for compensation at increased rates, resulting in additional new claims over the next three years.

### 2.0 Camp Lejeune

Veterans who served at U.S. Marine Corps Base Camp Lejeune, North Carolina, were potentially exposed to contaminants present in the base water supply prior to 1987. To ensure fairness and consistency in claims processing, adjudication of Camp Lejeune claims has been centralized at the Louisville, Kentucky, Regional Office, with tracking measures initiated. The population assigned to Camp Lejeune during the time period 1957-1987 is estimated by the Department of the Navy to be 630K. A newly enacted law provides health care to Veterans and their families who resided at Camp Lejeune during this period and have one of 15 specified medical conditions. While this law does not change the eligibility requirements for granting entitlement to compensation, it can be expected to drive an increased volume of claims related to Camp Lejeune, potentially as many as 165K new claims. As stated above, any significant growth in these claims would require additional resources to achieve VBA's 2015 goals. VA continues to decide Camp Lejeune claims on a case-by-case basis based on the factual and medical evidence in each claim (including length of time at Camp Lejeune, place of residence and work (on or off base), and medical and scientific evidence or opinions pertaining to the link between any current medical conditions and past presence at Camp Lejeune).

## Section 4: Performance Management

VBA is tracking execution of its Transformation Plan against its key measures of performance that are tracked daily, weekly, monthly, and on a fiscal year basis. VBA’s Implementation Center, established at VBA headquarters as the Transformation program management office, utilizes a comprehensive change management approach to oversee initiative deployment and execution. The focus is on implementing initiatives that achieve the greatest gains, without degrading current performance.

The dashboard below tracks key organizational performance measures.

Exhibit 4 Executive Level Dashboard

Executive Level Dashboard														
		Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12
Rating Bundle Inventory and Completes	# Claims Pending	823,156	837,619	844,166	849,439	857,719	861,755	857,291	863,851	873,439	865,732	856,092	846,590	855,552
	Target	821,142	822,929	824,717	826,504	828,292	830,079	831,867	833,654	835,442	837,229	839,017	840,000	852,424
	# Claims Backlogged	505,335	525,875	540,646	559,972	569,506	567,166	562,726	566,381	572,243	577,877	568,043	557,191	569,717
	Target	498,994	503,449	507,905	512,360	516,816	521,271	525,727	530,183	534,638	539,094	543,549	546,000	558,766
	% Claims Backlogged	61.4%	62.7%	64.0%	65.9%	66.3%	65.8%	65.6%	65.6%	65.5%	66.8%	66.4%	65.8%	66.6%
	Target	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	66.0%
	# Received	90,327	88,893	86,321	85,201	89,170	99,736	85,875	89,680	89,744	88,887	97,822	88,686	89,618
	Target													
	# Claims Completed	77,626	74,430	79,774	79,928	80,890	95,700	90,339	83,120	80,156	96,594	107,462	98,188	80,656
	Target	94,000	94,000	98,700	94,000	94,000	103,400	98,700	103,400	98,700	98,700	108,100	89,300	111,233
# Issues Completed*	346,882	332,094	346,747	371,225	404,816	495,783	486,693	476,163	450,888	455,471	546,620	479,092	425,749	
Target														
Rating Bundle Timeliness and Accuracy	ADC MTD	223.1	224.3	232.9	244.9	254	259.5	275.5	278.3	284.7	278.9	284.1	282.6	277.1
	Target													
	ADC FYTD	223.1	223.7	226.9	231.5	236.1	240.7	246.2	250.2	253.9	256.8	259.8	262.0	277.1
	Target	230.0	230.0	230.0	230.0	230.0	230.0	230.0	230.0	230.0	230.0	230.0	230.0	250.0
	3 Month Rolling Accuracy*	84.5%	85.2%	86.1%	87.3%	87.0%	87.0%	86.9%	86.9%	86.0%	85.5%	85.5%	85.7%	85.1%
Target	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%	90.0%	
BDD and QS	# BDD Received	3,115	2,559	2,103	2,560	2,191	1,931	1,960	2,059	2,696	2,923	4,753	3,452	3,311
	# BDD Claims Completed	1,847	1,528	1,441	1,799	1,588	2,007	2,291	2,188	2,280	2,258	2,834	2,883	2,562
	# QS Received	2,748	2,633	2,411	2,180	2,119	1,965	2,125	2,015	2,568	2,167	5,945	2,194	2,630
	# QS Claims Completed	1,795	1,490	1,624	2,016	1,929	2,515	2,699	2,817	3,349	4,325	5,448	4,926	3,262
FTE Level Data	Claims Produced per Direct FTE MTD*	5.5	5.3	5.7	5.7	5.7	6.8	6.4	5.9	5.7	6.9	7.6	7.0	5.6
	Claims Received per Direct FTE MTD*	6.4	6.3	6.1	6.0	6.3	7.1	6.1	6.3	6.4	6.3	6.9	6.3	6.2
*Data is only available for this metric on a month-end basis.														
Note: Receipts are calculated as follows: Pending end of current week - Pending Beginning of month + Completed Month-to-Date														

### TERMS OF EXHIBIT 4

**# of Claims Pending** – All disability claims received by VBA that are currently in process, whether pending for just a few hours or part of VBA’s backlog (over 125 days). The inventory is dynamic rather than static.

**# of Claims Backlogged** – All disability claims in the inventory that have been pending more than 125 days. Goal is no claims over 125 days in 2015.

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**% of Backlogged Claims** – Percent of disability claims in the inventory that have been pending more than 125 days, tracking toward VBA’s 2015 goal of no claims pending over 125 days

**# of Claims Receipts** – Volume of incoming disability claims added to the inventory, both original (first-time) claims and supplemental claims (claims for increased benefits and new conditions).

**# of Claims Completed** – Number of disability claims for which a rating decision has been finalized and all other administrative actions (decision notification, award, etc.) completed. VBA’s Transformation Plan includes initiatives directed toward increasing decision output (claims completed) above the volume of incoming claims (claims receipts) in order to eliminate the backlog.

**# of Issues Completed** – Number of specific disabilities rated within the disability claims that have been completed (referred to as “issues”). Veterans today are claiming many more disabilities (between 11 and 14 for GWOT Veterans), resulting in increasing numbers of issues rated, adding to complexity of the process and the time to complete the claim.

**Average Days to Complete (ADC) (Monthly)** – The average elapsed time from the date the claim is received by VBA to the date all actions have been completed on the claim. This is the key timeliness outcome measure for Veterans, but will reflect policy decisions to complete “old” claims first.

**Average Days to Complete (ADC) (FYTD)** – Cumulative decision timeliness measure that tracks performance against VBA’s annual and strategic goals.

**3-Month Rolling Accuracy** – Assessment of disability claims decision accuracy conducted under VBA’s national quality assurance program. A statistically valid number of cases is reviewed and tracked for each regional office and nationally on a rolling 12-month basis. VBA now also tracks this 3-month rolling average as a more immediate indicator of the impact of transformational initiatives.

**Claims Processed per Direct FTE** – Measure of organizational performance that assesses the number of completed claims against all FTE directly involved in and contributing to claims processing.

**Claims Received per Direct FTE** – Measure of organizational performance that assesses the number of incoming claims against all FTE directly involved in and contributing to claims processing. Goal is for Claims Completed per Direct FTE to exceed Claims Received per Direct FTE, thus driving down the backlog.

The following graphs show the estimated change in claims received, claims produced under the Transformation initiatives, the timing of the initiatives, and the resultant elimination of the backlog prior to the end of FY 2015:

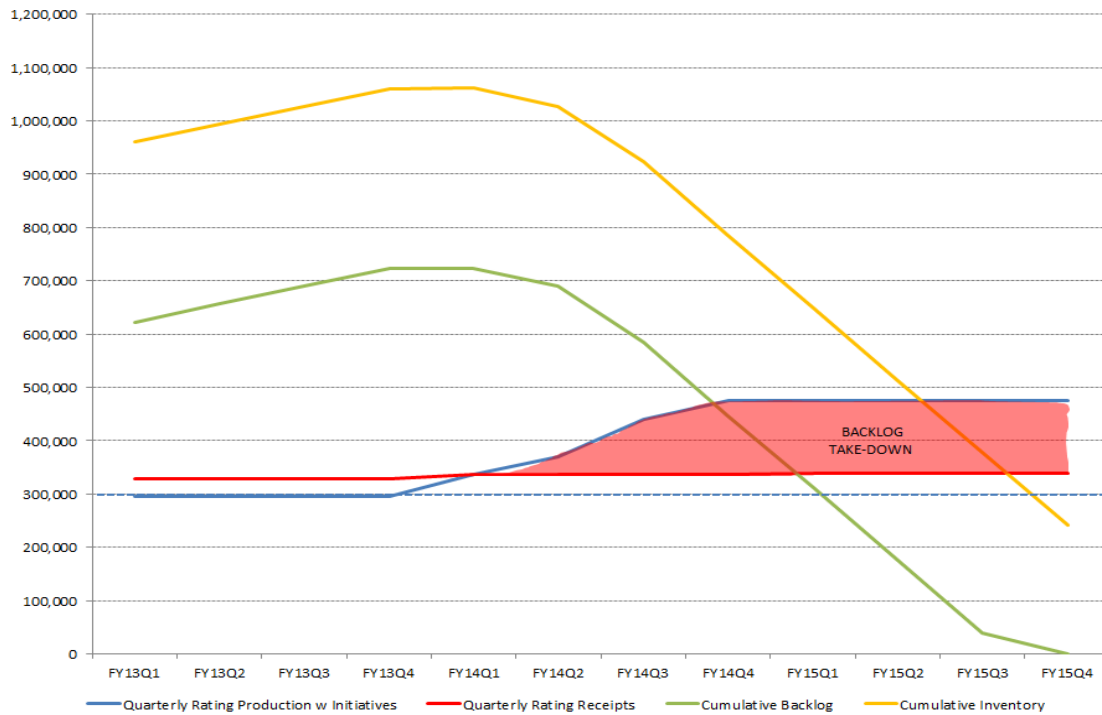


Exhibit 5 Take Down Chart

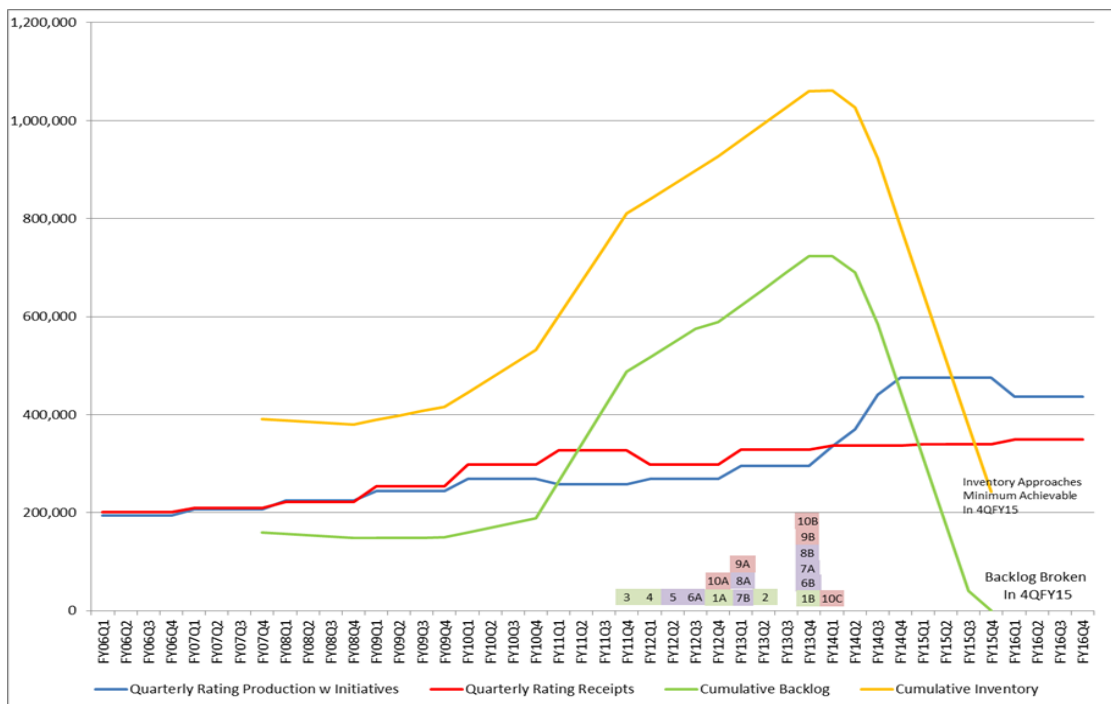


Exhibit 6 Initiatives Timeline Chart and Supporting Initiative Table



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## Appendix: Veterans Benefits Management System (VBMS)

VBMS is an IT system designed to help claims adjudicators reach timely and informed decisions in a digital environment. VBMS will enable the five steps of the standard claims adjudication process including establishment, development, evidence, rating, and awards.

### *Background*

In 2010, an initial version of VBMS was deployed at VA ROs in Providence, RI and Salt Lake City, UT as part of a pilot to develop and test the software and identify functionality enhancements for future iterations. Those sites received infrastructure and application enhancements during the course of the development cycle to ensure scalability for national deployment. The application enhancements resulted in deployment of key functionality for claims establishment, rating, and general correspondence.

### *Implementation Status*

The VBMS Project Management Office (PMO) has made significant progress toward the goal of national deployment, which began in the summer 2012 and will continue through CY 2013. VBMS has been deployed to additional ROs in a phased implementation approach designed to minimize operational and performance disruptions that typically accompany major transformation efforts.

As of December 2012, VBMS was deployed at 18 ROs. National deployment of VBMS to all 56 ROs is scheduled for completion by the end of CY 2013.

The following schedule outlines the recently completed deployment schedule:

- Completed Deployments:
  - March 2012: FT Harrison, MT and Wichita, KS
  - September 2012: Hartford, CT
  - November 2012: Huntington, WV; Des Moines, IA; Newark, NJ; New Orleans, LA; and Milwaukee, WI
  - November 26, 2012: Phoenix, AZ; Cleveland, OH; Salt Lake City, UT (full site); Houston, TX; and Boise, ID
  - December 10, 2012: Montgomery, AL; Portland, OR; Atlanta, GA; San Diego, CA; and Winston-Salem, NC

VBMS implementation, along with institutionalization of complementary people, process, and other technology initiatives, will increase the overall efficiency and timeliness of claims processing.

### *Functionality*

As of January 22, 2013, 48,751 rating workload claims have been established in VBMS since the beginning of the program, including 43,337 claims established in FY 2013 following deployment to 18 regional offices.

During the pilot phases, VBMS improved electronic claims adjudication to an average of 115 days (versus an average of 262 days for a paper-based claim decision). Additionally the VBMS Rating application's Evaluation Builder and rules-based calculators have reduced re-work and improved the

efficiency and consistency of rating decisions. In the test phase with new employees, these calculators improved the accuracy and consistency of non-complex claims decisions by 9%, from 89% to 98%.

The last two major releases of VBMS have added system functionality aimed at increasing the efficiency and timeliness of the VBA claims process. The VBMS PMO also implemented a number of software patches to improve the overall performance and user experience of VBMS based on user feedback from the pilot sites.

The following sections describe the system functionality that has been added over a series of incremental releases.

### *Major Release 3.0*

- New functionality (including the VBMS Checklist, Development Log, Body System Suggestions, Assembly of Veterans Claims Assistance Act (VCAA) Letters for original claims and claims for increase, and Disability Benefits Questionnaire (DBQ) recommendations) to increase efficiency of development activities and reduce potential for errors and downstream rework.
- Rules-based decision recommendation tools and Evaluation Builder functionality in the VBMS Rating application to increase the efficiency and consistency of rating decisions and allow more time for raters to focus on complex issues and claims.
- Capabilities for a VSR to hold multiple roles and temporarily assign one or multiple claims among ROs to improve transparency and enable better collaboration via electronic brokering.
- Ability for authorized Veterans Service Organization representatives (VSOs) to view the status of claims and access rating decisions immediately.
- Readily accessible information on one screen with an embedded online help tool.
- New reference architecture for all existing and new VBMS testing and development environments for consistent and predictable implementation of new releases.

### *Release 3.0 Software Patches*

- VBMS patch to improve work-queue indexing, performance, and user-experience and reduce the time it takes users to process contentions in VBMS.
- Prioritized defect repairs and additional performance optimization improvements for claim establishment, eFolder, search, work queue, contention processing, and faster document-loading capabilities.

### *Major Release 3.5*

- Enhancements to the design and usability of the VBMS eFolder to enable VSRs to more easily view and manage documents.
- Federal third-party letter generation to increase efficiency of development activities and reduce potential for errors and downstream rework.
- Automated decision recommendations and additional Evaluation Builder functionality to facilitate more consistent, accurate, and timely rating decisions.
- Ability for commercial scanning vendors to upload documents to VBMS via electronic interface.
- Ability for VSOs to filter all of their pending claims in a separate queue to improve the transparency and timeliness of decisions.

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### *Major Release 4.0*

- Integration with VONAPP Direct Connect (VDC) to enable VBMS to accept electronically filed claims. This increases efficiency and reduces costs associated with scanning and validating documents.
- Enhancements to the eFolder user interface. These enhancements resulted in a more user-friendly experience and efficient navigation through the eFolder.

VBMS Release 4.1 will be deployed on January 28 and includes the ability to generate multiple letters for a single Veteran and enhanced eBenefits integration. This release will further increase claims processing accuracy and timeliness via new functionality.

### *Claims Intake*

Currently, 97% of all claims received by VBA are in paper form, as are all of the various forms of information necessary to develop the claim, including medical information as well as service information from DoD. Moreover, 60% of all claims received are requests for additional compensation from a Veteran who already has an adjudicated claim. That claim must be converted from its current paper form into scanned images and data before the additional request can be developed and adjudicated.

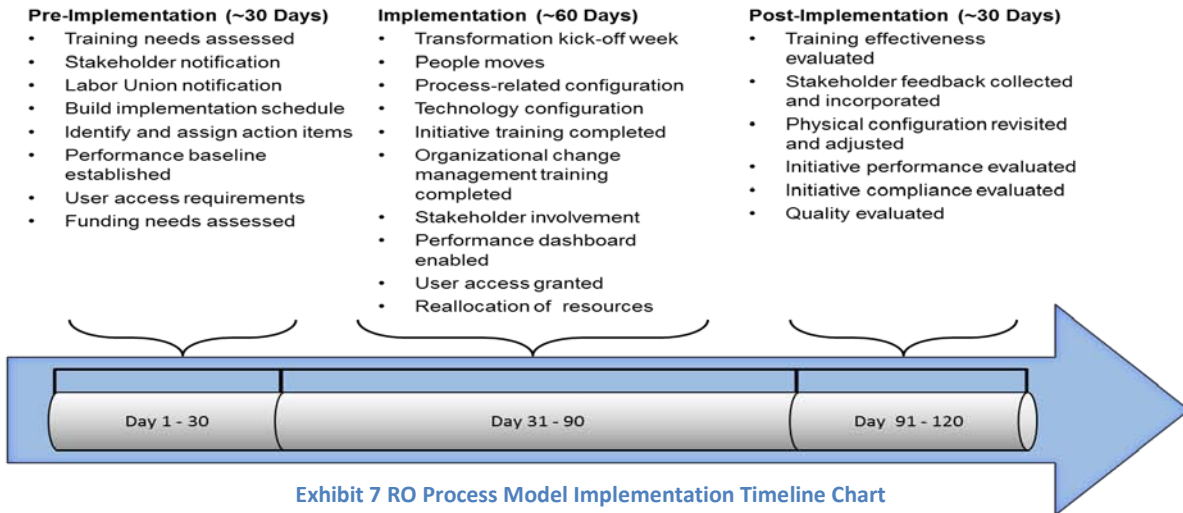
VBMS is designed to process claims in a completely electronic environment. All claim information must be either received in electronic form (data and/or images) or must be converted to electronic form.

Consequently, and out of necessity, the Veterans Claim Intake Program (VCIP) has been established to develop strategies for receiving scanned images from a scanning vendor as the primary intake method for claims and claims information. It is VBA's goal and expectation that intake of new claims information can quickly be converted to direct receipt of electronic data; for example, from claims information entered directly by a Veteran on a web-based form. However, the sheer volume of existing paper-based claims and the fact that 60% of all claims are "supplemental" to an existing adjudication ensure that the VBMS system will need to accommodate a large volume of scanned images in the foreseeable future (approximately 60M images per month).

**Transformation Implementation Timelines**

The charts below show the implementation timelines for the transformation organizational model and VBMS:

**Initiative Implementation Timeline**



**Exhibit 7 RO Process Model Implementation Timeline Chart**

	Station Name	Organizational Model Kick Off	VBMS Go-live		Station Name	Organizational Model Kick Off	VBMS Go-live
1	Wichita	FY12 Q2	CY12 Q1	31	Roanoke	FY13 Q1	
2	Ft. Harrison	FY12 Q2	CY12 Q1	32	Reno	FY13 Q1	
3	Huntington	FY12 Q3	CY12 Q4	33	Albuquerque	FY13 Q1	
4	Hartford	FY12 Q3	CY12 Q3	34	Muskogee	FY13 Q1	
5	Des Moines	FY12 Q3	CY12 Q4	35	Boston	FY13 Q1	
6	New Orleans	FY12 Q3	CY12 Q4	36	Manchester	FY13 Q1	
7	Newark	FY12 Q4	CY12 Q4	37	Detroit	FY13 Q1	
8	Milwaukee	FY12 Q2	CY12 Q4	38	San Diego	FY13 Q1	
9	Phoenix	FY12 Q3	CY12 Q4	39	Chicago	FY13 Q1	
10	Cleveland	FY12 Q4	CY12 Q4	40	Baltimore	FY13 Q1	
11	Salt Lake City	FY12 Q4	CY12 Q4	41	Buffalo	FY13 Q1	Planned But Not Released
12	Houston	FY12 Q3	CY12 Q4	42	Nashville	FY13 Q1	
13	Boise	FY12 Q3	CY12 Q4	43	Winston-Salem	FY13 Q1	
14	Montgomery	FY12 Q4	CY12 Q4	44	St. Petersburg	FY13 Q1	
15	Portland	FY12 Q3	CY12 Q4	45	St. Louis	FY13 Q1	
16	Atlanta	FY12 Q4	CY12 Q4	46	Anchorage	FY13 Q1	
17	San Juan	FY12 Q3	CY13 Q3	47	Little Rock	FY13 Q1	
18	Indianapolis	FY12 Q2	CY13 Q3	48	New York	FY13 Q1	
19	Louisville	FY13 Q1	CY12 Q4	49	Fargo	FY13 Q1	
20	Pittsburgh	FY13 Q1	CY12 Q4	50	Wilmington	FY13 Q1	
21	Oakland	FY13 Q1		51	White River Junction	FY13 Q1	
22	Sioux Falls	FY13 Q1		52	Honolulu	FY13 Q2	
23	Jackson	FY13 Q1		53	Waco	FY13 Q2	
24	Denver/Cheyenne	FY13 Q1	Planned But Not Released	54	Seattle	FY13 Q2	
25	Togus	FY13 Q1			55	Los Angeles	FY13 Q2
26	Columbia	FY13 Q1		56	Manila	FY13 Q2	
27	Lincoln	FY13 Q1					
28	Providence	FY13 Q1					
29	Philadelphia	FY13 Q1					
30	St. Paul	FY13 Q1					

FY12	18 Organizational Model	CY12	18 VBMS
FY13 Q1	33 Organizational Model	CY13	38 VBMS
FY13 Q2	5 Organizational Model		

**Exhibit 8 Organizational Model and VBMS Regional Office Rollout Chart**

The chart below shows the quarterly implementation plan for an individual RO, in this case, the Phoenix RO.

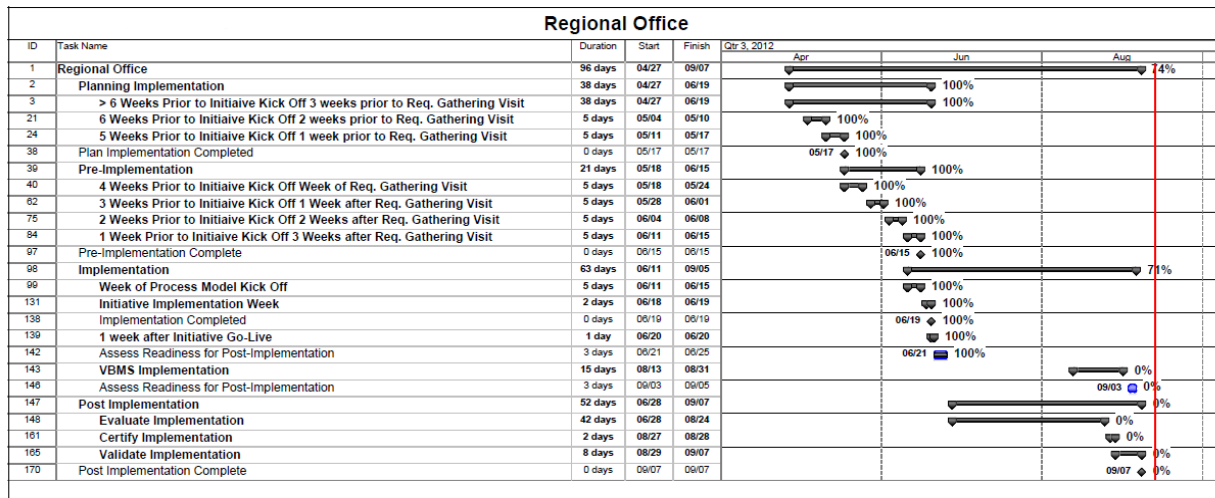


Exhibit 9 Implementation Plan by Quarter

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The exhibit below shows recent completion dates for the VBMS milestones.

### VBMS Milestones

<b>Milestone Title</b>	<b>Milestone Completion Criteria</b>	<b>Completion Date</b>
Major Release 3.0	3.0 expanded upon version 2.4 system functionality and provide the product baseline to support National Deployment	September 2012
3.1	Release 3.1 patch improved work queue indexing, system performance, and end-user experience in processing contentions	September 2012
Deployment	VBMS Deployment to Hartford RO	September 2012
3.5	Release 3.5 included eFolder enhancements, federal third-party letters, and seven embedded calculators.	November 2012
3.5 Patch	Patch Release to 3.5 included the VSO work queue.	November 2012
Deployment	VBMS deployment at Huntington, Des Moines, New Orleans, Newark, and Milwaukee ROs	November 2012
Deployment	VBMS deployment at Phoenix, Cleveland, Salt Lake City, Houston, and Boise ROs	November 2012
Major Release 4.0	4.0 will be able to intake all claims and associated documents are submitted electronically via VONAPP Direct Connect (VDC).	December 2012
Deployment	VBMS deployment at Montgomery, Portland, Atlanta, San Diego, and Winston Salem Regional Offices.	December 2012

**Exhibit 10 VBMS Milestones**