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REENGINEERING CLAIMS PROCESSING:

A CASE FOR CHANGE



VETERANS BENEFITS ADMINISTRATION

DECEMBER 1996

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## EXECUTIVE SUMMARY

This report describes a new vision for handling veterans' disability compensation and pension claims. The nation's veterans can be better served, at lower cost, by a modern claims processing system. This report documents the business process reengineering (BPR) effort, which has:

- taken a fresh look at the goals of the disability compensation and pension programs;
- investigated the current obstacles to fair and speedy claims processing;
- explored alternative means to fulfill strategic goals;
- articulated a vision for a more modern, responsive system; and
- estimated the performance benefits and costs of moving toward that vision.

It is important to understand at the outset that the elements of the vision presented in this report are intertwined and dependent on one another, and designed to function as a system to bring about radical change rather than incremental improvement. Although separate cost estimates are presented for each of the elements, they should not be evaluated individually, but rather as a group. For example, without modern information systems to provide instant access to veterans claims records and automated links to evidence sources the reengineered claims process with its emphasis on customer service will be impossible to implement. Without training programs to familiarize VBA staff with the new claims process, their new roles, the new information systems, and changes in rules, measures of rating quality, customer responsiveness, and, ultimately, customer satisfaction will fall well below the goals established by the BPR team. Without pension simplification veterans will continue to be uncertain about the level of pension benefits they will receive and VBA will have to retain a large number of adjudication personnel solely for the purpose of processing small changes in veterans' benefits. Without customer surveys and outreach programs VBA will have no way of judging the effectiveness of the reengineered process or what changes need to be made, if any, to better meet the needs of veterans. In general, the VBA cannot achieve the dramatic performance improvement demanded by veterans and other stakeholders and meet the budgetary challenges it faces without implementing a comprehensive and coordinated package of reengineering initiatives.

This Executive Summary begins by describing seven goals focused on improving service delivery to veterans and managing better VBA's claims processing resources. It then explores the new vision for claims processing. The vision describes how VBA can achieve the goals by creating a full partnership among veterans, their service representatives, and VBA employees to ensure that every veteran gets a fair and timely decision on his or her claim for benefits. Finally, the Executive Summary discusses the costs and benefits of moving toward the new vision.

### **ES-1 Strategic Goals and Performance Measures**

The BPR team revised VBA's compensation and pension goals at the outset of the current business process reengineering effort. *The new goals focus above all on service to the veteran.* Veterans should understand as a matter of routine the benefits and services to which they are entitled, and how to apply for them. Once a veteran seeks benefits, he or she deserves timely, fair, accurate, and compassionate treatment that responds directly to his or her needs and concerns. VBA also has internal goals. Its workforce must be professional to deliver

knowledgeable and accurate service. Operations must be efficient, to deliver the best service to veterans for each dollar spent. And VBA's improved performance must be sustainable, because, although the veteran population is gradually declining, veterans will continue to need and deserve the assistance that VBA offers.

**The seven goals, to be attained by 2002, and related performance measures are:**

1. Respond to customer and stakeholder needs
  - *Fewer than 3% of decisions appealed; high levels of customer satisfaction*
2. Process claims accurately
  - *97% accuracy rate; 25% or less of VBA decisions remanded for further work or overturned on appeal*
3. Process claims quickly
  - *Average no more than 60 days to complete original and reopened claims*
4. Reduce operating costs
  - *Under \$100 direct labor cost for compensation claims; under \$50 for others*
5. Maintain a highly skilled, motivated, and adaptable workforce
  - *100% trained and certified professionals; high employee satisfaction*
6. Ensure program integrity by reducing errors in benefit payments
  - *97% of payments correct and properly notified*
7. Improve communications and outreach to all veterans.
  - *Measured by Customer Satisfaction Index and % of veterans that understand benefits*

The challenge is to achieve these goals despite shrinking resources. This means that VBA must, in Vice President Gore's words, "work better and cost less." The vision is the means by which VBA will meet this challenge.

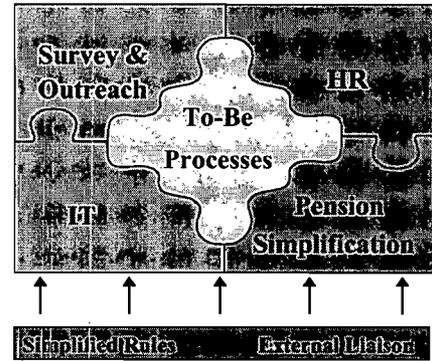
**ES-2 A New Vision for Claims Processing**

To reach the goals, VBA must enact three fundamental changes:

- First, a change in the relationship with the veteran: one in which each veteran and his or her service representative join in full partnership with VBA's claims processors, all working towards an equitable outcome. This changed relationship involves much more than change to systems and processes. The vision is of VBA acting as an advocate for the veteran, ensuring continually that processes and systems serve real program needs. Where resources can be better used, as in pension claim processing and maintenance, VBA should work closely with Congress, VSOs, and veterans to effect the change to balance the needs of all veterans while protecting any veteran who could be unduly harmed.
- Second, a change in the core processes used to handle claims; they can and must be greatly simplified and streamlined. Even more important, frequent and productive direct contact between claims processing personnel, the veteran, and the VSO service representative at each stage of the process must be the norm. This will foster partnership, with all three working toward the same goal: a fair, timely decision.

- Third, a change in the underlying infrastructure for claims processing. This infrastructure includes: (1) the communications and information systems used to gain access to and use claims information; (2) the organization, professionalism, and training of VBA people and the human resources practices and systems that are used to manage them; and (3) the methods by which VBA practices outreach to veterans and other stakeholders—proactively seeking them out and conducting customer surveys to ensure that veterans' needs continue to be clearly understood.

In short, the partnership can best be brought about by streamlined claims processing, supported by modern information and human resources management systems, new rules governing the pension program, and better outreach. In combination with active programs to simplify rules and procedures and to improve current methods for working with VHA, BVA, and others (especially DoD), the vision of partnership with improved service at reduced cost—doing more with less—can be realized. The remainder of the section discusses in turn each of the elements on which achievement of this vision depends.



**Rethinking Core Processes.** Current claims processing can be improved greatly to meet and even exceed performance goals for timeliness, quality, and responsiveness. VBA must make the veteran a partner in the process. Therefore, the redesigned process stresses contact with the veteran to get and keep him or her informed, and streamlining, especially by greatly reducing the number of people in the process and the number of hand-offs. First will be a development step, performed by a single Veteran Service Representative (VSR), typically in direct contact with both the veteran and a VSO service representative, to provide information on eligibility, guide the veteran through the application process, focus issues, and ascertain the evidence that will be required to rate the claim and generate (in most cases) electronic requests for the evidence—all during the phone conversation! The VSR will complete processing of many claims that do not require significant analysis and development on the spot. Supporting information systems can leverage human resources, allowing claims processors to focus on customer contact, analysis, and decision-making—the activities that benefit veterans the most. VBA can also reduce time spent waiting for evidence by improving greatly the electronic links between claims developers and other agencies. Claims that require rating will proceed when the evidence arrives to a Rating Certified VSR for review and decision. On completion of the rating, the VSR will notify the veteran of the decision in plain, comprehensible language.

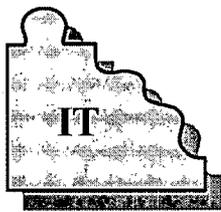


In some cases, of course, the veteran will question the decision. For this eventuality, the post-decision review process features rapid consideration of the case by a highly knowledgeable review officer. The process will work as follows: if the veteran questions the decision, he/she will contact the VSR who is acquainted with the case (name and phone number will be provided during the initial interview) to discuss the decision and get a verbal explanation. If the veteran continues to question the decision after this conversation, a review officer takes jurisdiction of the claim and conducts a post-decision review. This will include, upon the veteran's request, a

meeting among the veteran, the VSO representative, and the review officer. If the issue still cannot be resolved during this meeting, the review officer will assist the veteran, at the meeting, to focus the issue and prepare a written appeal. Again, the emphasis is on contact between VBA, VSO personnel, and the veteran, resolving issues in minimum time and with maximum customer satisfaction.

The payoffs in terms of performance improvement and cost reduction for moving to these two reengineered processes are discussed in detail later (Section 5). Two elements deserve special note here. First, the focus throughout is on partnership. The veteran will not be "just a C-File" to those working on his or her claim, but a human being in direct contact with people who are knowledgeable about the rules and will provide correct answers quickly. Second is the relationship between VBA and the VSOs. For the vision to work, VBA must strengthen this relationship. VBA should plan to offer the same training to VSO personnel that will be provided to its VSRs, and welcome their active participation in the process. As veterans see improved capabilities in use by VSO service representatives as well as by VBA personnel, they will be more likely to seek out the services of both. Third, improvements to both decision support systems and training (see below), together with these reengineered processes, will result in far less rework. Many fewer claims will cycle back and forth between people doing ratings and people preparing requests for evidence. Many fewer claims are likely to be appealed to BVA, because veterans will have had an accurate decision fully explained to them by knowledgeable and compassionate government employees in direct contact with them.

**Applying Information Technology to Improve Service.** VBA's ability to implement and maximize the value of these streamlined processes depends heavily on investments in information technology (IT), to provide enabling tools. Indeed, such tools are vital to realizing the vision. Information systems that VBA will begin to install in FY 1997 will result in: (1) increased access by veterans; (2) improved decision support to aid VBA employees in fast, accurate claims processing; and (3) speedier and more reliable interfaces with VHA, DoD, and other federal agencies to locate and retrieve claim-related evidence. VBA will require a flexible, modernized telephone system to support claims applications and all types of queries, ranging



from simple requests for information on benefits, through status queries, to complex questions about how a claim was rated and why. Systems for veteran access will be flexible to permit a choice of access based on the veteran's personal preference. New systems will enable VSRs to take claims, gather evidence, and, in simple cases, make decisions during dialogues with veterans. This on-demand system will place VBA as close as each veteran's telephone.

Rule-based expert systems, beginning with the Claims Processing System (CPS), will provide decision support to VBA personnel in determining exactly the needed evidence, reviewing applicable laws and regulations, and comparing rules with the evidence to rate claims. By guiding personnel through the maze of factors and provisions that affect individual cases, the systems will help them to improve the accuracy, consistency, and speed with which they process claims and reduce the likelihood of rework and appeals, both currently major drivers of claims processing workload. Interfaces with IT systems outside VBA will simplify evidence gathering. They will save time and effort, avoid duplicate collection and error-prone reentry of data. They

will also enable comparisons with other data (e.g., on incomes) to detect and correct quickly any instances of such discrepancies as potential or actual overpayments.

The plan calls for phasing in systems with these capabilities over the next several years. Each will support simplified core processes. To realize best value for these IT investments, however, VBA must integrate their capabilities into a coherent whole, both for individual users and in a network that links users within and among VBA offices, at VSO locations, and at sites where individual veterans can have easy access. Moreover, VBA can only achieve this integration through a flexible systems and network architecture that it can adapt to changes in veterans' needs, new policy guidance, and evolving technology. Envisioning and constructing this architecture within funding constraints will require VBA to reevaluate its current investment strategy, so that it can manage its portfolio of individual IT projects with a clear focus on the new business needs.

**Human Resource Investments to Improve Service.** Simplified processes and IT enhancements will transform the jobs that VBA employees perform and the skills they need to do them. The typical claims processing organization will be flatter, with highly skilled personnel cross-trained to perform more functions than at present. VBA should merge personal contact and adjudication skills in the new VSR position. This requires redefining positions, developing uniform standards, and identifying and providing training in required skills. A phased program is needed that parallels and tailors training to process and IT improvements as they are introduced. Pilot efforts at field offices will help to test the effectiveness of different training approaches and adapt them to meet changing needs. Upon completion of training and skill assessments, VBA will certify employees' proficiency in their new roles.



It is very likely that employee satisfaction will increase greatly as new processes and systems enable them to serve veterans better. VBA should use HR programs to address such workforce adjustments as transition training in new positions. As VBA's current cohort of rating qualified people ages (more than half will be eligible for retirement within the next five years), advancement opportunities for younger personnel will increase, even if staff reductions are made. Working closely with employees, union representatives, and other stakeholders, VBA should use its HR programs to empower the current workforce and recruit new talent as needed. As changes in systems and processes are implemented, a fully professional staff will emerge to engage veterans in partnership, and thus serve them better.

**Pension Simplification.** Processing of pension claims and especially pension maintenance absorbs a disproportionate share of resources. As shown in Figure ES-1, compared to the benefits being paid out, VBA is spending more than four times as much administering pension than compensation. A projected decline in pension workload over the next several years will ease this only slightly. The problem lies in the number and complexity of the statutes governing the pension program. Many provisions of current law have outlived their usefulness and do not add value—in fact they create a burden not only for pensioners,

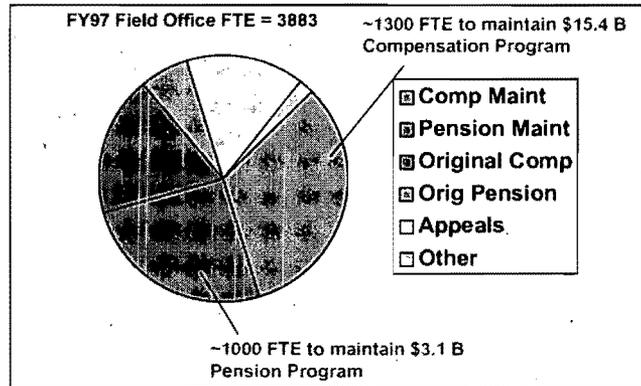


Figure ES-1: Distribution of FTE by Program.

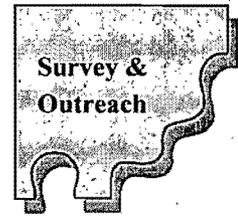
but (because of the disproportionate workload consumed in applying these laws), for all veterans. This goes totally against the concept of partnership. Current law requires, for example, that veterans and dependents who receive pensions report income changes and that employees modify pensions on a dollar-for-dollar basis with such changes. They must also submit eligibility statements annually to continue benefits, even if income stays the same. These rules place an undue reporting burden on low-income individuals, most of whom are elderly, and they require VBA to review minor changes that, typically, have little or no effect on pension payments. Provisions on reimbursement for unusual medical expenses impose similar hardships on both veterans and VBA without compensating benefits or savings.

Such laws, designed against potential abuses, are not cost-effective. IT systems that match data from other federal agencies can detect significant income discrepancies and alert VBA to problem cases. Substitution of income bands, standard medical deductions, and presumptive eligibility based on age are examples of changes that would simplify VBA's pension work and allow IT systems to play a much larger role in processing pension claims and adjustments. The Veterans' Claims Adjudication Commission is addressing pension reform, including legislative changes. This report confirms many of their evolving conclusions. Pension simplification will improve customer service for all pensioners—indeed for all veterans—by freeing substantial numbers of VBA personnel to focus on interaction with veterans, and more complex matters while increasing the ease and predictability of pensions for needy veterans and their dependents.



**Survey and Outreach.** VBA exists to serve veterans. To do this, all must understand their needs more fully. VBA must also make additional efforts to inform them about VBA programs and their rights to benefits. An expanded outreach program will do both. To better understand veterans' views and receive their feedback on the success of these programs, VBA should conduct frequent customer surveys and develop a Customer Satisfaction Index that will become one of its key performance measures. Survey results will enable VBA to enhance benefit delivery and to identify potential regulatory and legislative changes that address veterans' concerns.

To better inform veterans, VBA will need to increase its visibility in the veteran community, both as a whole and among special-needs populations. VBA should design interesting, easily understandable messages (pretested with veterans) for use in both traditional and innovative media (e.g., automated telephone, computer animation) locally, regionally, and nationally. Working closely with DoD, VBA should expand its presence at places where military personnel leave active service and veterans congregate. In partnership with VSOs, VBA can provide resources to develop and present joint activities aimed at reaching as many veterans as possible. These efforts, combined with greater access to VBA services, will help to identify and assist more veterans who qualify for VA benefits.



Finally, the changes that compose the vision described here as just the first step in a dynamic process in which VBA will continue to involve not only veterans but other stakeholders in a continuing dialogue to ensure that partnership takes hold and grows over time.

**Rule Simplification and Liaison with Other Government Stakeholders.** Many of the regulations that VBA applies are open to multiple interpretations that invite inconsistent decisions and reversals on appeal. Since 1989, the Court of Veteran Appeals has been building a body of case law that often differs from VA's intent in preparing the regulations. Examples include: VA's duty to assist veterans in developing evidence; standards for "well-grounded" claims; exceptions to eligibility criteria; aggravation of non-service-connected disabilities; evaluation of individual unemployability; and status of accrued benefits after death. Rulings in different cases require frequent, unpredictable revision of VBA policies and practices. This not only complicates claims processing; it goes entirely against the need to give the veteran a predictable, fair decision in good time. Rather than continuing to adapt to the Court's views in all cases, VBA should revise vague provisions to clarify and specify VA's position, relying on OMB and public review of proposed changes to surface, clarify, and accommodate stakeholder concerns. VBA's concerted, short-deadline review and, if needed, revision of key regulations will enhance accurate, fair, and predictable claims processing decisions with fewer delays in delivering services to veterans.

Liaison with agencies outside VBA needs improvement. VBA and VHA are "talking past each other" on medical exams. The quality and timeliness of these exams are very important to VBA's ability to deliver timely, accurate decisions; performance in both areas has been spotty. Realignment incentives, perhaps by disbursing payment from VBA to VHA on receipt of a responsive, useable, timely examination report, could improve system performance. Other instances of need for improved liaison are amenable in general to improved communications links for data transfer, and merit attention as IT initiatives.

**Summary—A Vision of Partnership.** Creating a partnership with the nation's veterans and VSOs is the driving force behind the vision. All elements of the vision share the goal of prompt, accurate delivery of benefits. By working together toward each of the elements, all—veterans, VSO, and VBA—can achieve the vision's goals. VBA will reorient its processes to direct participation by veterans through expanded outreach and veteran service representatives, who will work with veterans one-on-one to focus issues and resolve concerns. Using enhanced information systems, VBA will enable veterans to file claims quickly, monitor claim status, and

discuss the merits of cases with VBA personnel who are responsible for deciding claims and accountable for their decisions. Because VBA will work with veterans and VSOs throughout claims processing, claim resolution will be faster, more accurate, and more responsive to each veteran's needs.

VBA will provide veterans and especially VSOs with the knowledge and tools required to make this partnership work. For veterans, VBA will provide free telephone and on-line access, available at the veteran's convenience. And veterans will still be able to write or visit as they do now. For VSOs, VBA will offer the same rule-based software and professional VSR training that VBA employees will have. This will enable VSOs to remain knowledgeable, effective advocates for veterans as VBA's processes change. Indeed, it will increase their opportunity to represent veterans at each stage of the claims process.

**ES-3 Implementing the Vision: the Payoff**

**Performance:**

VBA's vision will yield dramatic improvements in quality, timeliness, and responsiveness. Commonly, timeliness in processing an original claim for disability compensation is used as shorthand for total system performance. By that standard, the gains to be expected in moving to the To-Be vision are truly dramatic. The simulation model that produced the result shown in Figure ES-2 was developed by simulation experts in daily contact not only with some of VBA's most experienced claims

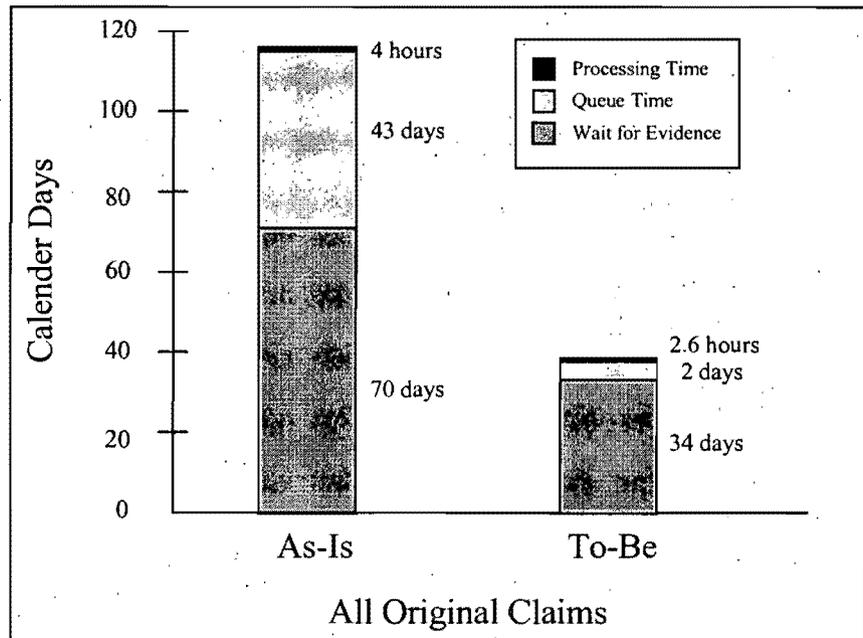


Figure ES-2: Completion Time Break-Down

processors and supervisors, but also with the support and encouragement of GAO experts. It accounts for all the major factors in claims processing, and is the first model of its type that specifically measures both waiting time (waiting for evidence) and "queue time" (time spent waiting to be picked up and worked on) as separate entities. Under the vision, the time the average veteran waits for a decision on his or her original claim is cut by two thirds, to less than the goal of 60 days, while reducing cost per claim by 30%.

As shown in Table ES-1, moving to the vision will enable VBA to achieve its strategic goals and produces similar dramatic gains in virtually all of the measures used to track performance.

Performance Measure	As-Is	Goal
Ratio of Appeals to Claims	4.2%	2.9%
Overall Accuracy Rate	91%	97%
Percentage of Decisions Changed or Remanded by BVA	67%	25%
Average Days to Complete an Original Claim <sup>1</sup>	114.6	60.0
Typical Cost to Resolve an Original Compensation Claim <sup>2</sup>	\$172.04	\$120.43
Typical Annual Cost to Maintain a Pension Claim <sup>3</sup>	\$31.50	\$22.05

Table ES-1: Comparison of Selected Performance Measures.

### Costs:

Achieving VBA's vision is not free. It will require investment costs over the next 7 years of about \$304 million. IT initiatives comprise 63% of this total; training and restructuring costs makes up most of the remainder. Under projected budgets, VBA will incur most of these costs with or without process improvements. By moving to streamlined processes as described above, VBA can reap savings of almost \$175M in reduced benefit overpayments and administrative errors alone. Although increased investment costs will outrun savings early in the period, savings will "take off" in FY98 and grow rapidly to outpace costs.

These savings are *independent* of any changes in VBA's workforce. With the changes described in the vision, VBA could reduce personnel and achieve the same high performance while saving additional funds. The key point, however, is that the improvements described in the vision must accompany staff reductions. Without them, VBA will suffer severe, perhaps uncontrollable performance degradation, resulting in totally unsatisfactory service to veterans. With the initiatives, as shown in the chart on the right, combined efficiencies and personnel reductions will achieve overall savings

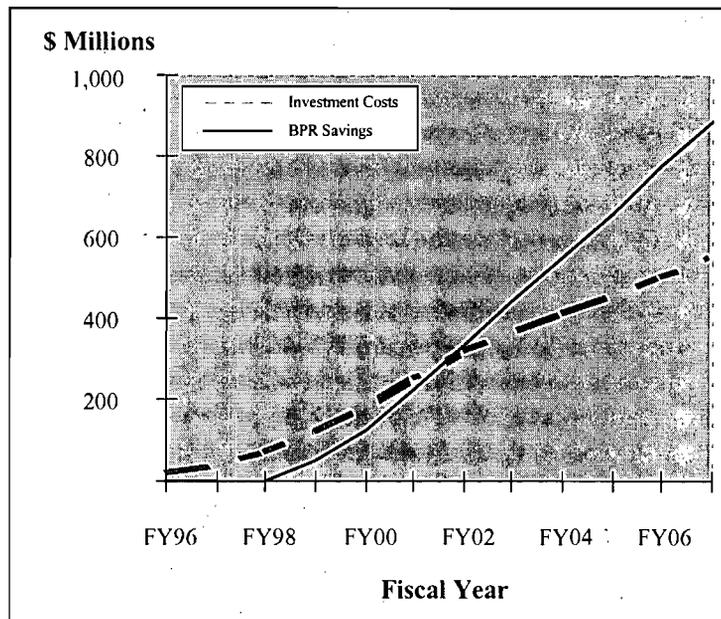


Figure ES-3: BPR Vision Costs and Benefits

<sup>1</sup> Original claims include EPs 010, 110, 140, 180 and 190. The average completion time shown is an arithmetic mean, weighted by workcount. Completion times were computed using a simulation model of adjudication operations. All input data for the simulation model were collected during mid-FY96 from four VAROs; the model is intended to represent the behavior of a typical adjudication division.

<sup>2</sup> Original compensation claims include EPs 010, 110, 140, and the expected costs of resulting appeals. The amount shown is the average (weighted by workcount) direct labor cost to process these claims, as derived from the simulation model.

<sup>3</sup> This amount is calculated as the quotient of the annual total direct labor cost (as derived from the simulation model) of processing all pension maintenance items and the total pension caseload. Pension maintenance claims includes EPs 150, 154, 155, 050, 690, 691, and 692, 50% of EP120, 32% of EP130, 88% of EP293, 12% of EP500, 13% of EP510, 47% of EP600, and 20% of EP694.

of over \$330M and net savings of almost \$27M million during FY 1996 through FY 2002. These gains, to repeat, come with *better* service to veterans, not the same or worse. *VBA's vision is thus a "win-win" for veterans and taxpayers.*

Only the vision promises savings of this magnitude. Continuing claims processing as at present, even with much of the planned IT investment, would not only result in a rapid escalation of claims backlogs, but offer few savings. The strategic planning, analysis of current performance, and development of this business case demonstrate that this vision offers the best possible chance for VBA to place its service delivery to the nation's veterans on a sound footing.

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For those readers interested in more detail, the accompanying Business Case document contains a complete description of the Strategic Plan, an Assessment of Current Performance, a complete description of the To Be Vision, the complete Cost/Benefit analysis, and appropriate Appendices.

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## 1. INTRODUCTION

### 1.1 Background

The Veteran's Benefit Administration (VBA) began its Compensation and Pension (C&P) Business Process Reengineering (BPR) project in October 1995, after assessing improvement activities within the organization and developing an action plan to strengthen BPR at VBA. The action plan, drawing on improvement initiatives already in progress, recommended that the VBA institutionalize a BPR program, execute an expedited BPR project for C&P claims processing, and complete BPR projects for other core processes in the VBA.

The initial impetus for the action plan was two fold: departmental desire to improve service and criticism by funding authorities of the progress VBA had made in modernization and BPR. GAO had noted in reports that "acquisition of information resources for modernization was premature" because VBA "has not completed an analysis of current business processes and has no specific plans for how its modernized systems will meet service improvement goals." Also, VBA, facing reductions in work force, increasing complexity of Court of Veterans Appeals decisions, and a system that does not adapt well to changes, proactively sought to address the backlog, quality, and timeliness issues that have impeded service to the veteran.

VBA has implemented a dynamic BPR program that is led by a Guidance Team of top-level VBA officials chaired by Newell E. Quinton, Chief Information Officer. In addition, the BPR Program is providing mechanisms for change management and significant outreach to principle stakeholders. The C&P BPR project team consisted of personnel from the BPR Office and functional experts from C&P—both at the Service and Regional Office (RO) levels. The BPR infrastructure and the current C&P BPR project are leading the way for better management decisions, modernization of information technology in-line with business needs, and better service to veterans.

### 1.2 Scope

The primary scope of the effort was C&P claims processing, and the project team examined claims processing from beginning to end. As such, the team looked beyond VBA to other key stakeholders. Realizing that other organizations are beyond the direct control of VBA, the team addressed a vision of new relationships rather than reengineering external processes. For example, VBA cannot change the procedures employed by the Board of Veterans' Appeal (BVA). However, this effort specifically addresses changes to the ways ROs interact with the BVA.

The project team did not focus on a few "big-ticket" claim types or end products. Rather, the team addressed all of the work performed by adjudication divisions and created a coherent vision of how work should be performed in the future to the greatest benefit to all stakeholders.

Perhaps most importantly, the charter of this effort was not to tinker with the existing system, but to redesign claims processing from scratch. The touchstone for all of the analysis was better service for the veteran. Those items that did not benefit veterans were stripped from the process; essential services were created from a clean sheet.

Finally, the analysis encompassed all elements needed to realize the new vision. This report maps out not only the redesigned processes but the fundamental changes to the information technology (IT) and human resources (HR) infrastructure that enable the new processes. This plan establishes a coherent, integrated vision that responds to external concerns—the proposed IT and HR budget initiatives are in support of a new definition of business processes that will improve service to the veteran and the American taxpayers.

### 1.3 Methodology Overview

A BPR methodology is a roadmap for guiding BPR teams through the reengineering process. VBA adopted the Enterprise Life Cycle Integration and Technology Engineering (ELITE<sup>®</sup>) methodology, developed by Systems Research and Applications, International (SRA), as its structured guide for reengineering the C&P claims processing. ELITE<sup>®</sup> is a fully integrated, end-to-end methodology that spans the entire enterprise life cycle from strategic planning and business process reengineering through development and implementation of change.

The C&P BPR project team drew on ELITE<sup>®</sup> and SRA’s experience to develop an approach for reengineering C&P Claims processing. The approach included the key activities and analysis shown in Figure 1-1.

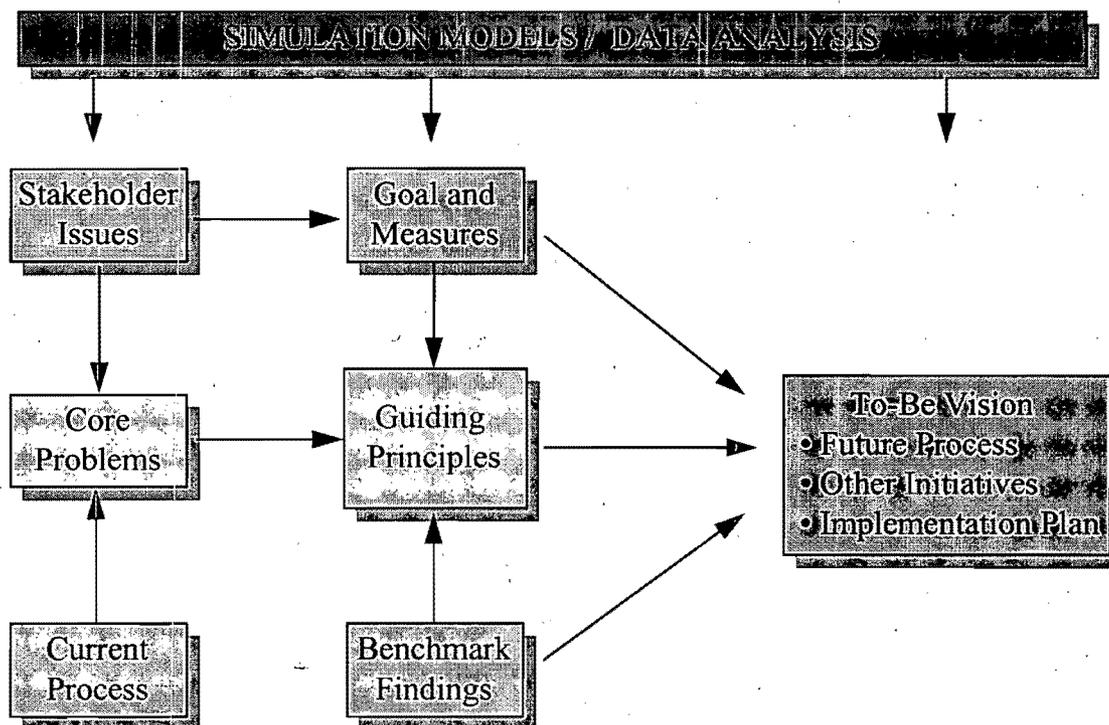


Figure 1.1: Overview of C&P BPR Approach.

Reengineering the VBA claims process was not a step-by-step process rather an iterative progression of key activities dependent on the backbone of data analysis and simulation modeling. As a first step, the team analyzed the strengths and weaknesses of the current process

by interviewing employees and collecting data on the flow of claims through the process. To balance these perceptions, the team interviewed stakeholders for their assessments of the process. From these two analyses, the team was able to identify the core problems that undermine system performance.

As a separate effort, they developed goals and performance measures for C&P claims processing. In addition, the team conducted benchmarking visits of leading government and private sector firms. The results of these activities were captured in guiding principles for the "To-Be" vision. This vision is manifested in reengineered processes, near-term initiatives to start the process of change, and a long term plan to implement the vision. The vision was modeled and compared back to stakeholder issues, goals, and performance measures. This comparison helped to further refine the simulation model that is providing the mechanism for the quantitative and qualitative analysis presented in this business case.

#### **1.4 Report Organization**

Section 2 describes the current process and highlights shortcomings, inefficiencies, and core problems. Section 3 discusses the strategic planning effort, which set goals and performance measures for C&P claims processing. Section 4 presents the new vision for VBA claims processing, which changes the relationship with the veteran, the core processes, and the information technology and human resources infrastructures. Section 5 assesses the costs and benefits of the new vision and contrasts its performance levels with those of the baseline.

The appendices provide supporting detail. Appendix A lists all of the project participants. Appendix B presents results from stakeholder interviews and describes how stakeholder issues are incorporated in the new vision. Appendix C presents information gathered from benchmarking visits and compares the best practices to the new vision. Appendix D provides detailed assumptions underlying the simulation models. Appendix E provides additional detail on the cost-benefit analysis. Appendix F portrays the distribution of cycle times for key end products under both the "As-Is" and "To-Be" scenarios. Appendix G describes initiatives identified by the team that should be implemented but are not essential to the vision. Finally, Appendix H provides a glossary of abbreviations and key terms.

## 2. THE CASE FOR ACTION

As a first step in VBA's effort to improve the performance of the Compensation and Pension program, the BPR team extensively analyzed the current claims process. BPR team members traveled to several regional offices where they interviewed field personnel and collected process data to gain an understanding of the current process. This section describes the current VBA claims process, its underlying problems, and its impact on the quality of service provided to veterans and their dependents. Eliminating these problems provided the focus for the development of goals and performance improvement initiatives during the strategic planning effort described in Section 3 and helped to shape the vision of the reengineered claims process described in Section 4.

### 2.1 Description of Current C&P Processing

Adjudication has two core processes: claims processing and appellate review. The basic tasks in these processes apply to all claims and cover all actions from receipt of a claim through its final disposition within VBA. The two processes do not include the handling of appeals by the Board of Veterans' Appeals (BVA) or the Court of Veterans Appeals (Court), but do include actions required by VBA regional offices when BVA grants or remands an appeal.

#### 2.1.1 Claims Processing

As shown in Figure 2-1, the process flow for an original claim involves six basic steps or tasks. These are: (1) application and receipt; (2) establishment of the claim; (3) development and screening; (4) rating actions; (5) award processing; and (6) award authorization.

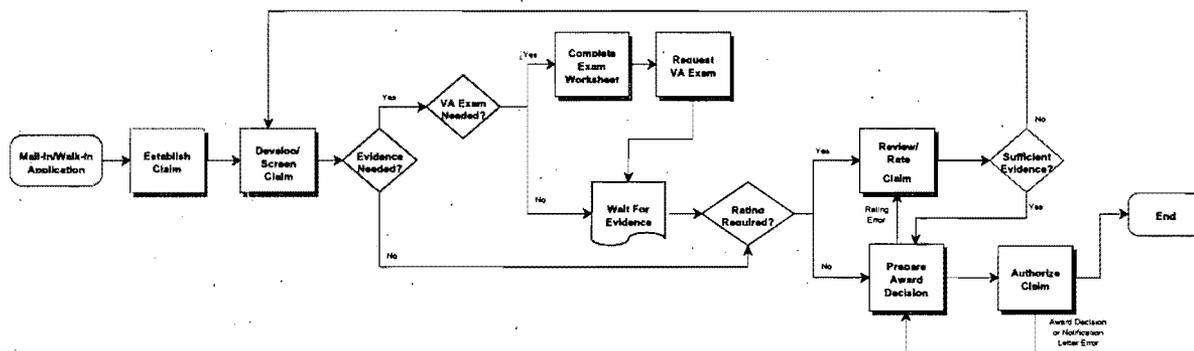


Figure 2-1: Typical Flow for an Original Compensation Claim (No Rework).

**Application.** The process begins when a veteran completes and submits a claim application form. Most veterans submit their claims directly through the mail. However, because the application form is extremely long and complicated, many claims are prepared with the assistance of Veterans Benefit Counselors (VBCs) or Veteran Service Organization (VSO) personnel. When the claims arrive at a regional office (RO), mail room staff sort them along with all other incoming mail and date-stamp the claims for delivery to the Adjudication Division.

Establish Claim. Next, Adjudication Division clerks screen and sort the mail to assign the appropriate end product (EP) code to create a pending issue file (PIF) in the Benefits Delivery Network (BDN). Claims are either routed to filing activities or directed to a claims clerk or a claims examiner for processing. Filing activities involve retrieving claim folders, associating them with appropriate claims, sorting for distribution, and storing when action is complete. For original claims without an existing folder, clerks establish a folder; attach a charge card with the claim number, claimant's name and date; and enter data about the claimant into the Beneficiary Identification and Records Locator System (BIRLS). For each claim with an existing folder located at another RO, clerks request the folder, place the claim in a suspense file until they receive the folder (usually, about a week later). They then update BIRLS to show the service data and folder location.

Develop/Screen Claim. Claims examiners review each claim to determine if it contains sufficient information for further action. Required evidence varies with the type of claim. For compensation claims, VBA is responsible for obtaining Service Medical Records (SMRs), VA medical records, and any other relevant evidence, including examination results, to support the claim. If the necessary medical evidence is not available, an examiner will prepare a VA Exam Worksheet and request a VA medical exam for the veteran. He will then continually follow-up with the veteran until the necessary supporting documents are received. The VA allows up to 60 days for a claimant to submit evidence from private sources. The built in 60-day delay for more evidence and the need to follow up result in a lengthy, paper intensive, and laborious process.

Review/Rate Claim. For those claims that do not require a rating, claims examiners review claims and supporting evidence and prepare decisions to authorize or deny benefits. These are mainly claims that involve issues of fact, such as character of discharge, relationship to the veteran, income, or dependency.

Claims that require rating go to rating specialists for action. The rating specialist determines basic eligibility, level of disability, and whether the available evidence is sufficient. If further evidence is required, the rating specialist prepares a deferred rating form or examination worksheet for the needed information. The specialist returns the folder for further development.

If the claim and evidence are complete, the rating specialist prepares a rating decision that states all the issues involved, the evidence considered, and the reasons and bases for the decision on each issue. For compensation claims the specialist determines whether the disability is service-connected and the level of disability. The specialist then refers the rating decision to a claims examiner for award processing.

Award Processing. The claims examiner reviews the claim to determine whether the case is ready for award preparation and/or final notification. Examiners review data and rating decisions for accuracy when they enter data into the various award screens. They refer each award to a senior claims examiner for authorization.

Award Authorization. A senior claims examiner reviews each claim for which a staff member recommends an award and the accompanying decision statement for accuracy, completeness, and consistency with relevant laws, regulations, and VA guidance. If the case is in

order, the examiner will authorize the award. If the award is incorrect or incomplete, the examiner returns it to the preparer for correction.

### 2.1.2 Appellate Review

Appellate review is the process of resolving the claimant's disagreement with a decision reached on a claim for benefits. As indicated by Figure 2-2, the appellate process is extremely complicated and plagued by numerous hand-offs. The involvement of external third parties further complicates the process.

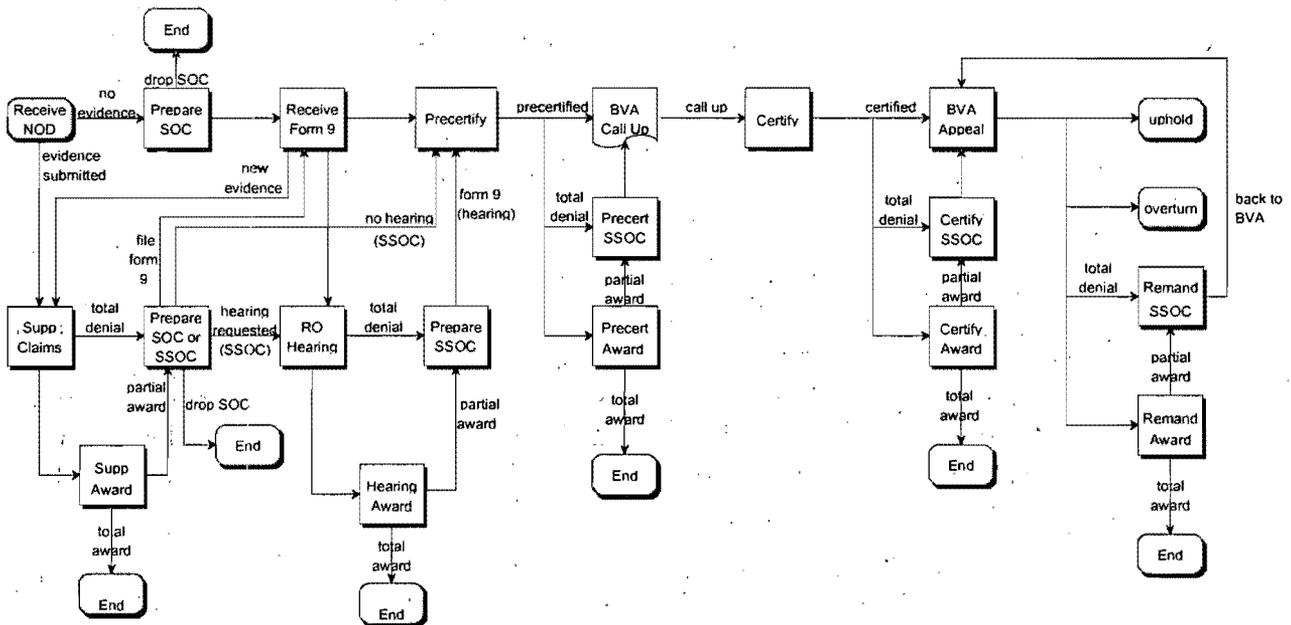


Figure 2-2: Appellate Review Process Flow.

Development and Decision. In order to appeal a claim decision, the claimant must file a written notice of disagreement (NOD) within one year of the date of the decision notification letter. All NODs and NOD-related materials that are received are forwarded to the Adjudication Division for action. Adjudication personnel create a PIF as well as a separate record in the appeal tracking system (ATS). They review the decision in question along with all the evidence of record to determine if the decision was correct. They then prepare a statement of the case (SOC) to explain the decision. They will also request any additional evidence indicated, stating the necessary suspense dates and follow-ups imposed. If the review or submission of additional evidence supports a change, the adjudicator will prepare a new decision and take the appropriate award action. The claimant also receives a statement of the case unless the decision grants benefits at the maximum rate allowed.

Preparation for BVA Review. The veteran initiates further appellate review with the submission of a substantive appeal (VA Form 9). The regional office sends a copy of the document to BVA for assignment of a docket number. The office again reviews the decision and

evidence of record. Most appeals involve rating determinations. Often, information that the claimant provides will require the office to undertake additional development for evidence. If after reviewing any additional evidence received in the appeal, the office determines that no change is warranted in the prior decision, it must prepare a supplemental statement of the case (SSOC). The claimant has 60 days to reply to any SSOC that the office issues in the appeal.

At this point, the appeal is ready for BVA review, but existing backlogs at BVA require that the folder remain in the regional office until BVA requests the case. The office uses precertification procedures to indicate this status. However, the appeal record remains open, and the office must address any new evidence or contentions that the claimant provides. Due to the protracted length of time (averaging 18 months) the folder remains at the regional office, multiple reviews are common. Whenever a separate review occurs, the office must issue a SSOC. In some instances, the office determines that an amended decision and award action may be warranted, but the appeal remains active whenever the grant is not at the maximum level for the issue on appeal. When BVA requests the claim, the office again reviews the entire record and takes any necessary action to update or complete the record prior to certification and transfer to BVA. If appropriate, it prepares a SSOC to document the continued submission of evidence or to apply revised procedures based on an intervening Court determination. Once the office has certified the case, it transfers it to BVA.

Regional Office Hearings on Appeal. As part of the appellate process, the veteran has the opportunity for a hearing before a VBA hearing officer. The hearing officer has jurisdiction over a claim only if the hearing is held. A hearing officer may reverse a decision only if new and material evidence has been submitted. A SSOC results in those hearings where no change is warranted. If a partial grant of benefits results, there is a new decision and award action, along with a SSOC. The appeal continues unless a total grant of benefits results.

Processing of Remanded Cases. When BVA remands a case to the regional office, that action constitutes a decision, even though BVA has not resolved the issue from the claimant's point of view. Jurisdiction of a remanded case reverts back to the regional office. The regional office must follow the instructions outlined in the remanded decision. Most cases require additional development that incorporates the applicable suspense dates and follow-up procedures. Once the office completes action based on the BVA instructions, it again reviews the claim and makes a new decision. The office considers the appeal to be closed if the decision results in a total grant of benefits. If the decision is a partial grant or confirmation of the prior decision, the office takes any necessary award action and issues a SSOC. Once again, the claimant has 60 days to reply before the office returns the folder to BVA.

## **2.2 Core Problems**

The BPR team identified five core problems during its analysis of the current claims process. Table 2-1 lists the core problems and summarizes their impact. The core problems are complex, affecting VBA's relationship with its customers, management decisions, and employee morale. They also degrade performance, resulting in less accurate decisions, delays in processing, and increased cost and workload.

CORE PROBLEMS	SYMPTOMS/RELATED PROBLEMS
Inadequate Communication and Outreach	<ul style="list-style-type: none"> <li>• Poor Understanding among Veterans of Available Benefits</li> <li>• Limited Access to Claims Process and Status Information</li> <li>• Long Completion Times due to Misunderstandings about Required Evidence</li> <li>• High Appeal Rate due to Unreasonable Customer Expectations</li> <li>• Lengthy Appeals Caused by Failure to Focus the Issues</li> </ul>
Lack of Individual Accountability	<ul style="list-style-type: none"> <li>• Long Processing Times due to Transfers from In-Box to In-Box</li> <li>• High Error Rate</li> </ul>
Emphasis on Production and Timeliness Instead of Quality	<ul style="list-style-type: none"> <li>• High Appeal Rate due to Inconsistent Decisions</li> <li>• High Remand Rate and Overturn Rate due to Poor Quality of Evidence and High Error Rate</li> <li>• Long Completion Times due to Rework</li> <li>• High Cost due to Appeals and Rework</li> </ul>
Inadequate IT Support for Process	<ul style="list-style-type: none"> <li>• High Cost due to Requirement for Large "Behind the Scenes" Staff</li> <li>• Long Completion Times due to <ul style="list-style-type: none"> <li>⇒ Long Waiting Times for Evidence</li> <li>⇒ Number and Volume of Manually Performed Activities</li> <li>⇒ Difficulty in Retrieving and Accessing Customer Files</li> </ul> </li> <li>• High Error Rate due to Manual Performance of Routine Tasks</li> <li>• Overpayments due to Delays in Obtaining Evidence and Implementing Benefits Changes</li> </ul>
Complexity of Rules and Regulations	<ul style="list-style-type: none"> <li>• Low Customer Satisfaction due to Uncertainty of Pension Benefits and Burdensome Reporting Requirements</li> <li>• High Cost due to Requirement to Perform Numerous Non-Value-Added Tasks</li> <li>• High Appeal Rate due to Apparent Arbitrariness of Decisions and Conflicting Interpretations of Rules</li> </ul>

*Table 2-1: Core Problems and Symptoms.*

### **(1) Inadequate Communication and Outreach**

A major problem of the current claims process is the lack of effective communication between VBA and veterans. Although some outreach is done by the VBA, many veterans do not understand the benefits provided by the VA. As a result, many veterans do not apply for benefits to which they are entitled.

For those veterans who do apply, access to the VBA and information about the claims process is poor. Throughout the entire claims process, from receipt of claim through appeal, communication between the VBA and claimants is inadequate; most communication takes place through the mail and involves complex forms and legalistic letters. The claimants are usually unclear about the rules, laws, and procedures that govern the current process; what is expected of them; evidence requirements; and how long the process will take. In addition, the VBA is unable to quickly determine the nature of the claim. The failure to identify and focus on the key issues surrounding the claim early in the process creates misunderstandings about the likely award size, timing, and evidence required to support the claim. Because of misunderstandings about required evidence, processing times are longer than necessary. Adding to the claimants frustration with the length of the process is the inability within the current system to easily obtain claim status information. Finally, because of misunderstandings about the compensation and

pension rules, the claimant is likely to have unreasonable expectations, which leads to a high appeal rate. These appeals tend to be very lengthy because of the failure to focus on the key issues of the claim.

**(2) Lack of Individual Accountability**

As described above, the current claims process is extremely involved and labor intensive. As shown in Figure 2-3, the typical process for an original compensation claim involves at least 12 hand-offs among at least 9 different people at an RO.

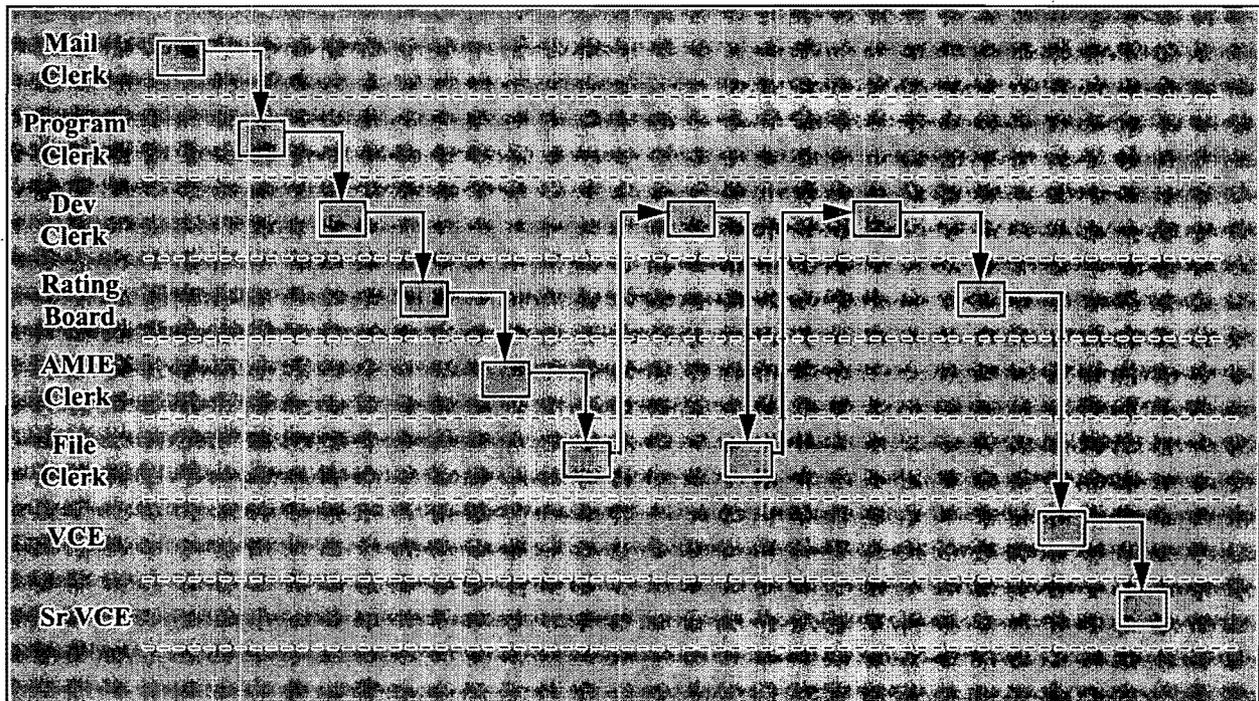


Figure 2-3: Hand-offs for an Original Compensation Claim (No Rework).

Each employee involved in the process must take the time to familiarize himself with the claim and the major issues. Even if each participant in the process passes the claim along in a timely manner, the sheer number of participants involved ensures a long processing time. Because of the numerous hand-offs and the large volume of claims processed by VBA, backlogs develop at each step, which, in turn, cause processing times to be even longer. For example, although the average processing time for an original compensation claim (EP 110) is only 7.1 hours, the claim spends 57 days in processing queues.

Because the claims and supporting evidence pass through multiple steps and many hands, errors often occur. The current error rate is 9%. The rework rate is about 33%. Finally, in the current process no one person is accountable for the satisfactory completion of the claim or is answerable to the customer. As a result, processing times will remain long and error rates will remain high.

### (3) Emphasis on Production and Timeliness Instead of Quality

The current emphasis is on production and timeliness standards, or “making numbers,” instead of producing quality decisions. As a result, at the RO claims often move through the process despite insufficient and inaccurate evidence. For example, in many cases VBA accepts inadequate medical examinations in order to meet production standards.

This lack of emphasis on quality results in high error rates, inconsistent decisions, and the appearance of arbitrariness in decision making. As a result, the number of claims that are appealed is relatively high and the completion times for appealed claims is extremely long. As shown in Figure 2-4, the total average completion time for an appealed claim is 1,725 days or nearly 5 years. It currently takes about 449 days, from the time it receives a NOD, for VBA to precertify an appealed claim. Since the BVA currently has a large backlog of cases, about 445 days pass before the BVA calls up the case and another 356 days before it renders a decision. Nearly half of these appealed cases are remanded to the VBA, adding another 475 days to the completion time and significantly raising costs due to the large amount of rework involved. In FY95, nearly 14% of VBA field staff were assigned to appeals workload, and this percentage is increasing. The production-line atmosphere and large amount of rework result in a high level of employee frustration.

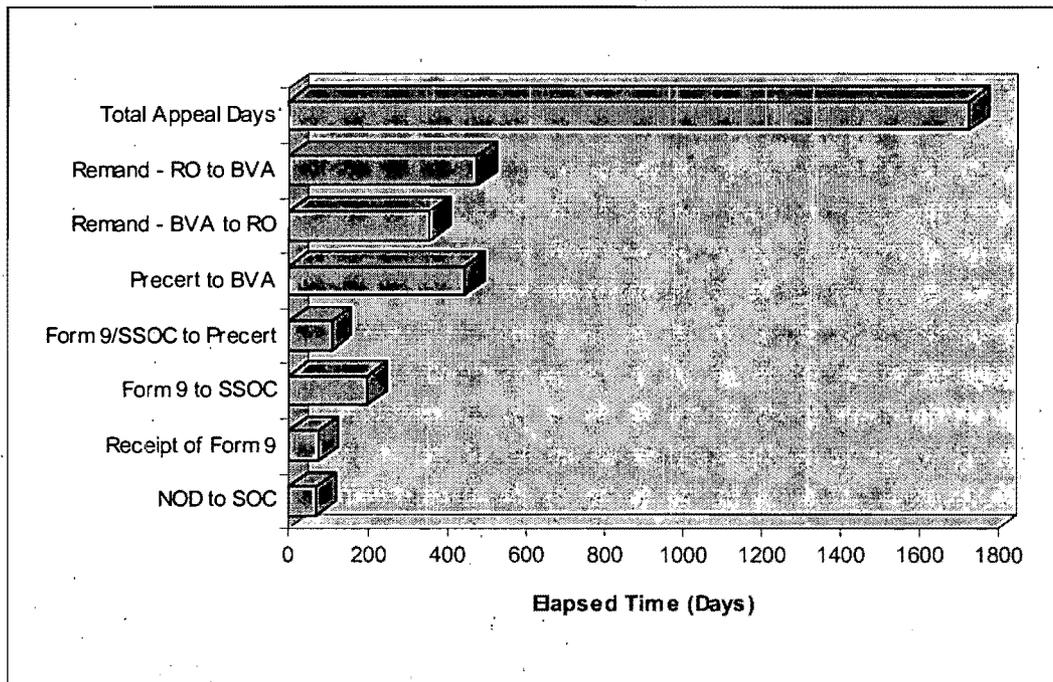


Figure 2-4: Average Time for Each Appeal Step.

### (4) Inadequate IT Support for Process

One of the most serious problems with the current claims process is the inadequate application of information technology (IT) to support the process. Many routine tasks that could be automated, such as award preparation, are currently performed manually. This causes the cost

of processing claims to be high because VBA must maintain a relatively large staff. It also causes the error rates to be higher than they might be.

Perhaps the biggest impact of inadequate IT support of the claims process is on claim completion times. Claim completion times tend to be very long mainly due to long waiting times for the evidence necessary to evaluate claims. For example, the average completion time for an original compensation claim (EP 110) is 160 days, of which 102 days or about two-thirds represents waiting time for evidence. Waiting times for evidence are longer than they should be because VBA lacks automated links to sources of evidence such as the Department of Defense, Internal Revenue Service, Social Security Administration, and VA Hospitals. Claim processing times are also longer than they should be because of the large number and volume of activities that are currently performed manually. These activities could be performed much more quickly by computers. Also, the dependence on paper claim files instead of electronic claim files makes the simple act of locating and retrieving claim files time-consuming.

Finally, the lack of automated links to sources of evidence concerning changes in veterans' income, dependency, and medical status and automated routines to process benefits changes on a timely basis contributes to benefits overpayments of about \$300 million per year.<sup>1</sup>

### **(5) Complexity of Rules and Regulations**

The current compensation and pension rules are complex; they are burdensome and confusing for veterans and costly for VBA to administer. In particular, the rule that pension benefits be adjusted dollar-for-dollar for each dollar change in a veteran's income creates uncertainty and anxiety for pension beneficiaries who tend to be elderly and disabled, with limited financial resources. It also imposes an onerous reporting burden on the neediest veterans and other beneficiaries by requiring them to report income changes as they occur and provide detailed documentation for their medical expenses. Since there are currently about 580,000 pension beneficiaries for whom these pension adjustments must be made, the cost to VBA of administering the pension program is high. VBA currently employs about 1,100 staff to maintain the pension program which pays about \$2 billion in benefits each year. This is nearly as many staff as it employs (1,300) to maintain the compensation program which pays about \$16 billion in benefits each year.

The compensation regulations are also complex and confusing. Most important, the rating schedule used to decide compensation awards is often quite subjective. This confusion and subjectivity leads to inconsistent interpretations and decisions which give the appearance of arbitrariness and, ultimately, result in a significant number of appeals. As mentioned earlier, many of these appealed claims take years to complete and tend to be very costly since nearly half of them are remanded by the BVA.

### **2.3 Conclusion**

The performance of the current claims process suffers from a number of complex, interrelated problems. Rather than attempting to deal with all of these problems, the goals, strategies, and initiatives presented in the following sections are designed to solve the core

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<sup>1</sup> See Section 5.3 for a discussion of benefits overpayments.

problems. Only by solving these core problems can VBA transform itself from a process-oriented and legalistic organization into a first-class customer service organization.

### 3. STRATEGIC PLAN FOR CLAIMS PROCESSING

The BPR team developed the strategic plan, which was accepted by the BPR guidance team. The plan is a dynamic, customer-oriented vision for the organization based on a set of guiding principles. Performance measures will track progress in achieving each goal.

Before embarking on the strategic planning effort, the BPR team analyzed the results of customer focus groups and a survey of veterans, analyzed core processes, and met with key stakeholders including VSOs, congressional committees, and regulatory agencies. Throughout the strategic planning effort the emphasis was on determining what VBA's customers—the veterans—want and need, and applying BPR techniques to determine how best to deliver it. By combining strategic planning with analytical techniques employed in BPR, the team developed "actionable" strategies that will significantly improve performance.

#### 3.1 Strategic Goals

The BPR team developed seven strategic goals based on the vision, information gathered from stakeholders, and analysis of current processes. By attaining these goals, the C&P Service will eliminate the core problems presented in Section 2 and provide outstanding quality service to the veteran. The goals are:

- (1) ***Be responsive to customer and stakeholder needs***—All of VBA's efforts will be focused on satisfying customer and stakeholder needs. VBA will establish and apply performance standards that reflect the service expectations of those seeking or receiving compensation or pension benefits. Customers and stakeholders will be surveyed or interviewed on a regular basis to determine how well VBA is responding to their needs.
- (2) ***Maintain 97% accuracy rate for claims processing***—A key determinant of VBA customer satisfaction is the accuracy of claims processing. Performance improvement programs will be designed to ensure that, to the greatest extent possible, claims are processed right the first time, thereby maximizing customer satisfaction and avoiding unnecessary rework.
- (3) ***Reduce the time required to process claims***—Based on the results of customer focus groups and the pilot survey of veterans, it is clear that another key driver of customer satisfaction is the timeliness of claims processing. VBA will strive to develop methods of improving service delivery time while maintaining quality and reducing operating costs. VBA will continually determine customer expectations about how long it should take to process claims and will use those expectations to establish aggressive timeliness targets for specific claim categories.
- (4) ***Reduce operating costs***—VBA will constantly strive to reduce the operating cost of its programs without compromising the level of service provided to veterans. BPR will play a key role in identifying viable strategies for reducing operating costs and help VBA to meet the budgetary challenges in the coming years.
- (5) ***Maintain a highly skilled, motivated, and adaptable workforce***—VBA will create an empowering work environment that fulfills its employees, fosters professional growth, and develops key skills. VBA will create a team environment that builds trust, is

supportive, but also communicates expectations and promotes accountability. C&P will strive to become a learning organization with a management structure and workforce that are adaptable to change with an overarching focus on doing what is right for veterans and employees.

- (6) ***Ensure best value for the taxpayers' dollar***—VBA will be a good steward of taxpayers' dollars by continually improving the efficiency and effectiveness of service delivery and through the performance and analysis of program integrity activities.
- (7) ***Improve communications and outreach***—VBA will ensure that veterans have a clear understanding of the benefits and services provided by the VA, eligibility requirements for benefits, and the procedures to apply for them. The customer will be kept informed and educated before, during, and after submission of a request for benefits or services to VBA.

### 3.2 Performance Measures

Linked to each of the seven strategic goals are several quantitative performance measures designed to provide a straight-forward, no-nonsense assessment of progress made by VBA in achieving its strategic goals and its vision. These summary performance measures will also provide a basis for evaluating the likely “return on investment” of proposed performance improvement programs. The summary performance measures, which will be used for external reporting, will be complimented by a much more detailed set of measures that will be used for internal management purposes. Specifically, data for these and other measures will be captured at various levels of detail such as by region, office, end product, and by stage of the business process to enable management to identify the source of any overall performance problem.

#### (1) Be Responsive to Customer & Stakeholder Needs

**1a. Customer Satisfaction Index.** With the assistance of the Office of Resource Management, VBA will continue to develop the “Survey of Veterans’ Satisfaction with the VA Compensation and Pension Claims Process” to yield customer satisfaction measures.

While this performance measure is still under development, 61% of the respondents to the pilot survey of veterans conducted in the Roanoke regional office indicated that they were either very or somewhat satisfied with the way the VA handled their claim. Although goals have not yet been established for this summary performance measure, VBA expects overall customer satisfaction to improve dramatically during the next five years as programs designed to streamline the claims process and address issues raised by veterans in focus groups and the pilot survey are implemented.

**1b. Ratio of Appeals to Claims.** According to the survey of veterans, an important determinant of customer satisfaction is the perceived fairness of the decision regarding claims. The proportion of claims that were appealed will provide an objective measure of customer satisfaction. Currently about 4.1% of the decisions for original and reopened claims are appealed by veterans.<sup>1</sup> It is not clear whether this relatively high appeal ratio reflects unreasonable

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<sup>1</sup> Original and reopened claims include the following EPs: 010, 110, 140, 180, 190, 020, and 120.

expectations on the part of veterans concerning benefits or a lack of understanding about documentation requirements and the decision process. In any event, this appeal rate and the resulting rework is attributable for a significant portion of VBA's workload and costs. The BPR team has established the goal of reducing the ratio of appeals to claims to 2.9% (30% reduction) by FY02.

## **(2) Maintain 97% Accuracy Rate for Claims Processing**

**2a. Overall Accuracy Rate.** The C&P Service will periodically select, at random, cases from the prior 12 months' completed claims workload for each regional office and determine the accuracy rate for those claims. If a case has *either* a clear and unmistakable error *or* a notification error, the case will be considered "in error," otherwise it will be considered "accurate." The overall accuracy rate for claims processed, while fairly high at 91%, indicates that a significant number of errors are still being made in the processing of claims. C&P Service has established the goal of achieving an overall accuracy rate for claims processing of 97% by FY02.

**2b. Percentage of Decisions Changed or Remanded by BVA.** The percentage of decisions changed by appeal will be defined as the percentage of appealed claims during a given period that were either overturned or remanded by the BVA. While this performance measure cannot be interpreted as a straightforward indication of the quality of rating decisions, it does indicate the proportion of decisions that were not sustainable, be it for lack of development, insufficient documentation of reasons and bases for the decision, or the age of the decision arriving at the BVA.

Of the appeals ruled on by the BVA, about two-thirds of the cases are either overturned or remanded. This result can be interpreted to mean that the quality of VBA's rating decisions and/or the evidence gathered in support of rating decisions is inadequate. VBA has set a goal of reducing the percentage of decisions changed or remanded upon appeal to 25% by FY02.

## **(3) Reduce the Time Required to Process Claims**

In order to measure progress made in achieving VBA's goal of processing claims quickly, VBA will track a summary measure of timeliness for three categories of claims; original claims, reopened claims, and other customer initiated claims. There was broad consensus among the participants in the customer focus groups, customer survey, and stakeholder interviews conducted by VBA that the claims process is too long. Summary data for the three timeliness performance measures, based on processing time data collected at four regional offices and nationwide data for evidence gathering time, confirm this impression. VBA has established aggressive goals for improving the timeliness of claim processing based on the expert judgement of senior adjudication officers and estimates generated by a simulation model of the reengineered claims process.

**3a. Average Number of Days to Complete an Original Claim.** The VBA currently takes an average of 115 days, or about 4 months, to complete an original claim (EPs 010, 110, 140, 180, and 190). Most stakeholders indicated that original claims processing should take 60 to 90 days. The BPR team has adopted the goal of reducing the average number of days to complete an original claim to 60 days by FY02.

**3b. Average Number of Days to Complete a Reopened Claim.** VBA currently take an average of 116 days to complete a reopened claim (EPs 020 and 120). Consistent with the most aggressive expectations of its stakeholders, the team has established the goal of reducing the value for this performance measure to 60 days by FY02.

**3c. Average Number of Days to Complete Other Customer-Initiated Claims.** The average number of days to complete other compensation and pension claims (including dependency, burial, eligibility determinations, and income related claims), is currently 31 days. VBA will attempt to reduce this measure to 15 days by FY02.<sup>2</sup>

#### **(4) Reduce Operating Costs**

What makes VBA's task of dramatically improving service to the veteran so daunting is the budgetary pressures that will clearly impinge on any future plans. No plan will be adopted that does not show significant improvements in efficiency and reductions in cost. VBA has selected seven measures of unit cost to track operating efficiency. In all cases, VBA has established a goal of reducing costs by FY02. *Typical costs shown here represent the direct labor used to process the C&P claims and do not represent other regional office costs, such as support services, management overhead, and facilities costs.*<sup>3</sup> The current values shown for each of the cost measures were estimated using a simulation model of the current claims process, claim processing data collected at four regional offices, and employee compensation data from a current government pay schedule. The goals are based on cost projections generated by a simulation model of the reengineered claims process.

**4a. Typical Cost to Resolve an Original Compensation Claim.** This measure includes the direct labor to adjudicate an original compensation claim (EPs 010, 100, and 140) plus the expected value of any appeal actions (EPs 070, 172, 173, and 174 and 020 award actions) that result from that claim. The current value is \$172 per claim, and the goal is \$120 per claim.

**4b. Typical Cost to Process an Original Pension Claim.** This measure includes the direct labor to adjudicate an original pension claim (EPs 180 and 190); all appeal actions are assumed to derive from compensation claims. The current value is \$53 per claim, and the goal is \$37 per claim.

**4c. Typical Cost to Resolve a Reopened Compensation Claim.** This measure includes the direct labor to adjudicate a reopened compensation claim (EP 020 non-award actions) plus the expected value of any appeal actions (EPs 070, 172, 173, and 174 and 020 award actions) that result from that claim. The current value is \$149 per claim, and the goal is \$105 per claim.

**4d. Typical Cost to Process a Reopened Pension Claim.** This measure includes the direct labor to adjudicate a reopened pension claim (EP 120); all appeal actions are assumed to derive from compensation claims. The current value is \$71 per claim, and the goal is \$50 per claim.

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<sup>2</sup> Other customer-initiated claims include EPs 130, 150, 154, 155, 160, 165, 290, 293, 095 and 295.

<sup>3</sup> To facilitate cross-year comparisons, all costs are stated in 1996 constant dollars.

**4e. Typical Cost to Process Other Customer-Initiated Claims.** This measure includes the direct labor to adjudicate other customer-initiated claims; all appeal actions are assumed to derive from compensation claims. The current value is \$24 per claim, and the goal is \$17 per claim.

**4f. Typical Annual Cost to Maintain a Compensation Claim.** This measure includes the direct labor to adjudicate all compensation maintenance activities (e.g., reopened claims, address changes, future examinations) divided by the total number of compensation claims currently on the rolls. The current value is \$25 per claim, and the goal is \$18 per claim.<sup>4</sup>

**4g. Typical Annual Cost to Maintain a Pension Claim.** This measure includes the direct labor to adjudicate all pension maintenance activities (e.g., such as reopened claims, address changes, IVMs, EVRs) divided by the total number of pension claims currently on the rolls. The current value is \$32 per claim, and the goal is \$22 per claim.<sup>5</sup>

#### **(5) Maintain a Highly Skilled, Motivated, and Adaptable Workforce**

**5a. Employee Satisfaction Index.** The Human Resources Department is developing a measure of employee satisfaction to enable VBA to determine progress made in achieving the goal of creating a fulfilling work environment for its employees. Data for this performance measure will most likely be gathered through periodic surveys of employees.

Although this performance measure is under development, during focus groups VBA employees voiced frustration about a number of issues including having to follow rigid procedures rather than using common sense, the emphasis on production standards rather than providing quality service, their inability to process claims quickly, the inadequacy of the tools and technologies available to them to do their jobs, and the general difficulty in obtaining and providing current information to veterans regarding claims. As one employee put it, "we can't give it because we can't get it." Because this performance measure is under development, performance goals have not yet been established. However, employee satisfaction can be expected to improve significantly.

**5b. Percentage of Workforce Trained and Certified in their Position.** One of the key stakeholder concerns was a lack of consistency in rating decisions. One potential mechanism for ensuring consistency is to provide consistent training for all raters. Moreover, one of the major reasons for the long processing times is improperly developed claims that have to be reworked before rating can begin. Once again, proper training could lead to better service for the veteran. VBA envisions a future in which *all* employees receive training in their position and must demonstrate an ability to perform.

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<sup>4</sup>Compensation maintenance is defined as the direct labor needed to process EPs 290, 095, 295, 310, 314, 320, 133, 680, 682, 683, and 684, 81% of non-appeal generated 020s, 68% of EP130 12% of EP293, 90% of EP500; 87% of EP510, 53% of EP600, and 80% of EP294. The shares of EPs devoted to maintenance were derived from a survey of adjudication officers on the BPR team.

<sup>5</sup>Pension maintenance is defined as the direct labor needed to process EPs 150, 155, 154, 050, 135, 690, 691, 692, and 50% of EP120, 32% of EP130, 88% of EP293, 10% of EP500, 13% of EP510, 47% of EP600, and 20% of EP693. The shares of EPs devoted to pension maintenance were derived from a survey of adjudication officers on the BPR team.

**(6) Ensure Best Value for the Taxpayers' Dollar**

**6a. Percentage of Benefit Payments in Error.** A recent report of the General Accounting Office identified the overpayment of compensation and pension benefits as a significant program integrity issue. Generally, these overpayments are caused by delays in the VA learning about changes in veterans' income, medical, and dependency status and delays by VA in adjusting benefits payments once change of status information has been obtained. This measure of program integrity, which will be calculated by dividing total overpayments (including those caused by administrative errors) by total compensation and pension benefits payments, provides an indication of the overall magnitude of the overpayment problem and emphasizes the prevention of overpayments. Currently, the percentage of VBA benefit payments in error is 1.54%. VBA has set a goal of a 30% reduction in errors, resulting in an error rate of 1.08%.

**(7) Improve Communications and Outreach**

A major finding from the analysis of the current process is that the VBA does not effectively reach its major stakeholders—the veteran community. The lack of communications is at all levels. First, veterans do not have an understanding of the benefits to which they are entitled. Second, veterans do not understand what is required of them to file a claim. Third, claimants are unable to check on the status of their claims. If VBA is going to move from being an administrative processing unit to being an advocate for the veteran, effective, two-way communication between VBA and the veteran is essential.

**7a. Customer Satisfaction Index Re: Communications.** VBA will continue to develop the "Survey of Veterans' Satisfaction with the VA Compensation and Pension Claims Process" to yield customer satisfaction measures specific to communications with recent claimants at the national, area, and regional office level.

**7b. Percentage of Veterans with a Good Understanding of VA Benefits.** Since the mission of VBA is "to provide benefits and services to veterans and their families" and veterans must apply for VA benefits, it is important to measure how well veterans understand the benefits and services available to them. Data for this customer-based performance measure will be collected by surveying veterans on a periodic basis.

While this performance measure is still under development, only 58% of the respondents to the survey of veterans conducted in the Roanoke regional office rated their knowledge of the VA benefits to which they might be entitled as being good or excellent. In addition, more than half (56%) of the survey respondents indicated that the VA does not keep them informed about the full range of available VA benefits and services. VBA will explore strategies for better communicating VA benefits and services available to veterans.

**3.3 Summary of Strategic Goals and Performance Measures**

Table 3-1 maps the performance measures to the seven strategic goals and summarizes the current and goal levels of performance for each measure.

Strategic Goals and Associated Performance Measures	Performance	
	Current	Goal
<b>1. Be Responsive to Customer &amp; Stakeholder Needs</b>		
1a. Customer Satisfaction Index	TBD	TBD
1b. Ratio of Appeals to Claims	4.2%	2.9%
<b>2. Maintain 97% Accuracy Rate for Claims Processing</b>		
2a. Overall Accuracy Rate	91%	97%
2b. Percentage of Decisions Changed or Remanded by BVA	67%	25%
<b>3. Reduce the Time Required to Process Claims</b>		
3a. Average Days to Complete an Original Claim (all types)	114.6	60.0
3b. Average Days to Complete a Reopened Claim	115.5	60.0
3c. Average Days to Complete Other Customer Initiated Claims	31.1	15.0
<b>4. Reduce Operating Costs</b>		
4a. Typical Cost to Resolve an Original Compensation Claim	\$172.04	\$120.43
4b. Typical Cost to Process an Original Pension Claim	\$52.57	\$36.80
4c. Typical Cost to Resolve a Reopened Compensation Claim	\$149.40	\$104.58
4d. Typical Cost to Process a Reopened Pension Claim	\$71.00	\$49.70
4e. Typical Cost to Process Other Customer Initiated Claims	\$23.67	\$16.57
4f. Typical Annual Cost to Maintain a Compensation Claim	\$25.42	\$17.79
4g. Typical Annual Cost to Maintain a Pension Claim	\$31.50	\$22.05
<b>5. Maintain a Highly Skilled, Motivated, &amp; Adaptable Workforce</b>		
5a. Employee Satisfaction Index	TBD	TBD
5b. Percentage of Work Force Trained in their Position	N/A	100%
<b>6. Ensure Best Value for the Taxpayers' Dollar</b>		
6a. Percentage of Benefit Payments in Error	1.54%	1.08%
<b>7. Improve Communications and Outreach</b>		
7a. Customer Satisfaction Index Re: Communications	TBD	TBD
7b. Percentage of Veterans with an Understanding of VA Benefits	TBD	TBD

Table 3-1: Current and Goal Values for Performance Measures.

## 4. A VISION FOR CLAIMS PROCESSING

To meet the strategic goals and performance measures and to solve the core problems with the current claims process, the BPR team defined seven guiding principles:

- Veterans' needs and expectations drive change
- Proactive, frequent, and productive interaction with veterans
- Identify and resolve issues at the earliest opportunity
- Quality—*Get it right the first time*
- Partnerships between VBA, veterans, and advocates
- Increased accountability for employees, veterans, and VSOs

VBA must make “putting veterans first” more than a slogan; it must be the reason for every action and the primary motivator for all personnel. The guiding principles behind this vision apply to all its functions but emphasize service to veterans. “Service” in this context means more than simply the efficient and accurate handling of applications and claims folders. It means direct involvement with veterans to solve their problems and enhance the quality of their lives.

Every VBA staff member should see veterans, their families, and their representatives as real people with real needs and concerns who deserve sympathetic, caring attention. They are not pieces of paper that move from one person to another. Especially, they are not “burdens” who add to workloads. Conversely, veterans and their representatives should see VBA personnel as “helping hands” who are eager to assist them, not only because it is “their job” but also because they take pride in serving those who served the Nation.

Thus, the main principles that guide VBA’s vision emphasize closer, more personal, and more frequent contacts with veterans and greater responsiveness to their concerns. Veterans’ needs and expectations drive the changes that VBA will make now and in the future. Through proactive, frequent, and productive interaction, VBA will forge a partnership with veterans and their representatives. Such a partnership, like any other, will involve mutual actions and responsibilities to achieve shared goals. It will also mean increased accountability for these actions by VBA personnel, individual veterans, and their representatives.

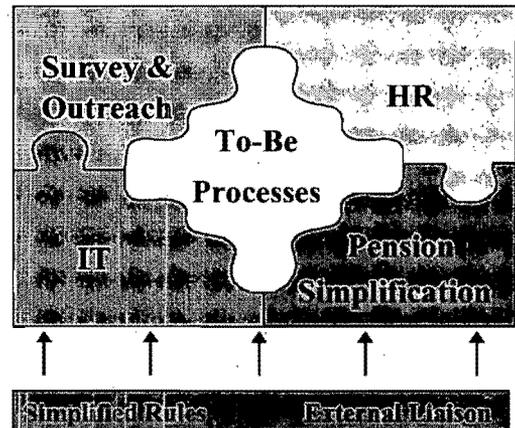
Through this partnership and internal changes, VBA will strive to increase the quality of its service—*getting it right the first time*, in a timely manner. Simplified rules, regulations, and policies, with streamlined procedures and processes, will enable faster, more accurate delivery of benefits, with reduced likelihood of appeals.

VBA staff members will have the authority to interact with veterans, make decisions, and identify and resolve issues at the earliest opportunity. More importantly, they will work with veterans and their representatives to assess eligibility for benefits based on objective evidence and criteria, so that all see the process and its outcome as fair and equitable. Veterans and VSOs will become partners in developing the claim and any post-decision review.

VBA must commit to support its personnel and partners in the quality delivery of benefits through cost-effective improvements in information technology (IT) and human resources programs. IT innovations make possible major advances in the speed and accuracy of

information processing, decision-making, and the rapid communication of information among individuals regardless of location. Human resources initiatives will train VBA personnel to use IT in performing streamlined processes to deliver better, faster service. Effective program integration will ensure that VBA's outreach, IT, and human resources initiatives complement each other to ensure services that meet veterans' changing needs.

The vision that embodies these guiding principles must be comprehensive. VBA requires an integrated approach that identifies needed changes, relates them to each other, and provides a comprehensive implementation plan to achieve them. This approach envisions fundamental changes as a complete package that best serves the needs of veterans. The package consists of five key components—(1) core processes of claims processing and post-decision review, (2) information technology infrastructure, (3) human resources, (4) survey and outreach to the veterans and VSOs, and (5) pension simplification. In concert with the vision, simplifying all rules and regulations and examining the interfaces with external organizations will also greatly enhance responsiveness to veterans' needs. The remainder of this section describes the performance improvement initiatives within each component of the vision. Appendix G describes other initiatives that, while not integral to the vision, should be implemented to enhance efficiency and service to veterans.



#### 4.1 To-Be Processes

VBA has two core processes: claims processing and post-decision review. The VBA BPR team has created a strategic vision of the way compensation and pension claims processing will occur in 2002.

**Claims Processing.** As illustrated in Figure 4-1, compensation and pension processing will be an interactive process with a VBA employee accountable for completing all actions necessary to come to closure on a claim. A new position, the Veteran Service Representative (VSR), will have ownership of each claim to which he or she is assigned and forge a partnership with the veteran and his/her advocate. The most common means to file a claim will be a one-page application form, with a structured initial telephone interview with the VSR. The assigned VSR, consulting with the veteran, will focus the issue, identify all sources of evidence, and explain the claims process. The VSR will inform the veteran on the progress of his/her claim. Rule-based technology will support the VSR in this process to ensure the quick resolution of the claim. VSRs will gather evidence, make decisions, notify veterans, and be accountable for their actions. Routine actions will be handled quickly, often at the initial contact. If a claim requires a rating decision, the VSR will transfer ownership of the claim to a Rating Certified VSR, who will make the rating decision and prepare the award and notification letter to the veteran that describes the decision and explains the reasons for it. Throughout, the assigned VSR will work with the individual veteran to ensure that each claimant receives knowledgeable, compassionate, and equitable service.

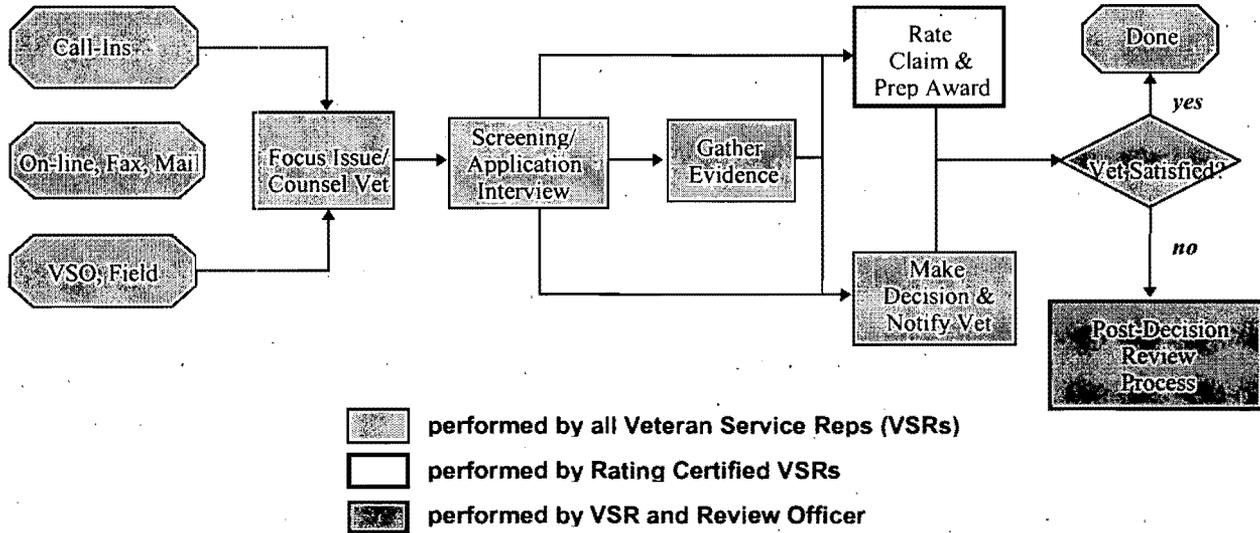


Figure 4-1: Vision for Claims Processing.

Unlike the present lengthy and convoluted process, in which paper applications and supporting materials pass through many hands within the regional offices, this process concentrates decision-making authority with the VSR who has total responsibility for completing all actions related to the claim. The more complex cases will be assigned to a Rating Certified VSR with highly specialized expertise. The development of rules-based technology will assist the VSR to gather the appropriate evidence and make the correct decision.

**Post-Decision Review.** The post-decision review (PDR) process shown in Figure 4-2 will continue the partnership between the veteran, veteran service organization (VSO) representative, and the review officer. The new process will commence with receipt of an indication of dissatisfaction by the veteran. This can be received in person, by telephone or in the mail. The VSR will be the first contact point and will explain the decision in question and explain the post decision review process. If the claimant wishes to initiate the PDR process, a review officer will be assigned to the case and will become the claimant's primary point of contact. The review officer will focus the issue during a conference with the veteran and his/her representative. This conference will be conducted in person, by telephone or by video conference. The review officer will be a highly skilled individual with the training and knowledge to perform the duties of this position. He or she will have the authority to issue a revised favorable decision based on a de novo review of the evidence. If the veteran remains dissatisfied, the review officer will either work with the veteran to incorporate new evidence into a supplemental claim or, if there is no new evidence, frame the issue for the formal appeal (VA Form 9). At this point the claim will be forwarded to the BVA for their review. Because the review officer is empowered to resolve issues, there is no need for multiple reviews prior to formal appeals. Streamlining this process will greatly accelerate the review process and reduce the current appeal backlog.

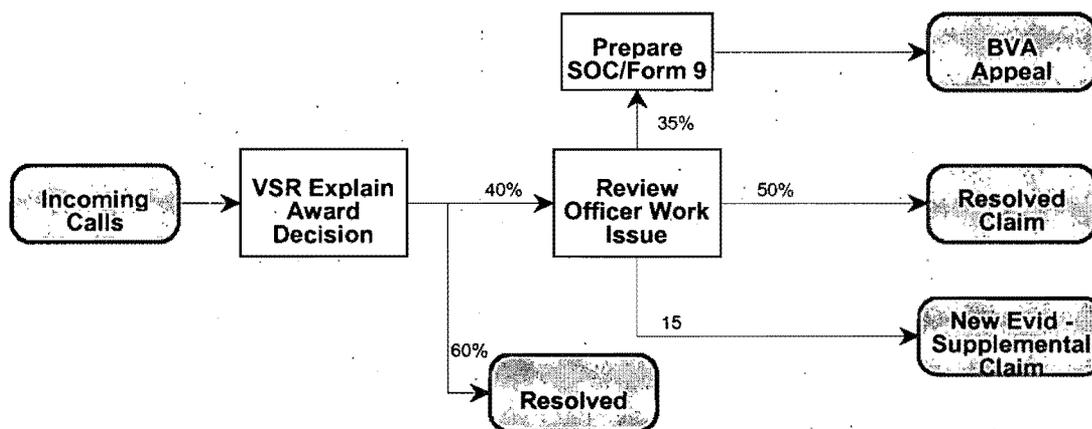


Figure 4-2: Vision for Post-Decision Review Process.

## 4.2 Information Technology Infrastructure

Partnership with veterans and streamlined core processes both require changes in VBA's IT program. Figure 4-3 shows the major process improvements that COVERS, Rating Board Automation (RBA), CPS, VETSNET, and other IT systems will yield over the next few years. COVERS will provide automated tracking of hard copy claim files. CPS will permit rule-based establishment and development of compensation and pension claims. An enhanced Automated Medical Information Exchange (AMIE) system will enable faster transmission of large medical data files between VHA and VBA. Moreover, ROs will have access to any VHA facility, not limited as they are now to the few within the same area.

VETSNET, in later versions, will store information related to claims from initial contact through post-decision review. It will establish real-time interfaces with automated databases at SSA and the Defense Manpower Data Center (DMDC) to obtain data on veterans and their families. Under the VETSNET initiative, rule-based decision support for rating issues will replace and enhance the existing RBA application. Using rule-based expert applications that draw on the knowledge of VBA's most experienced personnel, the system will help VSRs identify needed evidence, make rating decisions, and, where appropriate, translate decisions into awards and initiate payments. If more evidence is needed, the system will generate requests to external sources, automatically receiving and filing data from sources with which VA has electronic links. The system will also notify veterans of VBA's action. Veterans, VSO representatives, and appropriate VBA staff members will access VETSNET to monitor the status of claims and, with safeguards, add information. The system will also perform automated checks on the accuracy and timeliness of services, enabling VBA managers to shift resources as workload changes.

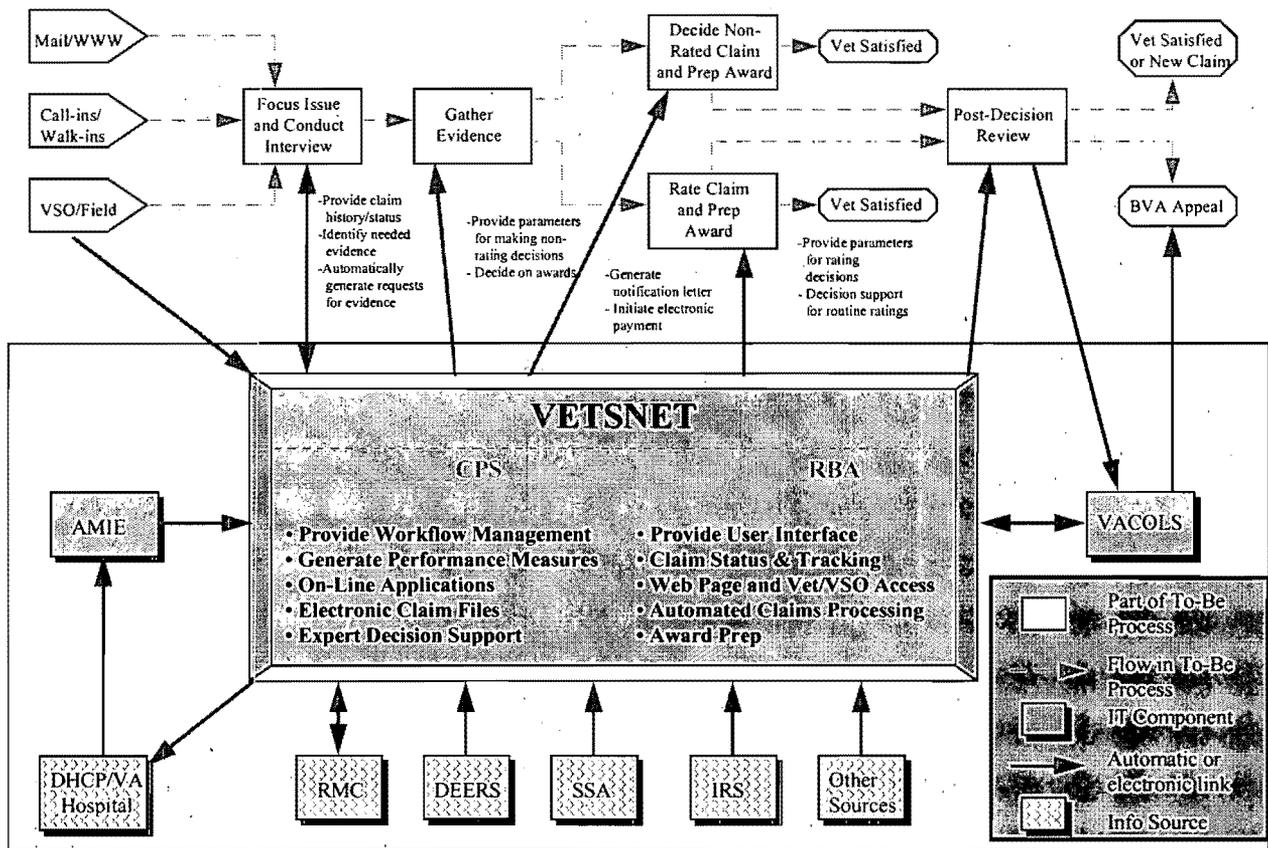


Figure 4-3: IT Support for Reengineered Processes.

### 4.3 Human Resources Infrastructure

VBA personnel will have different jobs that require new skills. Their redefined functions as Veteran Service Representatives and review officers will mean revised descriptions of their authority, responsibilities, and accountability. Frequent, direct contact with veterans and their representatives will call for improved interpersonal skills. These and other changes translate into requirements for extensive training in both new procedures and processes and the use of automated systems. VBA will need to integrate its training programs to ensure that they are mutually supportive. More broadly, VBA will need to supplement its training with selective hiring of new personnel to fill gaps in critical skills, match individual skills to job needs and provide incentives for the performance of staff members.

Achieving basic changes in VBA processes will have major implications for the size and composition of the VBA workforce. VSRs will respond to inquiries, gather evidence and decide claims. The workforce shifts from a hierarchical structure to a flatter organization where employees have greater authority, accountability, and control over their work. As a result, individuals will have opportunities for greater professional development and advancement.

The vision also anticipates human resources impacts for personnel outside adjudication. VBA will coordinate with VHA to provide additional training for VA doctors to facilitate their conduct of medical examinations for VBA. Such training, which VBA will fund on an annual basis, will increase awareness of state-of-the-art methods and techniques for detecting disabilities and identifying the extent to which they are service-connected or aggravated by service-

connected conditions. As part of that training, the VBA will develop an enhanced Physician Guide for medical exams, replacing the current AMIE exam worksheet. The guide will assist the doctor in performing a standard sequence of procedures and tests during the examination. Following rating, VR&C representatives will determine eligibility for vocational rehabilitation.

#### **4.4 Survey and Outreach**

VBA, like the rest of VA, exists to serve veterans. To do this effectively, VBA must understand veterans' needs, not assume that it knows their needs already or that existing laws and regulations adequately address current issues. Veterans, supplemented by VSOs, know their needs and concerns best. Surveying veterans is necessary to understand their current and future needs and to obtain their perspectives on VBA, the services that VBA provides, and the quality of service delivery. VBA will incorporate additional questions regarding veterans' knowledge of and satisfaction with compensation and pension laws, regulations, processes, and the resolution of individual claims. These questions will address the function of the BVA and the Court as well as VBA. The survey results can be used to design programs that meet veterans' current and future needs in ways that are most helpful to them.

VBA's partnership with veterans and VSOs involves more than an improved dialogue. After all, VBA and the VSOs share the same goals of quality service and quality representation for the veteran. This partnership establishes a larger role for them in claim establishment and development, streamlined claims processing, and more efficient post-decision review. With VBA assistance, veterans and VSO officials will have access to the same claims development tools as VBA employees. They will be notified when their claims are delayed and given reasonable estimates of when the claim will be resolved and what they can do to expedite the process. They will also be able to access their VA records to learn the status of their claims and view supporting evidence and VBA actions to date. They will thus be able to express their views and interact with VBA regional office staff during claims processing. Because they will be partners in claims processing, veterans and VSOs will have an incentive to provide complete, accurate evidence rapidly to help speed claims processing.

Finally, in coordination with DoD, VBA will include pre-service discharge medical examinations as a routine part of transition assistance services. This will encourage military personnel to receive a thorough medical exam, with emphasis on detecting potential disabilities, during the months preceding discharge. This will also eliminate the need for many VAMC and private exams related to compensation claims.

#### **4.5 Pension Simplification**

Pension simplification offers significant potential for improvements in how VBA delivers benefits to veterans and other beneficiaries who are most in need. The effect would be to: (1) reduce the reporting burden on clients; (2) reduce the number of people required to administer the program; and (3) reduce the number of payment errors. Veterans will still need to report changes in dependency and major income and medical status, but such reports will be much less frequent than now. Veterans will gain greater confidence in VBA benefits programs because of simplification and increased predictability. Because the pension program will have fewer, simpler rules, veterans will be able to understand them more easily and cooperate more fully with VBA personnel.

Pension simplification initiatives will sharply reduce VBA's pension (especially pension maintenance) workload. They will eliminate the need for detailed reviews of recipients' income statements and medical bills. They will cut at least 80% from the processing of income-related data. They will also eliminate redundant collection of income data that the Internal Revenue Service (IRS) and SSA can provide. Moreover, IT systems will perform much of the remaining pension maintenance activity (e.g., cost-of-living adjustments, income matching), freeing VBA staff to focus on processing of compensation claims and other duties. Along with reduced requirements for VA exams of older pensioners, these changes will result in substantial FTE and other savings. Also, the initiatives will enhance the pension program's integrity. They will reduce the number and amount of overpayments, a key weakness of the present process. Fewer overpayments will mean lower recovery costs. The result will be a program in which veterans, VSOs, VA, and the public can have increased confidence.

As a result of pension simplification, significant savings are possible compared to the current process. These FTE will be available as service representatives and for outreach and communications with veterans and VSOs. VBA should apply the savings in resource costs to help fund investments in IT and training programs.

Pension simplification requires legislative action. Nearly any reform will require changes in current Federal regulations. Many of these would be tied to the legislative proposal, but some are separate. Support from stakeholders is important to accomplish pension simplification. The goal of the BPR team is to create a pension program that is easily understood by the client, easy to administer by VBA, and automates payment changes based on links with other Federal agencies. Ideally, the payment should be stable and predictable.

Any changes to the pension program will require considerable analysis, planning, and outreach. As such the BPR team does not propose specific reforms at this time, but recommends the following pension simplification initiatives as worthy of consideration. The team proposes that these initiatives, among others, be examined in detail by a pension simplification team, with a goal of implementation.

- **Eliminate the dollar-for-dollar adjustments.** Current law requires that veterans report and VBA staff recompute eligibility based on dollar-for-dollar changes in a veteran's annual income. Veterans must submit Eligibility Verification Reports (EVRs) to report even minor income fluctuations. The proposed reform would establish a single ceiling for a veteran's family income. Within the ceiling, VBA would assign initial benefits to each eligible veteran according to broad income bands and depending on VBA's rating of disability status as basic benefit, housebound, or requiring aid and assistance (A&A).
- **Use prior year's income as basis for payment.** VBA retroactively adjusts pension awards based upon the date of the income change. VBA recalculates the monthly rate from the date of the change and determines future payments on that new income level. For clients reporting an increase in income, overpayments result. Under this proposal, benefit payment would be based on prior year's income. This will eliminate retroactive adjustments and provide the client with a stable pension rate.
- **Redefine the application of medical expenses.** Current law requires that veterans report unusual medical expenses (UMEs) and that VBA review each claim and, if appropriate,

reimburse the veteran. This process is labor intensive for both the veteran and VBA staff, but it often fails to determine benefits accurately. The proposal substitutes an annual standard medical expense deduction for all but catastrophic expenses (e.g., those above \$6,000 per year). This would dramatically reduce the number of claims that veterans submit and the accompanying workload.

- **Redefine exclusions to family income.** In calculating a veteran's family income for pension benefits, current law requires VBA to exclude the income of a dependent child if such income is not "reasonably available" or if counting such income would impose "hardship." The proposed change would count a child's income as part of the family income if the child is a member of the household. This would reduce the complexity of income computations and improve processing time for the claim.
- **Establish presumptive entitlement based on age.** VA now requires all veterans to submit income statements and medical evidence in order to qualify for disability pensions. In practice, however, VBA denies few such claims for veterans 65 years old or older. VBA should reestablish presumptive entitlement of permanent and total disability based on age. This would eliminate the need for medical exams and ratings determinations.
- **Accept Social Security determinations for total disability.** Currently, VBA must make a determination of entitlement to pension even though the SSA has determined the veteran to be permanently and totally disabled. VBA should accept those determinations as qualifying for pension.
- **Rely on the Income Verification Match as the primary program integrity tool.** Currently, VBA requires an annual EVR from selected beneficiaries who do not meet exemption rules. In addition, VBA matches pension records with SSA and IRS. The EVR process is redundant, labor intensive and costly.
- **Discontinue income verification for Section 306 and Old Law Pension.** Current law protects such pensioners from benefit reductions (e.g., due to loss of a dependent) but requires them to submit EVRs to demonstrate that they remain below the applicable income ceiling or lose their benefits. Because nearly all such pensioners are elderly, have no dependents, and live on fixed incomes, EVR reviews result in very few benefit changes. VBA will reduce its workload and remove a source of needless anxiety to the affected pensioners.

#### **4.6 Rule Simplification**

Current rules are often difficult to understand, vague, and/or inconsistent. The Court of Veteran Appeals (Court) then interprets them through its decisions. To regain control of rule making and ensure consistency in interpretation, VA should establish a fast-track process to review and, if appropriate, revise existing regulations, not wait for the Court to take action. This would simplify claims processing, improve the quality of VBA actions, and reduce the likelihood that Court decisions will require changes in guidance to VBA personnel.

Many of the regulations that VBA applies are open to multiple interpretations that invite inconsistent decisions and reversals on appeal. Since 1989, the Court of Veteran Appeals has been building a body of case law that often differs from VA's understanding of the governing law. Examples include: VA's duty to assist veterans in developing evidence; standards for "well-grounded" claims; exceptions to eligibility criteria; aggravation of non-service-connected disabilities; evaluation of individual unemployability; and status of accrued benefits after death. Rulings in different cases require frequent, unpredictable revision of VBA policies and practices. This not only complicates claims processing; it goes entirely against the need to give the veteran a predictable, fair decision in good time. Rather than continuing to adapt to the Court's views in all cases, VBA should revise vague provisions to clarify and specify VA's position, relying on OMB and public review of proposed changes to surface, clarify, and accommodate stakeholder concerns. VBA's concerted, short-deadline review and, if needed, revision of key regulations will enhance accurate, fair, and predictable claims processing decisions with fewer delays in delivering services to veterans.

#### **4.7 External Liaison**

Liaison with agencies outside VBA needs improvement. VBA and VHA are "talking past each other" on medical exams. The quality and timeliness of these exams are very important to VBA's ability to deliver timely, accurate decisions; performance in both areas has been spotty. Realigning incentives, perhaps by disbursing payment from VBA to VHA on receipt of a responsive, useable, timely examination report, could improve system performance. Other instances of need for improved liaison are amenable in general to improved communications links for data transfer, and merit attention as IT initiatives.

It is also essential for VBA to partner with BVA. Although VBA can make substantial improvements in the post-decision review process, it is important in designing an appellate process to address such issues as remands and application of Court decisions. Resolving these issues will require an enhanced relationship between VBA and BVA. The existing relationship is primarily focused on process; the relationship must be expanded to include policy and service to veterans. BVA and VBA are bound by the same laws, regulations, and Court decisions, and a policy focused on coordinated effort would enhance both organizations' ability to serve veterans.

#### **4.8 Implementation Strategy**

The BPR team envisages a phased implementation of integrated changes in VBA processes and infrastructure support over a five-year period. By the end of the period, new claims could be paperless and all workflows automated. If desired, VBA will still communicate with veterans and VSOs by paper, but it will encourage VSOs to use electronic media where possible. A major purpose of the changes is to expand, not constrain, VBA direct contact with veterans and VSOs, whether in person, by mail, or electronically. By supplementing current means of access, the implementation plan will increase VBA's contacts with its customers.

**Phased, Coordinated Approach.** During the transition, VBA will need to coordinate process, IT, and training actions. Telephone outreach by VSRs, for example, will be the initial means by which claims data enter the workflow electronically. CPS will provide the automated tool that the VSRs will use both as cues for conducting the telephone interviews and to store the data that they collect from the interviews. This combination of process and IT improvements

will enable VBA to practice the principle of "enter data once, use it often" that is fundamental to BPR. Continued IT enhancements, combined with the introduction of streamlined processes, training and certification, and experience in using new techniques, will enable structured interviews to become the standard method by which VBA personnel, veterans, and VSO representatives establish and develop claims. All will be able to confirm the status of claims by telephone or on-line access to VBA databases.

Coordinated, phased implementation is important because of the long lead-times that many changes require. For example, VBA can offer training and certification programs for its own and VSO personnel only after it has developed training packages for different functions. It can develop such packages only after it knows the skills and associated training required for each function, which in turn depends on definitions of job responsibilities and authority. Thus, the plan envisions training programs beginning about two years into the implementation process, after revised job descriptions and new training packages have been completed.

Similarly, it is important to coordinate changes in planning processes and training with related IT improvements. On the other hand, there is little point in putting processes and training in place for systems that will not be available for many months. Training on new processes and systems should begin before they become operational, to give personnel an opportunity to learn their new jobs before they must perform it. This need for "just-in-time" training points out the plan's dependence on VBA's IT implementation schedule, which is a major factor in determining the pace of overall change implementation.

Coordinated implementation will require thorough, integrated management that combines the IT, human resources, policy/planning, and outreach efforts of the BPR vision. Such management must tie BPR implementation closely with established VBA planning, programming, and budgeting systems, providing them with reliable feedback on the costs and benefits of current and estimates of projected programs. This will enhance VBA's ability to develop and adjust its future-years plans and budgets.

**Implementation Teams.** The Under Secretary should designate a VBA senior manager as the BPR implementation chief and hold that person directly accountable for successful implementation of the approved changes. To achieve integrated management of BPR implementation, a series of teams drawn from all VBA elements is necessary. An IT implementation team, with both technical staff and user representatives, should work with the CIO to guide IT implementation. A human resources team, also including user representatives, should work with HR personnel. A pension simplification team and a rules simplification team should be designated to deal with those two issues. There should be comparable teams for process redesign, including procedure development, and change management, to keep VBA personnel, veterans, VSOs, and other stakeholders informed of all aspects of the BPR process, starting *before* a decision on which changes to implement. Change management will also coordinate outreach activities such as customer surveys. The heads of these teams, together with VBA managers, will form the BPR implementation management team, which will ensure coordination of the teams' activities and provide overall guidance.

This vision is necessarily high-level. A detailed implementation plan will depend on the specific changes that VBA approves, actions by Congress, OMB, and VSOs, and VBA's infrastructure support programs. Moreover, the plan must remain flexible to accommodate

changes in one or more of its components. As a result, VBA's implementation teams will need to adjust the plan as implementation proceeds.

#### **4.9 Conclusion**

The vision detailed in the section will result in dramatic improvements in VBA's operations. VBA will be able to see these improvements in quality, timeliness, and productivity. One-on-one interaction between veterans and highly trained VSRs will help to ensure that data are accurate, complete, and current. Most important, the vision is not a quick-fix to the obvious problem. Rather, it is a cure for the core problems that afflict current C&P claims processing. Table 4-1 matches the initiatives that compose the vision with the core problems identified in Section 2. Each problem is addressed head-on, and solving these problems will eliminate the major symptoms, such as: large backlogs; high appeal, error, and remand rates; and unacceptably long processing times.

Finally, it is important to understand that the initiatives that make up each of the components of the vision are mutually supportive and designed to work in combination to radically improve the quality of service provided to veterans. As a result, the performance improvement generated by the vision as a whole is greater than the sum of the performance improvement provided by each of the individual components measured separately. In fact, selective implementation of certain components could cause a deterioration in performance. For example, implementation of the reengineered claims process without the IT initiatives necessary to support it would cause backlogs and processing times to soar. For this reason the performance improvement initiatives described above should be pursued as a group rather than selectively.

CORE PROBLEMS	VISION COMPONENT
Inadequate Communications and Outreach	<ul style="list-style-type: none"> <li>• Expand Veteran Survey Program</li> <li>• Provide Multiple Access Options</li> <li>• Create Partnership with VSOs</li> <li>• Expand Pre-Discharge Service Medical Exam Program</li> <li>• Create VSRs with Direct Contact to Veterans</li> <li>• Institute Revised Post-Decision Review Process</li> <li>• Emphasize Customer Service in Training/Certification Program</li> <li>• Provide Instant Access to Claim Status</li> </ul>
Lack of Individual Accountability	<ul style="list-style-type: none"> <li>• Eliminate Positions and Expand Individual Responsibility</li> <li>• Automate Routine Tasks</li> </ul>
Emphasis of Production and Timeliness Instead of Quality	<ul style="list-style-type: none"> <li>• Focus Issues during Initial Process and Post-Decision Review</li> <li>• Forge Partnerships with Veterans and VSOs</li> <li>• Institute Training/Certification Program for C&amp;P Employees</li> <li>• Enhance Training for VA Doctors</li> <li>• Revise Physicians' Guide</li> <li>• Collect Performance Data on all Claims Automatically</li> <li>• Expand Veteran Survey Program</li> </ul>
Inadequate IT Support for Process	<ul style="list-style-type: none"> <li>• Automate Routine Tasks</li> <li>• Provide Multiple Access Options</li> <li>• Provide Instant Access to Claim Status</li> <li>• Develop Expert Systems to Support Decision-Making</li> <li>• Automate Workflow Management</li> <li>• Develop Automated Links to Evidence Sources, Including VHA</li> <li>• Allow VSOs Access to IT Support Tools</li> </ul>
Complexity of Rules and Regulations	<ul style="list-style-type: none"> <li>• Simplify Pension Rules</li> <li>• Use Social Security Determination for Total Disability</li> <li>• Make Rating Schedule More Objective</li> </ul>

Table 4-1: Mapping of Vision to Core Problems.

## 5. ANALYSIS OF PROPOSED VISION

The preceding section presented a vision of the future VBA in which veterans and their dependents receive dramatically improved service. This section presents the costs of achieving the vision and the benefits to be derived from it. First, an economic baseline is established with budget and staffing projections assuming that reengineering is not undertaken. Next, estimates of the incremental investment costs necessary to achieve the vision are presented, followed by estimates of the cost savings associated with the vision. Finally, the costs of reengineering the claims process are compared with the benefits, including performance improvements, to justify the vision. The analysis of both costs and benefits relies on conservative assumptions to ensure that the reengineering effort produces the anticipated improvements in performance without increasing costs to the taxpayer. A detailed discussion of the assumptions underlying the estimated investment costs and cost savings appears in Appendix E.

### 5.1 Economic Baseline

Table 5-1 presents the baseline projection of expenditures for the Compensation and Pension business line (C&P) and Information Resources Management (IRM) expenditures in support of C&P. The baseline represents an estimate of the expenditures to support the Compensation and Pension program if the BPR initiatives described in Chapter 4 are not undertaken. In other words, the baseline projection assumes that VBA will continue to conduct business in the current manner, using current systems, and achieve current levels of performance indefinitely. This baseline projection is designed to serve as a point of comparison with the expense profile and performance improvements associated with implementation of the BPR initiatives described in Section 4.

EXPENSE CATEGORY	FY96	FY97	FY98	FY99	FY00	FY01	FY02	Total
C&P Expenditures	235.1	236.3	242.3	235.9	239.8	243.8	247.8	1,681.0
Payroll	232.7	234.5	240.5	234.1	238.0	242.0	246.0	1,667.9
Non-payroll	2.4	1.7	1.8	1.7	1.8	1.8	1.8	13.1
IRM Expenditures (C&P)	57.1	55.4	53.6	53.0	53.5	55.2	55.9	383.6
Payroll	25.0	21.2	22.0	22.0	22.6	23.8	23.9	160.3
Contractor	8.4	9.2	5.8	4.9	4.3	4.5	4.6	41.8
Other	23.7	25.0	25.8	26.1	26.6	26.9	27.4	181.4
<b>Total C&amp;P Obligations</b>	<b>292.2</b>	<b>291.7</b>	<b>295.9</b>	<b>288.8</b>	<b>293.3</b>	<b>299.0</b>	<b>303.7</b>	<b>2,064.6</b>

Table 5-1: C&P Baseline Expenditures (\$ Millions).

The baseline projection indicates that about \$2 billion will be spent to administer the Compensation and Pension program between FY96 and FY02, not including amounts to be incurred in support of C&P by support organizations such as Human Resources Management, Finance, and Administration. Total annual expenditures will increase from \$292.2 million to \$303.7 million between FY96 and FY02, a total increase of only 4%.<sup>1</sup> Adjusted for inflation, the baseline projection represents a real decrease in expenditures over the period of 9%. Thus, the baseline projection suggests that even if VBA chooses not to pursue reengineering, during the next six years it will have fewer available resources, including fewer staff, with which to

<sup>1</sup> All dollar figures are stated in nominal (or "then-year") dollars. Inflation for this analysis is projected at slightly greater than 2% per year.

accomplish its mission. This projection is based on separate assumptions for the C&P business line and the IRM support of C&P, which are outlined below.

**C&P.** Estimates of C&P obligations for FY96 and FY97 were obtained from the draft *1998 VBA Business Plan and Secretary's Budget Submission*. Starting in FY98, C&P's workforce in the baseline scenario is expected to decline because of a lower workload, but increases in pay will cause total expenditures to increase by 5% from \$235.1 million in FY96 to \$247.8 million in FY02.

**IRM Support of C&P.** Although the IRM budget contains funding for information technology (IT) projects that support the entire VBA, the baseline projection of IRM expenditures in support of C&P includes the cost of only those IRM projects which wholly or partially support C&P, are compatible with a continuation of the Benefits Delivery Network (BDN) environment through the indefinite future, and do not represent investments in any major new systems designed to improve the way C&P conducts business. Using this rule, the cost of new systems such as COVERS, CPS, and VETSNET were excluded from the baseline and included in the cost of achieving the vision. Since the baseline assumes the continuation of BDN, the baseline projection assumes spending for BDN operations and maintenance between FY99 and FY02 would continue in real terms at the FY98 levels, even though the actual IRM budget shows spending for BDN ending in FY00. Based on these assumptions, IRM expenditures in support of C&P are projected to decline 2% between FY96 and FY02, from \$57.1 million in FY96 to \$55.9 million in FY02.

Thus, instead of assuming that expenditures will continue at present levels indefinitely, the economic baseline presented in this case assumes that inflation-adjusted expenditures and staffing will decrease even if VBA chooses not to implement the BPR program. The conservative nature of this assumption "raises the bar" for the proposed BPR initiatives by increasing the amount of cost savings necessary to justify the decision to implement the reengineering program.

## **5.2 Investment Costs**

Table 5-2 presents a projection of the investment costs necessary to achieve the vision. The BPR team projects that it will cost \$312.9 million between FY96 and FY02 to implement the vision. Most of the investment cost, \$197.2 million, is attributable to information technology initiatives necessary to support the reengineered claims process. The remaining \$115.7 million represents the cost of non-IT initiatives for staff restructuring, employee training, the development and implementation of customer and employee surveys, and procedures designed to improve the quality and availability of medical exam evidence.

INITIATIVE CATEGORY	FY96	FY97	FY98	FY99	FY00	FY01	FY02	Total
<b>IT Initiatives</b>	<b>14.6</b>	<b>18.8</b>	<b>29.1</b>	<b>26.4</b>	<b>32.0</b>	<b>40.5</b>	<b>35.7</b>	<b>197.2</b>
C&P Business Process Reengineering	0.2	0.1	0.1	0.0	0.0	0.0	0.1	0.7
Enhanced AMIE (DHCF Link)	0.0	0.3	0.4	0.4	-	-	-	1.1
COVERS (Folder Tracking)	1.3	0.4	1.4	0.4	0.0	0.0	0.0	3.6
CPS (Claims Development)	1.8	1.3	1.4	-	-	-	-	4.5
Master Veteran Record (MVR)	-	0.1	0.1	-	-	-	-	0.2
VETSNET I (BDN Replacement)	4.3	5.5	5.6	-	-	-	-	15.4
VETSNET and Other Maintenance	-	-	1.4	4.2	4.4	4.7	4.9	19.6
VETSNET II and III (BPR Initiatives)	-	1.0	2.6	3.4	6.1	9.8	3.8	26.8
Central Processor -- VETSNET (Mainframe Rental)	1.1	6.0	11.9	13.1	15.3	17.6	19.9	84.9
Field Network Systems--Sequents (minicomputers)	5.7	3.7	4.0	4.3	4.4	4.5	4.6	31.0
Changes in Phones	0.2	0.3	0.3	0.4	0.4	0.4	0.4	2.4
Phone Installation and Maintenance	-	-	-	0.3	1.3	3.5	2.0	7.1
<b>Non-IT Initiatives</b>	<b>0.8</b>	<b>1.2</b>	<b>5.3</b>	<b>19.2</b>	<b>25.0</b>	<b>38.2</b>	<b>26.2</b>	<b>115.7</b>
Training & Certification Programs	0.8	0.8	2.1	5.4	4.9	5.7	3.8	23.5
Employee Severance Costs	-	-	-	2.1	8.2	20.4	10.0	40.7
Customer and Employee Surveys	-	0.4	0.6	0.6	0.7	0.7	0.7	3.7
Enhanced Training for VA Doctors	-	-	0.3	0.3	0.3	0.3	0.3	1.6
Enhanced Physician Guide	-	-	0.3	-	-	-	-	0.3
Pre-Service Discharge Exam Program	-	-	2.0	10.7	10.9	11.1	11.3	46.1
<b>Total Cost of C&amp;P BPR Initiatives</b>	<b>15.4</b>	<b>19.9</b>	<b>34.4</b>	<b>45.6</b>	<b>56.9</b>	<b>78.7</b>	<b>61.9</b>	<b>312.9</b>

Table 5-2: Investments Necessary to Achieve the BPR Vision (\$ Millions).

**IT Initiatives.** The largest cost item among the IT initiatives, and the most important, is the development of the Veterans Service Network (VETSNET). Of the total \$197.2 million IT investment necessary to implement the To-Be vision, \$146.7 million is for VETSNET, including \$84.9 million to rent a mainframe computer and \$61.8 million for applications development and maintenance. As indicated in Table 5-2, VETSNET development will be accomplished in three phases. A total of \$15.4 million in software development costs will be incurred between FY96 and FY98 to complete VETSNET Phase I, which is designed to replace BDN. The team estimates that an additional \$26.8 million will be needed between FY98 and FY02 to complete VETSNET Phases II and III, which will provide the additional functionality necessary to implement the reengineered claims process. This software development cost estimate is based on a cost projection generated by a software cost estimation tool and the cost to purchase several commercial off-the-shelf software (COTS) packages.

The cost estimates to develop VETSNET included in the overall investment cost to achieve the vision are very conservative for several reasons: (1) The large hardware cost is designed to account for uncertainty concerning the final system architecture; (2) all VETSNET costs are allocated to the vision, even though BDN will probably have to be replaced regardless of reengineering; and (3) VETSNET will support other VBA business lines, not just C&P.

In addition to VETSNET, the projected cost of implementing the vision includes \$31 million to maintain and operate field minicomputers that will host some of the applications needed for BPR and \$9.5 million for the purchase and installation of new telephones and an enhanced phone system. Also included in the IT investment cost estimate are amounts for the following IT projects that will provide some of the functionality needed to implement the new claims process until they are incorporated in, or linked to, VETSNET.

- \$1.1 million to develop an enhanced Automated Medical Information Exchange (AMIE), which will provide VBA with a direct link and immediate access to medical records maintained by VA Hospitals.

- \$3.6 million to complete the implementation and enhancement of COVERS (Control of Veterans Records System); an application using bar code technology to better track claim folders.
- \$4.5 million to complete the development of the Claims Processing System (CPS) an integrated, rules-based data collection and case management system designed to assist in the development and tracking of pending claims.
- \$160,000 for a Department-wide pilot project to develop a Master Veteran Record (MVR) that would be used to link existing databases throughout the VA and facilitate the dissemination of updated veteran data.
- \$700,000 for the BPR effort, including implementation support.

Table E-2 in Appendix E presents a detailed breakdown of the IRM budget showing, by project, the IT costs included in the BPR investment cost estimate.

**Non-IT Initiatives.** Just as VETSNET is the most important and costly IT initiative, the restructuring of the VBA workforce to support the new reengineered business process is the most critical and costly of the non-IT initiatives. As described in Section 4, the To-Be vision will require significantly fewer, but more highly skilled staff. Specifically, VBA will require 1,263 fewer staff in FY02 than in the baseline scenario. As shown in Table 5-2, the BPR team anticipates employee severance costs of \$40.7 million between FY99 and FY02 to reduce staff by this amount. This estimate is based on an assumed severance cost of \$30,000 per affected employee.

Almost all of the remaining C&P employees will need to undergo training and certification to assume their new positions within the reengineered business process. The team estimates that total training cost between FY96 and FY02 will be \$23.5 million. Of this amount, \$15.9 million is for the development of computer-based training packages for veteran service representatives (VSRs) and post-decision review officers. The remaining \$7.6 million is a provision for conventional classroom training to complement the computer-based training. With the development of new positions (particularly the VSR position), the implementation of new systems, and rules changes caused by the near-term legislative initiatives, the additional classroom training will be absolutely essential.

In order to measure the satisfaction of its customers and employees VBA will have to spend \$3.7 million between FY97 and FY02 to develop and conduct customer and employee surveys. The customer surveys will cost about \$400,000 per year starting in FY97 and an annual employee survey will cost \$200,000 per year starting in FY98.

The last three non-IT initiatives listed in Figure 5-2 are designed to improve the quality and availability of veteran medical evidence. The BPR team estimates that it will cost about \$1.6 million between FY98 and FY02 to provide improved training for VA doctors so that they will have a better understanding of the medical documentation needed by VBA to process compensation claims. An additional \$300,000 will be spent in FY98 to complete an enhanced physicians guide. Finally, the team estimates that it will cost a total of \$46.1 million to perform pre-service discharge medical exams for all separating service personnel who anticipate filing a

claim. This estimate is based on Department of Defense projections of military separations and the cost VBA currently pays for medical exams at VA hospitals. Since the majority of the original compensation claims are initiated by service personnel within the first year after discharge, these pre-service discharge exams, although costly, should dramatically reduce the time to develop and complete these claims.

### 5.3 Benefits

The benefits to be realized from BPR are significant and consist of both cost savings and performance improvements. The cost savings are attributable to staff reductions made possible by the reengineered claims process and supporting information technology, and the elimination of benefits overpayments through the development of automated links to evidence sources.

To a large degree the cost savings associated with the reengineering of C&P are dependent on the implementation schedule of the BPR initiatives. For this analysis it was assumed that the implementation will be 5% complete during FY99, 25% complete by FY00, 75% complete by FY01, and 100% complete by FY02. This implementation schedule implicitly assumes that the initial implementation of the new process and systems will take place at a few regional offices during the second half of FY99 when VETSNET II becomes available, followed by a systematic roll-out of the new process at the remaining offices over the next two years.

**Cost Savings.** As shown in Table 5-3, the BPR team estimates that reengineering the claims payment process will result in total cost savings of \$331.0 million between FY99 and FY02. Of this amount, \$82.5 million is attributable to reductions in staff made possible by BPR.

SAVINGS CATEGORY	FY96	FY97	FY98	FY99	FY00	FY01	FY02	Total
<b>Internal C&amp;P Savings</b>	-	-	-	1.9	9.9	30.0	40.7	82.5
Staff Reductions (Payroll)	-	-	-	1.9	9.7	29.7	40.2	81.5
Staff Reductions (Other)	-	-	-	0.0	0.1	0.4	0.5	1.0
<b>External Savings</b>	-	-	0.6	44.2	69.6	67.9	66.2	248.4
IRM O&M Reductions	-	-	-	14.0	14.7	15.1	15.4	59.2
Overpayments/Error Reductions	-	-	-	26.8	51.4	49.3	47.2	174.8
VA Exam Reductions	-	-	0.6	3.4	3.4	3.5	3.5	14.5
<b>Total Savings from BPR Initiatives</b>	-	-	0.6	46.1	79.5	97.9	106.9	331.0

Table 5-3: Savings Associated with Achieving the Vision (\$ Millions).

The personnel savings are based on a comparison of office-level staffing requirements generated by detailed simulation models of the As-Is and To-Be business processes and projections of future workload. Figure 5-1 graphically compares the projected baseline and To-Be staffing profiles. C&P currently employs about 5,259 staff, including 1,123 former Veterans Services Division (VSD) personnel. Under both the As-Is and To-Be scenarios, total staffing is projected to decline by about 2.5% to 5,127 between FY96 and FY98, in accordance with the C&P Business Line Plan.<sup>2</sup>

<sup>2</sup> This staffing projection excludes Information Resources Management and management direction and support staff to be accounted for in the C&P budget starting in FY98.

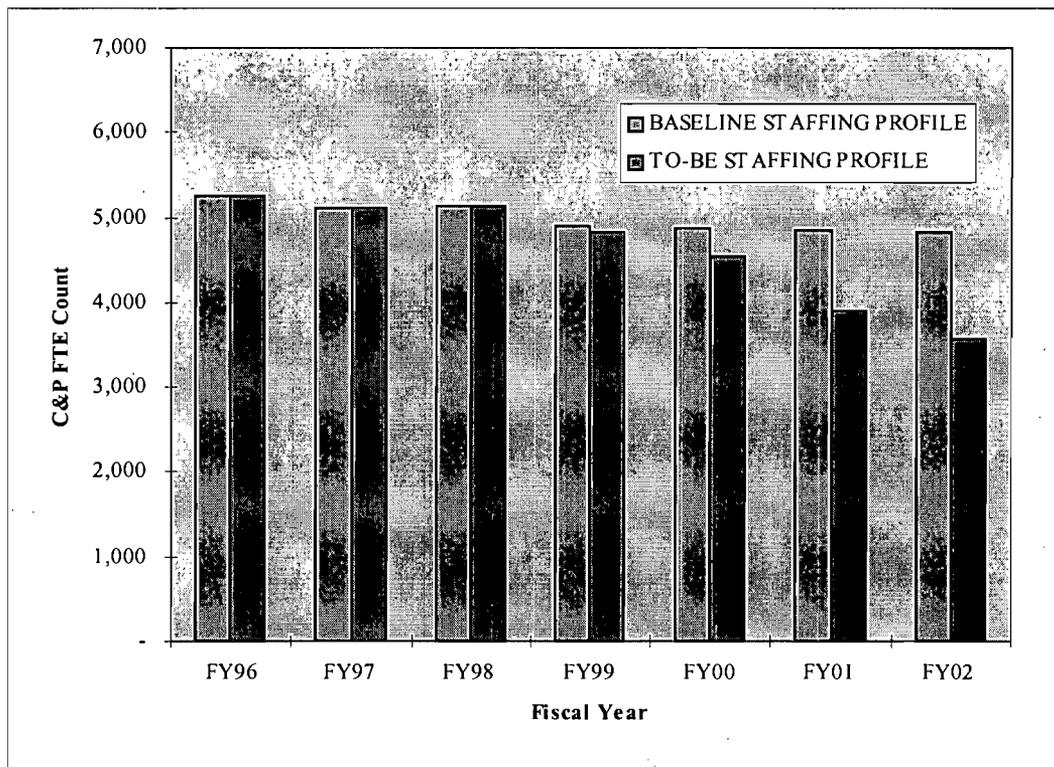


Figure 5-1: Comparison of Staffing Profiles.

However, after FY98 the two staffing profiles diverge. In the baseline scenario staffing is assumed to decline proportionately with the workload between FY98 and FY02. In FY02 total staff in the baseline scenario is projected to be 4,826, representing a decrease of 8% from the FY96 staff level. Over the same time period the To-Be staffing profile is shown to decrease at an even faster rate reflecting the phased implementation of the new, more efficient business process. Total staff in FY02 under the To-Be scenario is projected to be 3,563, 32% less than the FY96 staff level and 26% below projected FY02 staffing in the baseline scenario.<sup>3</sup> Note that the payroll cost differential between the baseline and To-Be scenarios is less than the percentage difference in staffing, because the To-Be scenario assumes fewer, but more highly skilled and paid employees.

Since the majority of C&P's non-payroll expenses are for travel and supplies, the reduction in staff will also result in non-payroll cost savings, estimated at about \$1 million between FY99 and FY02. This estimate was generated by multiplying the difference in total projected C&P staff between the baseline and To-Be scenarios for each year by \$351, the average non-payroll cost per C&P employee based on budget and staffing estimates for FY97.

Replacing the antiquated BDN with the more easy to maintain, state-of-the-art VETSNET will result in IRM operations and maintenance cost savings of about \$59.2 million between FY99 and FY02. This estimate reflects the assumption made for the economic baseline that if the BPR

<sup>3</sup> In fact, actual staff requirements in the To-Be scenario might be even lower in FY02, since staff levels for certain job categories that were not modeled, such as managers, secretaries, and file clerks, were assumed to decline in the same proportion as the baseline scenario (i.e., proportionately with the workload). See Section E.4 for a more detailed discussion of the staff transition assumptions made for this analysis.

program, including the development of VETSNET, is not pursued, VBA will incur about \$14 million each year to maintain BDN.

Reductions in benefits overpayments and administrative errors represents the largest source of projected cost savings, accounting for about \$174.8 million in savings between FY99 and FY02. Of the approximately \$16 billion in compensation and pension claims that the VBA pays to beneficiaries each year, about 1.5% or \$280 million are overpayments. Generally, these overpayments are caused by delays in learning about changes in veterans' income, medical, and dependency status and delays in adjusting benefits payments once change of status information has been obtained. The BPR team estimates that about \$50 million in annual savings from reduced overpayments can be realized through the implementation of VETSNET.<sup>4</sup> Developing automated links within VETSNET to evidence sources such as the Internal Revenue Service, Social Security Administration, and the Veterans Health Administration will dramatically reduce the time it takes for VBA to learn about changes in veterans' benefits status. Automating income verification matches and the award preparation process will significantly reduce the time required to implement changes in benefits. The \$50 million overpayment savings estimate is consistent with the findings contained in a recent report of the General Accounting Office which estimated that VBA should be able to avoid approximately \$52 million of compensation and pension overpayments each year.<sup>5</sup>

Associated with the pre-service discharge service examination initiative described earlier is a stream of cost savings totaling \$14.5 million between FY99 and FY02. These savings reflect the fact that some of the pre-service discharge exams will substitute for some of the VA medical examinations currently paid for by the VBA.

Before discussing the performance improvements to be gained from the implementation of the BPR program, it should be pointed out that although this section has presented estimates of the cost savings through FY02, these cost savings would extend well beyond the implementation period. In addition, the resulting C&P staff reductions and performance improvements will result in reduced workload and, therefore, opportunities for cost savings in other organizations within the VBA such as Human Resources Management, Finance, the Debt Management Center, and the Board of Veterans Appeals (BVA).

**Performance Improvements.** The VBA BPR team believes that the strategic vision described in Section 4 will dramatically improve the quality and timeliness of service to veterans and their dependents, while increasing the efficiency of claims processing. Table 5-4 again lists the C&P strategic goals and performance measures that were presented in Section 3. The simulation model predicts that the To-Be process will allow VBA to either meet or exceed almost all of the performance goals that the BPR team has set.

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<sup>4</sup> This cost savings estimate does not take credit for the portion of overpayments currently collected by the Debt Management Center.

<sup>5</sup> See *Veterans' Benefits: VA Can Prevent Millions in Compensation and Pension Overpayments* (GAO/HEHS-95-88, April 28, 1995).

Strategic Goals and Associated Performance Measures	Performance	
	As-Is	Goal
<b>1. Be Responsive to Customer &amp; Stakeholder Needs</b>		
1a. Customer Satisfaction Index	TBD	TBD
1b. Ratio of Appeals to Claims	4.2%	2.9%
<b>2. Maintain 97% Accuracy Rate for Claims Processing</b>		
2a. Overall Accuracy Rate	91%	97%
2b. Percentage of Decisions Changed or Remanded by BVA	67%	25%
<b>3. Reduce the Time Required to Process Claims</b>		
3a. Average Days to Complete an Original Claim (EPs 010, 110, 140, 180, 190)	114.6	60.0
3b. Average Days to Complete a Reopened Claim (EPs 020, 120)	115.5	60.0
3c. Average Days to Complete Other Customer Initiated Claims	31.1	15.0
<b>4. Reduce Operating Costs</b>		
4a. Typical Cost to Resolve an Original Compensation Claim (EPs 010, 110, 140, appeal actions)	\$172.04	\$120.43
4b. Typical Cost to Process an Original Pension Claim (EPs 180, 190)	\$52.57	\$36.80
4c. Typical Cost to Resolve a Reopened Compensation Claim (EP 020 not arising from appeals)	\$149.40	\$104.58
4d. Typical Cost to Process a Reopened Pension Claim (EP 120)	\$71.00	\$49.70
4e. Typical Cost to Process Other Customer Initiated Claims	\$23.67	\$16.57
4f. Typical Annual Cost to Maintain a Compensation Claim	\$25.42	\$17.79
4g. Typical Annual Cost to Maintain a Pension Claim	\$31.50	\$22.05
<b>5. Maintain a Highly Skilled, Motivated, &amp; Adaptable Workforce</b>		
5a. Employee Satisfaction Index	TBD	TBD
5b. Percentage of Work Force Trained in their Position	N/A	100.0%
<b>6. Ensure Best Value for the Taxpayers' Dollar</b>		
6a. Percentage of Benefit Payments in Error	1.54%	1.08%
<b>7. Improve Communications and Outreach</b>		
7a. Customer Satisfaction Index Re: Communications	TBD	TBD
7b. Percentage of Veterans with an Understanding of VA Benefits	TBD	TBD

Table 5-4: Current and Goal Values for Performance Measures.

**Quality Service to Veterans.** From the outset of the BPR project, the team focused on reengineering to improve the quality of service delivery—all other benefits were considered secondary. This emphasis on quality is reflected in radical performance gains in several areas:

- Appeals: A 33% reduction in the ratio of appeals to claims and far fewer decisions being changed or remanded by BVA.
- Errors: Uniform gains in accuracy will reduce the percentage of cases in error by a factor of four.
- Customer Satisfaction: No index has been established, although the new VBA Veteran Survey provides a mechanism for establishing one. This is a critical indicator, and one that the team is confident will improve as the vision is implemented.
- Customer Awareness and Communications: Once again, indices need to be established. This area is explicitly addressed in the To-Be vision—direct interaction with veterans during claims processing and post-decision review activities will raise communications and awareness to unprecedented levels.

**Timeliness.** Achievement of the strategic vision will completely change the standards for timely completion of claims. The simulation model predicts that in FY02 VBA will be able to achieve the team's goal of reducing completion times in half. This reduction will be made possible by (1) collecting evidence earlier and more efficiently, and (2) significantly reducing the number of queues and associated wait times. Not included as a measure, but still important, is the responsiveness of the post-decision review process. *Most issues raised by veterans will be resolved in a matter of a few weeks. In the current process, early resolution is measured in months, and BVA review takes 2-3 years.*<sup>6</sup>

**Efficiency.** The fact that the proposed processes involve fewer employees and hand-offs should reduce inefficiencies associated with claims processing. Also, IT support will give VSRs ready access to information, decision support, and perform many of the routine tasks that are currently performed manually. The goal cost metrics, which are 30% less than the As-Is metrics, reflect these gains in efficiency.<sup>7</sup>

The performance improvement initiatives presented in this case are intertwined and dependent on one another and designed to function as a system to bring about radical change rather than incremental improvement. Although separate cost estimates have been presented for each of the initiatives, they should not be evaluated individually, but rather as a group. For example, without VETSNET to provide instant access to veterans claim records and automated links to evidence sources the position and concept of the veteran services representative will be impossible to implement. Without the training programs to familiarize VBA staff with the new claims process, their new positions, the new systems, and changes in rules, measures of rating quality, customer responsiveness, and, ultimately, customer satisfaction will fall well below the goals established by the BPR team. Without pension simplification veterans will continue to be uncertain about the level of pension benefits they will receive and VBA will have to retain a large number of adjudication personnel solely for the purpose of processing small changes in veterans benefits. Without the customer and employee surveys VBA will have no way of judging the effectiveness of the reengineered process or what changes need to be made, if any, to better meet the needs of veterans and its employees. In general, the VBA cannot achieve the dramatic performance improvement demanded by veterans and other stakeholders and meet the budgetary challenges it faces without implementing a comprehensive and coordinated package of reengineering initiatives.

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<sup>6</sup> Appendix F provides detailed results from the simulation model on end product completion times. It shows distributions of cycle times for individual EPs and small groupings of EPs for both the As-Is and To-Be models. The distributions show the range of likely values instead of just the mean.

<sup>7</sup> The results from the simulation model indicate that FY02 operating costs for processing other customer initiated claims and maintaining compensation claims will be slightly higher than the team's goal.

ANALYSIS OF PROPOSED VISION

COST/ELEMENT	FY96	FY97	FY98	FY99	FY00	FY01	FY02	Total
<b>Baseline Costs</b>	<b>292.2</b>	<b>291.7</b>	<b>295.9</b>	<b>288.8</b>	<b>293.3</b>	<b>299.0</b>	<b>303.7</b>	<b>2,064.6</b>
C&P Expenditures	235.1	236.3	242.3	235.9	239.8	243.8	247.8	1,681.0
IRM Expenditures (C&P)	57.1	55.4	53.6	53.0	53.5	55.2	55.9	383.6
<b>Investment Costs</b>	<b>15.4</b>	<b>19.9</b>	<b>34.4</b>	<b>45.6</b>	<b>56.9</b>	<b>78.7</b>	<b>61.9</b>	<b>312.9</b>
IT Initiatives	14.6	18.8	29.1	26.4	32.0	40.5	35.7	197.2
Non-IT Initiatives	0.8	1.2	5.3	19.2	25.0	38.2	26.2	115.7
<b>BPR Savings</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>46.1</b>	<b>79.5</b>	<b>97.9</b>	<b>106.9</b>	<b>331.0</b>
Internal Savings	-	-	-	1.9	9.9	30.0	40.7	82.5
External Savings	-	-	0.6	44.2	69.6	67.9	66.2	248.4
<b>Total Savings from BPR Initiatives</b>	<b>(15.4)</b>	<b>(19.9)</b>	<b>(33.8)</b>	<b>0.5</b>	<b>22.5</b>	<b>19.2</b>	<b>45.0</b>	<b>18.1</b>
Discounted Present Value of Investments	15.4	18.9	31.1	39.3	46.8	61.7	46.3	259.5
Discounted Present Value of Savings			0.6	39.7	65.3	76.8	80.0	262.4
<b>Net Discounted Present Value</b>	<b>(15.4)</b>	<b>(18.9)</b>	<b>(30.5)</b>	<b>0.4</b>	<b>18.5</b>	<b>15.1</b>	<b>33.7</b>	<b>2.9</b>

Table 5-5. Summary of Costs and Benefits of the Vision (\$ Millions).

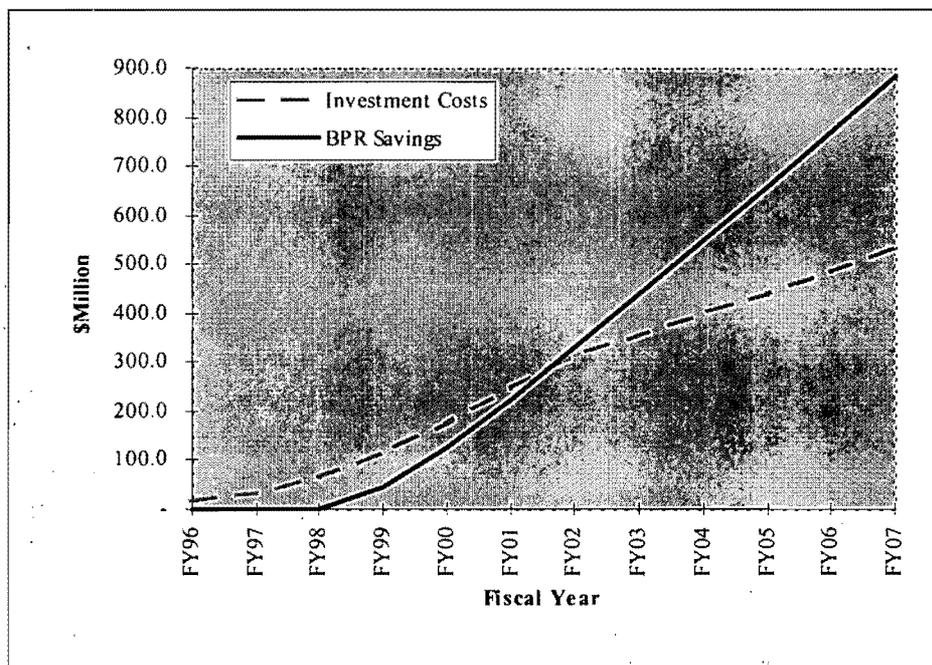


Figure 5-2: Cumulative Costs and Benefits of the Vision.

5.4 Summary

As shown in Table 5-5 and depicted graphically in Figure 5-2, the cost savings to be realized from the reengineering of the claims process exceed the projected costs of implementing the new process. In fact, *the reengineering effort pays for itself during the implementation period*. The payback period for the program is 6 years with the break-even point occurring in FY02. Total cost savings for the period, including the reduction of overpayments and administrative errors, is projected to exceed investment costs by \$18.1 million. Since VBA can expect to realize cost savings of about \$63 million on an annual basis after FY02, extending the payback period to FY07 increases total net cost savings to \$335.5 million representing a return on investment of 51%.

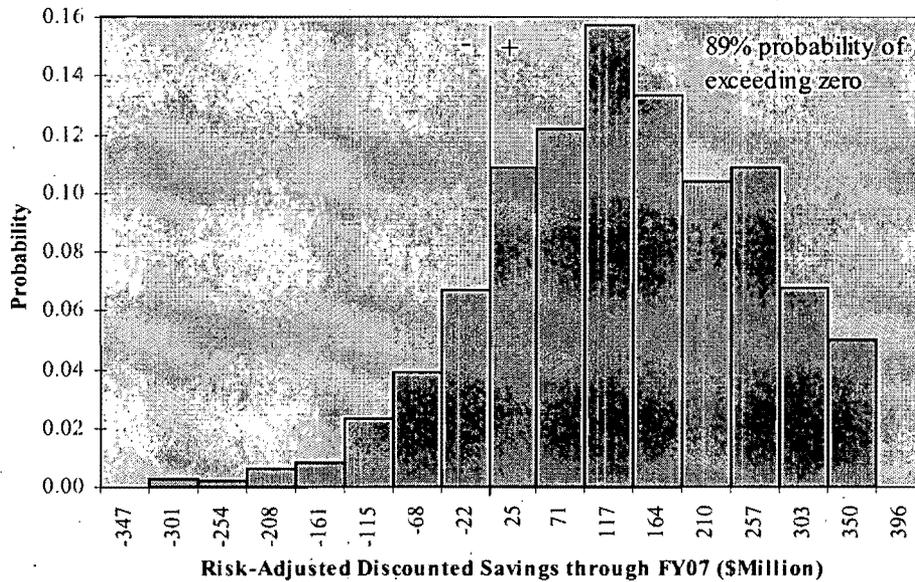


Figure 5-3: Distribution of Risk-Adjusted Savings of the Vision.

Because radical reengineering efforts of this sort typically involve considerable risk, the team performed a risk analysis using a financial simulation model to assess the risk and test the sensitivity of the results to changes in key assumptions. Skewed probability distributions were developed for each of the major cost estimates to reflect the assumption that actual costs are more likely to exceed than fall below expected costs. Uniform probability distributions were applied to each of the savings estimates to reflect the assumption that cost savings from reduced overpayments and staff reductions are just as likely to be overstated as understated.

Figure 5-3 presents the results of the risk analysis, which generated a distribution of net cost savings for the period FY96 through FY07 based on 1,000 model runs. The figure indicates that there is 89% probability that the reengineering program, including the savings from reduced overpayments, will break even by FY07, despite the conservative assumptions upon which this business case analysis is based.<sup>8</sup>

The cost of implementing the BPR initiatives described in this case is significant and, as indicated in Figure 5-3, there is a risk that the reengineering program may not pay for itself by FY07. *However, the cost and risk of doing nothing may be higher.* The current claims process is very fragile and cannot easily adapt to changes in resource levels or workload. Figure 5-4 displays cycle times generated by the simulation model given current processes and procedures and projected staff and workload. In each case, cycle time initially improves as workload decreases outpace personnel cuts but increases over current levels by FY02. Given the current

<sup>8</sup> Appendix E provides an explanation of this computation.

way of doing business, even small staff reductions relative to workload lead to dramatic increases in cycle time. It is also likely that in such a scenario quality would deteriorate significantly.<sup>9</sup>

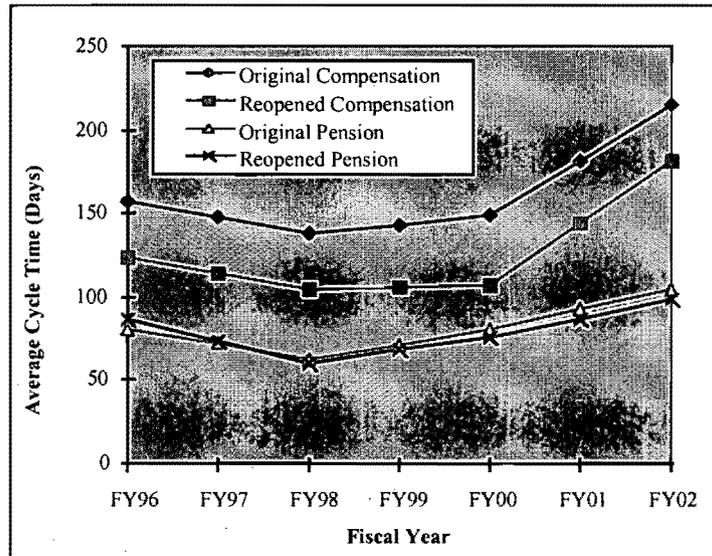


Figure 5-4: Projected Cycle Times (As-Is Process/Expected Staff and Workload).

Although the implementation of the reengineering program described in this business case is expected to more than pay for itself, this is not the reason VBA should proceed with the implementation. VBA should make the necessary investments to achieve the To-Be vision described in Section 4 because of the dramatic impact it will have on the quality of claims processing, customer responsiveness, and ultimately, the improvement in customer satisfaction. In addition, reengineering should be pursued because of the positive impact it will have on employee morale as VBA personnel work in a successful partnership to improve the lives of veterans.

<sup>9</sup> Figure 5-4 shows a projected completion time of 138 days in FY98 for original compensation claims, whereas VBA has set a goal of 106 days. The simulation model validates that VBA can meet this goal by giving top priority to original compensation claims, which would increase the cycle times for other EPs.

## APPENDIX A. LIST OF PARTICIPANTS

The C&P BPR Team comprised participants throughout C&P Service and elsewhere within VBA with a broad mix of programmatic and technical knowledge. Key VBA participants included:

### Guidance Team

R. J. Vogel; Under Secretary for Benefits (Co-chair)  
Newell Quinton; Chief Information Officer (Co-chair)  
Steve Lemons; Deputy Under Secretary for Benefits  
Pat Courtney; Director, VARO Montgomery, AL  
Robert Gardner; Chief Financial Officer, VBA  
Gary Hickman; Director, Compensation and Pension Service  
George Vaveris; Director, Office of Information Technology

### Office of the CIO (Business Process Reengineering)

Fred Gordon, Director  
Bonnie Miranda  
Judy Reyes-Maggio

### Regional Office Staff

Robert Chickering; Adjudication Officer, VARO, St. Petersburg, FL  
Mike Hoffschneider; Adjudication Officer, VARO, Oakland, CA  
Casey Matuszak; Adjudication Officer, VARO, Winston-Salem, NC  
James Wear; Adjudication Officer, VARO, Baltimore, MD  
Doug Wallin; Adjudication Officer, VARO, Milwaukee, WI  
Robert Ziegenhine; Veterans Services Officer, VARO, Cleveland, OH

### Compensation and Pension Service Staff

Thomas Pamperin; Assistant Director  
Quentin Kinderman; Assistant Director  
Cheryl Deegan

### VETSNET Development Team

Mark Cherry  
Molly McDaniel

In addition, the team received support from the following individuals and organizations:

### Regional Office Participation

VARO White River Junction, Vermont  
VARO Washington, DC  
VARO Baltimore, Maryland  
VARO Milwaukee, Wisconsin  
VARO St. Louis, Missouri  
VARO Des Moines, Iowa

LIST OF PARTICIPANTS

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Forty-seven Regional Offices submitted evidence data

Forty-four Regional Offices submitted pension data

Fifty-seven Regional Offices submitted data for administrative error decisions

Ten Hearing Officers provided data for hearing time, pre- and post-hearing review times

Office of Information Management

Tonia Breeden

Renee Walker

Todd Peckarsky

Compensation and Pension Staff

Rich Bartlett

Bill Bauer

Michael C. Bratz

Dale Burnell

Jim Fuller

Joyce Greaving

Laura O'Shea

Vickie L. Peters

Office of Resource Management

Sheryl Aronin

Kathleen Hamilton

Lynne Heltman

Office of Human Resources

Tony Coyne

## APPENDIX B. STAKEHOLDER INTERVIEWS

### B.1 Overview

This appendix presents the results of stakeholder interviews and findings from customer surveys and focus group sessions. VBA interviewed the stakeholders listed in Table B-1 and reviewed customer survey data and focus group sessions in order to capture their primary concerns about the C&P claims process. In developing the goals, performance measures and guiding principles that frame the new vision, the C&P BPR project team used input from the following stakeholders:

	<b>Veterans</b>	<b>VA Management and Adjudication Comm.</b>
<b>Customer Survey</b>		<b>Deputy Secretary for Veterans Affairs</b> <b>Chief of Staff</b> <b>Assistant Secretary for Management</b> <b>Assistant Secretary for Policy/Planning</b> <b>Under Secretary for Benefits</b> <b>Under Secretary for Health</b> <b>Chairman, Board of Veterans' Appeals (BVA)</b> <b>Executive Director, Adjudication Commission</b>
	<b>Regulators</b>	<b>Veteran Service Organizations (VSOs)</b>
<b>Office of the Inspector General</b> <b>General Accounting Office</b> <b>Office of the General Counsel</b> <b>Office of Management and Budget</b> <b>Congress:</b> <b>Senate Veterans' Affairs Committee Staff</b> <b>Senate Appropriations Committee Staff</b> <b>House Veterans' Affairs Committee Staff</b>		<b>AMVETS</b> <b>American Legion</b> <b>Vietnam Veterans of America, Inc.</b> <b>Disabled American Veterans (DAV)</b> <b>Paralyzed Veterans of America (PVA)</b> <b>Veterans of Foreign Wars (VFW)</b> <b>National Association of State Directors of Veterans' Affairs (NASDVA)</b>
	<b>Suppliers</b>	<b>Employees</b>
<b>DoD Reserve Affairs</b> <b>DoD Personnel &amp; Readiness</b> <b>Social Security Administration (SSA)</b>		<b>Focus Group sessions with RO employees at St. Louis, Des Moines, Milwaukee and Baltimore</b>

*Table B-1: List of Stakeholders Interviewed, By Category.*

### B.2 Vision Correlated with Stakeholder Findings

Major issues were cited in all stakeholder interviews and focus group sessions. Each stakeholder category, including Veterans, top management, Veteran Service Organizations (VSOs), Regulators, Suppliers, and Employees had specific concerns and expectations. Many issues were repeated multiple times. The following presents the major concerns cited in the

interviews, customer survey or focus group sessions, including issues that overlap groups of stakeholders and some that are unique to a sole stakeholder category. The concerns are followed by brief statements reflecting how the To Be vision addresses the concern.

**1. VBA needs a dynamic vision, aggressive goals, and a marketing strategy.**

The reengineered claims processing process and changes related to the new process constitute a strategic vision for the way to process claims in the future. The process and changes are supported by goals and objective measures. Adoption of the vision is the first step. Subsequently, implementation planning will provide further detail on how to accomplish the changes.

**2. No one is accountable for a wrong decision. Improvement in quality is unlikely to occur until accountability is assigned.**

The streamlined To-Be Process, with three new positions for processing claims, provides C&P staff members with the authority (including accountability for that authority) to interact with veterans, identify and resolve issues at the earliest opportunity and make decisions. Quality assurance mechanisms will be designed to ensure that employees produce quality work.

**3. The claims process is fundamentally sound.**

C&P has two core processes: claims processing and post-decision review. Unlike the present lengthy and convoluted process, in which paper applications and supporting materials pass through multiple steps and many hands within VAROs, the new process has only a few steps. Extensive use of IT will minimize internal paper flow, forward claims after each step, record all actions, enable rapid retrieval, and permit on-line display of all material by both C&P personnel and claimants. The improved process relies mainly on service representatives, working closely with veterans and VSO representatives.

**4. Communications between VBA and its stakeholders are inadequate.**

VBA will accelerate its efforts to survey veterans in order to understand better their current and evolving needs, and to obtain their perspectives on C&P and other VA organizations, the services that they provide, and the quality of service delivery. The improved process relies mainly on a close working relationship between VBA's Veteran Service Representatives (VSRs) and veterans and VSO representatives.

The new process will emphasize explanations to claimants at the beginning, during and at the conclusion of the process. Access to VBA will include heightened use of telephones, computers, and personal contact.

**5. The Hearing Officer process adds value to the customer.**

The new process recognizes the value of the hearing officer by expanding the authorities and level of interaction with the veteran. The proposed post-decision review process is expected to reduce internal handling and emphasizes C&P interaction with veterans and their

representatives. Upon receiving a notice of dissatisfaction, a VSR will discuss the reasons for the decision with the claimant. If there is still a disagreement, a conference will be held with the review officer, the veteran and veteran's advocate to focus on and clarify issues and resolve them if possible. Each review officer will have the authority to decide issues. If the veteran remains dissatisfied, the review officer will either work with the veteran to incorporate new evidence into a supplemental claim (rather than delaying other benefits under the prior claim) or, if there is no new evidence, initiate the appeals process. Because the review officer is empowered to resolve issues, there is no need for multiple reviews prior to formal appeals.

**6. VBA needs to work together with BVA, VHA, and IRM.**

The BPR infrastructure in place and the completion of the C&P BPR project are leading the way for a better relationship with IRM and modernization (information technology) in line with business needs. Use of IT for the To Be Process will minimize internal paper flow, forward claims after each step, record all actions, enable rapid retrieval, and permit on-line display of all material by both C&P personnel and claimants. The relationship with VHA will be enhanced by identifying issues and evidence requirements quickly and specifying exact examination requirements. VBA and BVA are already working together to create a single appeals tracking system and will continue to explore other opportunities to reengineer the appeals process.

**7. Appeal and remand rates are too high and are perceived as a quality indicator.**

While there was a debate among the stakeholders as to whether or not appeals and remands are a true indicator of quality, there is no doubt that the numbers should be reduced. The BPR vision for claims processing is designed to produce the right decision the first time.

**8. There is too much emphasis on production rather than quality.**

Under the BPR vision, customer service and quality are paramount. Productivity improvements and savings in time are secondary outcomes as a result of the changes.

**9. Customers are not involved in the process. A "partnership" between VBA and the veteran needs to be fostered.**

The most fundamental change to the claims process is the increased interaction between VBA and the client. The partnerships envisioned will have the client and his/her representative participating at the two most important points in the process—at the beginning and at the end.

**10. Medical examinations need to be adequate for rating purposes.**

VBA is coordinating with VHA additional training for VA doctors to facilitate their conduct of medical examinations for VBA. Such training would clarify the purpose of an evaluation examination and focus attention on the results needed for rating purposes.

VBA should continue to enhance the Physicians Guide that VA doctors use in conducting medical exams for VBA.

Nearly 25% of requested VA medical exams are currently incomplete or inadequate for rating purposes. One proposal to remedy this situation is to reimburse providers only for “successful” exams (i.e., those that address all VBA concerns regarding a veteran’s medical condition for purposes of disability rating). This proposal would encourage VAMC and private health care practitioners to perform complete exams and laboratory tests before submitting results to VBA for evaluation. These steps would reduce workload and improve timeliness by eliminating the need for reexaminations.

**11. Complete medical information should be obtained.**

The structured interview, decision support system (CPS), better access to DHCP and DoD systems, and interaction between the VSR and veteran, will help to identify all the issues related to the claim and all potential sources of medical information.

In addition, the implementation of pre-service discharge medical examinations as a routine part of transition assistance services will provide a thorough medical examination with emphasis on detecting disabilities during the months preceding discharge.

**12. VBA should be consistent in decisions across the entire organization.**

The two key areas in the vision to address consistency are simplified rules and procedures and decision support tools.

**13. A 60 to 90 day goal for timeliness is appropriate for original claims.**

The BPR vision has adopted this goal.

**14. VBA should take full advantage of available technology.**

Technology is an essential enabler for the BPR vision.

**15. Veterans want information on the full range of benefits and services.**

This aspect of customer service is an essential part of the shift in outreach to both survey the needs of veterans and do a better job of providing the desired information.

**16. Veterans want a simpler application form.**

VBA will test a one-page application which requests only the basic information required to identify the veteran and the benefit desired. Once received, the VSR will conduct a structured interview with the veteran to collect the specific data needed to develop the claim. This will greatly reduce the burden on the applicant.

**17. Veterans believe that it is easy for the government to find documentation to support a claim. It is assumed that VA can already electronically share files with other government**

agencies, such as DoD. They do not like to recreate information that already exists in a database and emphasized the need for VA to upgrade its computer system to access information from other agencies.

VBA will pursue major improvements in electronic exchange and establish on-line interfaces with automated databases at the Social Security Administration (SSA) and the Defense Manpower Data Center (DMDC) to obtain data on veterans and their families.

**18. VBA needs to simplify policies, procedures, rules and regulations.**

Rules and procedures simplification is a major component of the reengineered claims process.

**19. Simplify the pension program.**

The existing Pension Program is neither predictable nor understandable for the claimant or the VBA employee. Simplification of this program would have significant benefits both in terms of administrative effort and value to the beneficiary. The BPR team advocates consideration of changes to this program.

**20. VBA focuses too much on count, number of claims handled, for evaluating employee performance.**

The focus of the reengineered claims process is customer service and timely and accurate results. The streamlined To Be Process with 3 new positions for processing claims provides service representatives with the authority (including accountability for that authority) to interact with veterans, identify and resolve issues at the earliest opportunity and make decisions. Quality Assurance mechanisms will be designed to ensure that employees produce quality work. Production standards less of a focal point with emphasis on quality.

**21. The current process is too complex and time consuming.**

The reengineered process is designed to eliminate hand-offs and rework which are significant causes for delay. The complexity issue is being addressed by rules simplification and the creation of decision support tools.

**22. Meaningful performance measures are needed.**

VBA has developed new strategic goals and performance measures based on customer expectations which have been used to determine the value of proposed changes to the claims process.

## **APPENDIX C. BENCHMARKING**

### **C.1 Benchmarking Overview**

This appendix presents the findings of benchmarking visits held in conjunction with the VBA C&P BPR project. The BPR team met with both external and internal benchmarking partners in order to discover new and creative best practices. These best practices were an integral part of the C&P BPR project since they helped to develop or validate the concepts that frame the new vision.

Benchmarking partners were chosen from an original list of 25 candidates, principally government and commercial organizations that process insurance, disability or compensation claims, and have reputations for quality and customer service. Each selected partner was either a leader in applying state of the art technology and/or was in the process of reengineering. External benchmarking partners included:

- Canadian Department of Veterans' Affairs
- Australian Department of Veterans' Affairs
- Social Security Administration (SSA)
- United States Automobile Association (USAA)
- Defense Eligibility and Enrollment System (DEERS)

In addition to the external benchmark partners, the team also visited several VBA offices to review non-traditional claims process procedures that were used to encourage teaming and customer participation. These offices included the VAROs at Muskogee and New York and the VARO and Insurance Center in Philadelphia.

Prior to the visits, the team sent partners the objectives of the C&P BPR project, a description of the VBA As-Is claims process, and a list of interview questions. Table C-1 presents the questions raised during benchmarking visits.

Area of Interest	Questions and Items for Discussion
Performance Assessment and Accountability	How is individual performance assessed? How is (office, group, division) performance assessed? Is an individual (or team) held responsible for how well a given claim is processed or the quality of work? Are individuals (or teams) made aware of the actions that happen later in the claims process (e.g., appellate review)? What performance incentives are in place for individuals? for teams? for regional offices? Do you have a "standard performance appraisal system"?
Claims Tracking/Processing	How do you track claim status through the entire process? Can each employee in the process read from/write to the tracking system? To what extent are claims folders automated? Is there a paper copy of the file? Is data entry automated by means such as bar codes? How long does it take to process a claim? How many hand-offs are there in the process?
Appeals Processing	Do you have internal appellate review? Are you subject to a specific external appellate review body? How is claims processing integrated with appeals processing? Do you place any limits on the ability of an individual to file a claim? Do you place any limits on the ability of an individual to appeal a claim?
Communicating with the Customer	Does the customer always deal with the same person? Can the person answering the phone answer the customer's questions? What means/media do you use to communicate with the customer? Do you ever initiate contact with the customer? Under what conditions?
Expert Systems for Adjudicating Claims	Do you use any automated decision support tools, such as expert systems, to assist in claims adjudication? Is this tool available to all personnel in the process, including appeals? How is this model updated to reflect changes in business rules? Is it possible for different claims processors to operate under different perceptions or rules for claims processing? If so, is this a major problem?
Employee/Human Resource Development Programs	Do you have a defined career path for claims processing personnel? Do you promote people to different levels of responsibility? How do you hire employees? How do you train employees? What kind of incentives do you have to motivate employees?
Relationships with Evidence Providers	What evidence is necessary for you to adjudicate a claim? Who is responsible for collecting that evidence? Do you have automated interfaces with the major providers of evidence? Would that capability be helpful?
Case Management	Do you use "Case Management" techniques? Are employees specialized or are their responsibilities more broad?
Workload Management	How are claims prioritized for processing? Does anyone track unresolved claims?
Quality Assessment	How do you ensure quality for your product? Do you have a standard quality assurance program?

Table C-1: Reengineering VBA's Claims Process—Benchmarking Interview Guide.

## C.2 Benchmarking Results

The following matrix presents the pertinent results of the benchmarking visits. Italics indicate cases where the partner has experienced or anticipates significant quantitative improvement in claims processing:

Best Practices	Impact on Vision
<b>Assessment Area 1: Performance Assessment and Accountability</b>	
<p><i>Veteran's Affairs Canada</i></p> <ul style="list-style-type: none"> <li>• Adjudicators have decision making authority and accountability.</li> <li>• There are no production standards.</li> </ul> <p><i>USAA</i></p> <ul style="list-style-type: none"> <li>• Pay for performance system. (Base pay plus performance bonus system.)</li> </ul> <p><i>Australian VA</i></p> <ul style="list-style-type: none"> <li>• One person is responsible for an entire claim with complete authority for decision making.</li> </ul>	<ul style="list-style-type: none"> <li>• The vision includes a streamlined claims process involving fewer positions with greater responsibility, authority and accountability for processing claims. Veterans service representatives will serve as the primary point of contact for veterans and will be responsible for the satisfactory completion of claims.</li> <li>• VBA will explore alternative pay structures and incentive awards as strategies for improving performance.</li> <li>• Performance measurement routines will be incorporated in VETSNET to allow management to monitor the performance of the reengineered claims process and easily identify the source of any performance problems.</li> <li>• As part of its ongoing BPR program and effort to improve performance, VBA will continue to benchmark leading commercial and government organizations performing similar activities. VBA will gather performance benchmarks to evaluate the performance of its claim process and attempt to identify and adopt best practices.</li> </ul>
<b>Assessment Area 2: Claims Tracking/Processing</b>	
<p><i>Veteran's Affairs Canada</i></p> <ul style="list-style-type: none"> <li>• <b>Goal to decrease processing time by 50%</b></li> <li>• Adjudication of claims performed at central location by registered nurses (equivalent to rating specialist).</li> <li>• Individuals in the Service or in the Royal Canadian Mounted Police may submit claims while on "active-duty." Awards granted are recorded but not paid until the client separates.</li> <li>• The Pension Status and Inquiry System (PSIS) provides information about the pension claim. It provides status and tracking information, adjudication award information, and exception reporting.</li> <li>• Only those claims that are identified by the veteran are processed (avoiding the identification of every potential physical complaint).</li> </ul> <p><i>SSA</i></p> <ul style="list-style-type: none"> <li>• Claimants for disability benefits under the new process will be provided a full explanation of SSA's programs and process at the initial contact with SSA. Claimants, along with third parties and representatives who act on their behalf, will assist in the development of their claims, deal with a single contact point in the Agency, and have the right to a personal interview with decisions makers at each level of the process.</li> </ul> <p><i>Australian VA</i></p> <ul style="list-style-type: none"> <li>• Expert/rules-based system supports the entire claims process (receipt, interacting with claimant, collecting evidence, decision making, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>VBA has established the strategic goal of reducing the processing time for original and reopened claims to 60 days; a reduction of nearly 50%.</b></li> <li>• VETSNET will provide end-to-end claim status and tracking capability.</li> <li>• In the reengineered process veterans service representatives (VSRs) will serve as the primary point of contact for veterans with claims. VSRs will work closely with veterans and their VSO representatives to ensure that veterans understand the benefits available to them, the claims process, and the evidence they need to provide to expedite the process. They will handle routine claims quickly and forward more complex claims for attention by specialized rating-certified representatives. Veterans who are dissatisfied with the decision on their claim will have the right to meet with a review officer with the authority to issue a revised decision based on a de novo review of the evidence.</li> </ul>

Best Practices	Impact on Vision
<p>Personnel interact with the expert system throughout the entire process.</p> <ul style="list-style-type: none"> <li>• <i>Processing time has been cut by 50%.</i></li> </ul>	<ul style="list-style-type: none"> <li>• VETSNET will include rule-based expert systems to help VSRs identify needed evidence, make rating decisions, translate decisions into awards, and initiate payments.</li> </ul>
<b>Assessment Area 3: Appeals Processing</b>	
<p><i>SSA</i></p> <ul style="list-style-type: none"> <li>• Current four-step administrative process streamlined to two levels. Applicants who receive an initial claim denial will have 60 days to request a hearing before an independent Administrative Law Judge (ALJ). A new position called the Adjudication Officer (AO) will provide the applicant and/or their representative with an explanation of the hearing process. The AO will work to obtain any new evidence and to narrow the issues in the claim. The Adjudication Officer will have the authority to issue a revised favorable decision before the case is referred to an ALJ.</li> </ul> <p><i>Veteran's Affairs Canada</i></p> <ul style="list-style-type: none"> <li>• Use of teleconferencing for hearings.</li> <li>• Clients may initiate an appeal over the telephone.</li> <li>• Creation of a two level appeal process, each of which is accountable for decision (no remands).</li> </ul>	<ul style="list-style-type: none"> <li>• The reengineered post-decision review process is designed to avoid formal appeals through direct interaction with veterans and their representatives. If a veteran disagrees with, or simply does not understand the decision on his claim, he can contact the VSR for clarification. If the question or disagreement is still not resolved, a review officer will arrange a conference with the veteran and his advocate. The review officer will use the conference to focus on and clarify areas of disagreement and attempt to resolve them. The review officer will have the authority to issue a revised decision based on a de novo review of the evidence. If the veteran is still dissatisfied, the review officer will either work with the veteran to incorporate new evidence into a supplemental claim or, if there is no new evidence, initiate the appeal process.</li> <li>• Post-decision review conferences will be conducted in person, by phone or by video conference to accommodate veterans' needs.</li> </ul>
<b>Assessment Area 4: Communicating with Customers</b>	
<p><i>Canadian VA</i></p> <ul style="list-style-type: none"> <li>• Pension Officer (PO) is responsible for initial contact with the applicant and assists in completing application. The PO provides front-end counseling, advice and evidence gathering. <i>80% of claims initiated via telephone contact.</i></li> </ul> <p><i>SSA</i></p> <ul style="list-style-type: none"> <li>• Regional phone center personnel will interact with claimants and set up initial interviews. When evidence in the claim file does not appear to support the approval of an initial claim, SSA will notify the applicant before making a decision. The applicant is told what evidence is currently being evaluated and will have an opportunity to submit additional evidence and/or discuss the claim further.</li> </ul> <p><i>Australian VA</i></p> <ul style="list-style-type: none"> <li>• One person is responsible for an entire claim with complete authority for decision making. Processors interact directly with claimants, developing a partnership.</li> </ul> <p><i>USAA</i></p> <ul style="list-style-type: none"> <li>• <i>90% of the work conducted via the telephone.</i></li> <li>• USAA obtains feedback in order to improve its</li> </ul>	<ul style="list-style-type: none"> <li>• In the reengineered claims process the VSR will be the initial and primary point of contact for veterans with claims. VSRs will conduct initial phone interviews with veterans to assist them in establishing, developing evidence for, and submitting complete and accurate claims. Information systems such as VETSNET and CPS will be designed to support over-the-phone development of claims.</li> <li>• VBA will develop interfaces between the reengineered claims process and its pilot 24 hour regional phone center as the phone center approaches full implementation.</li> <li>• The survey and outreach component of the vision</li> </ul>

Best Practices	Impact on Vision
<p>communication. USAA uses surveys conducted at the time a call is received, (the caller is asked if he/she is willing to provide feedback on service about to be given). They also use call back surveys as well as mail surveys.</p>	<p>includes the regular performance of customer surveys to ensure that VBA is providing quality service to veterans and their dependents. VBA will also consider performing customer focus groups on a periodic basis to gather additional feedback from veterans.</p>
<b>Assessment Area 5: Information Technology/Expert Systems for Claims Adjudication</b>	
<p><i>Veteran's Affairs Canada</i></p> <ul style="list-style-type: none"> <li>• A Pension Status and Inquiry System with claim types, sequential checkpoints and delay codes for wait states.</li> <li>• An integrated tool set for data input, document creation, document management, electronic publishing (with a search engine) and MIS.</li> <li>• Corporate Information System (CISA).</li> </ul> <p><i>Australian VA</i></p> <ul style="list-style-type: none"> <li>• Expert/rules-based system supports the entire claims process (receipt, interacting with claimant, collecting evidence, decision making, etc.). Quality Assurance and audit trail are included in this system.</li> </ul>	<ul style="list-style-type: none"> <li>• The information systems developed to support the To-Be Vision will be designed to take full advantage of the major improvements in information technology that have over the past few years. Specifically, VETSNET and CPS will include the following functionality: <ul style="list-style-type: none"> <li>• End-to-end claim status and tracking capability.</li> <li>• User-friendly interface and routines to permit automated establishment and development of claims.</li> <li>• Electronic document management system that will eventually eliminate the dependence on paper claims folders.</li> <li>• System edits and a workflow management routine to perform automated checks on the accuracy and timeliness of claims processing, and enable VBA managers to shift resources as workload changes.</li> <li>• Rule-based expert systems to help VSRs identify needed evidence, make rating decisions, translate decisions into awards, and initiate payments.</li> </ul> </li> </ul>
<b>Assessment Area 6: Employee/Human Resources Development Programs</b>	
<p><i>USAA</i></p> <ul style="list-style-type: none"> <li>• Employee surveys.</li> <li>• Point system for suggestions.</li> <li>• High standards in hiring, preferring to hire college educated people but substituting experience in some cases. Interviews follow with various levels of management. Job proficiency and typing tests are required.</li> <li>• <b>Substantial investment in training (\$10,000 per service representative)</b> Potential hires spend time sitting with someone currently doing the job so that they will understand exactly what the job entails. All new employees receive a day and a half training session to provide the governing philosophy of USAA. New service representatives receive 15 weeks training before they start taking telephone calls. These representatives work the floor to handle calls that deal with areas on which training was conducted. After three months, they attend half day training sessions for an additional five weeks to complete the program.</li> <li>• Flexible hours, 4 day work week.</li> <li>• Modern facility, wellness programs and fitness center.</li> <li>• Offer on-site college level courses.</li> </ul>	<ul style="list-style-type: none"> <li>• In the reengineered claims process VBA personnel will have new jobs that require new skills. Their redefined functions as customer service representatives (rating-certified or general) and review officers will involve increased authority, responsibility, and accountability. Frequent, direct contact with veterans and their representatives will call for improved interpersonal skills. Because of these and other changes, the HR component of the vision includes a substantial investment in training. VBA staff will receive extensive computer-based, classroom, and on-the-job training to familiarize them with the new procedures and processes and the use of new automated systems. VBA will integrate its training programs to ensure that they are mutually supportive. More broadly, VBA will match the individual skills of current VBA employees to job needs and provide performance incentives. Where absolutely necessary, VBA will supplement its training with selective hiring of new personnel to fill gaps in critical skill areas.</li> <li>• VBA will conduct periodic employee surveys to measure employee job satisfaction and to devise strategies for improving it.</li> </ul>
<b>Assessment Area 7: Relationship with Evidence Providers</b>	

Best Practices	Impact on Vision
<p><i>SSA</i></p> <ul style="list-style-type: none"> <li>• All disability determinations will be based on accurate supporting evidence (no evidence, no award).</li> <li>• SSA will use information available from treating sources whenever possible and will only collect information that is essential to the decision making process on each individual case.</li> <li>• Incentive fee arrangement with providers.</li> </ul>	<ul style="list-style-type: none"> <li>• IT initiatives will yield major improvements in electronic data exchange with evidence providers. VBA will establish on-line interfaces with automated databases at the Social Security Administration (SSA), Internal Revenue Service (IRS), the Defense Manpower Data Center (DMDC) and other DoD organizations to obtain necessary data on veterans and their families to process claims.</li> <li>• VBA is considering a medical exam reimbursement policy in which physicians would only be reimbursed for “successful” exams (i.e., those that address all VBA’s concerns regarding a veteran’s medical condition for purposes of disability rating). This policy would encourage VAMC and private health care practitioners to perform complete medical exams and laboratory tests before submitting results to VBA for evaluation. The improved quality of medical evidence would reduce claim completion times and examination-related costs by eliminating the need for reexaminations.</li> <li>• Enhanced training for VA doctors and the enhanced Physicians’ Guide will also improve the quality of medical evidence received by VBA.</li> </ul>
<b>Assessment Area 8: Case Management</b>	
<p><i>Australian VA</i></p> <ul style="list-style-type: none"> <li>• One person has complete authority and responsibility for all aspects of claim processing including receipt/registration, interaction with claimant, evidence collection, and decision making.</li> </ul>	<ul style="list-style-type: none"> <li>• The reengineered claims process will involve fewer positions with greater responsibility, authority and accountability for processing claims. Although no one person will be responsible for all aspects of processing a claim, a particular veterans service representative will serve as the primary point of contact for each veteran with a claim and will be responsible for the satisfactory completion of that claim.</li> <li>• An electronic document management system and claim status and tracking routines will be incorporated in VETSNET to support case management.</li> </ul>
<b>Assessment Area 9: Workload Management</b>	
<p><i>Veteran’s Affairs Canada</i></p> <ul style="list-style-type: none"> <li>• Establish initial assessment while still on active duty. (Payment not made until discharge.)</li> <li>• Centralized adjudication (Charlottetown, PEI).</li> <li>• Specialization (new claims, old backlogs, death claims) during transition but with objective of creating a cross-functional position.</li> </ul>	<ul style="list-style-type: none"> <li>• The reengineered claims process emphasizes up-front development of claims and is designed to provide flexibility to handle changes in workload. Among the initiatives to improve workload management are the following:</li> <li>• Pre-discharge medical exams will expedite claims and eliminate a considerable amount of rework.</li> <li>• VETSNET will include a workflow management routine to help VBA managers monitor claims workload and assign work to best utilize available resources.</li> <li>• Automation of routine tasks within VETSNET will expedite claim processing and allow VBA employees to focus on important customer service and claim analysis tasks.</li> <li>• The new claims process involves fewer job categories with broader responsibilities providing VBA managers with greater flexibility in assigning work.</li> <li>• Partnerships with veteran services organizations,</li> </ul>

Best Practices	Impact on Vision
	including direct VSO access to VETSNET, will improve the quality of claims applications received by VBA thereby reducing rework.
<b>Assessment Area 10: Quality Assessment</b>	
<p><i>Veteran's Affairs Canada</i></p> <ul style="list-style-type: none"> <li>• Executive Information System (EIS) called "CISA" for performance tracking, budgeting, and planning.</li> </ul> <p><i>USAA</i></p> <ul style="list-style-type: none"> <li>• Continuous feedback mechanisms from customers and employees through surveys.</li> </ul>	<ul style="list-style-type: none"> <li>• Performance measurement routines will be incorporated in VETSNET to allow management to monitor the performance of the reengineered claims process and easily identify the source of any performance problems. Performance data provided by VETSNET will support budget and planning exercises.</li> <li>• The survey and outreach component of the vision includes the regular performance of customer and employee surveys to ensure that VBA is providing quality service to veterans and providing a fulfilling work environment.</li> </ul>

## APPENDIX D. SIMULATION MODELING DESCRIPTION

The vision and quantitative results presented in the body of this report rest upon a strong analytic foundation. A point of emphasis for the BPR team was the development of quantitative simulation models of the claims process that could accurately reflect current (As-Is) performance and help forecast the effects of reengineered (To-Be) processes on key performance measures. This appendix documents the modeling approach and assumptions in four sections:

- D.1 Data Collection
- D.2 Model Descriptions
- D.3 Model Assumptions
- D.4 Model Validation and Results.

### D.1 Data Collection

Developing the As-Is simulation model required data on every action required to process a particular claim type: the nature and sequence of each action, who performed the action, and the time required to complete the action. Also required was evidence information: the type of evidence required by a particular claim type and the time associated with collecting the various kinds of evidence. The team collected the process and evidence data through two separate efforts, which are discussed in subsections D.1.1 and D.1.2.

#### D.1.1 Task Time and Transition Probability Data

A major task in the reengineering effort was to define the behavior of claims: detailed information on the individual and collective steps required to process a claim. For example, what is the probability that EP 120 requires a rating action after a development action? If so, how long will rating take to complete? To collect this behavioral data, the team devised a data collection instrument (DCI) that would remain attached to a claim folder as it moved among the various steps of the process. The DCI contained various position, action, and evidence codes and appropriate fields for adjudication personnel to indicate current action and start and stop times for the task.

The DCI survey began the last week in February, 1996 and ran for five weeks. A total of 1,200 instruments were distributed at the four regional offices: Baltimore (300), Milwaukee (300), Des Moines (200), and St. Louis (400). In FY95, Baltimore and Des Moines performed about 1% of national C&P workload; Milwaukee and St. Louis performed 1.63% and 2.74% of the national workload, respectively. Collectively, the effectiveness measure of these stations is 5% above the national average. The team purposely examined better stations to create a clearer picture as to the true bottlenecks and capacity limitations of the current process—a picture unclouded by local inefficiencies. Consequently, the results should understate the benefit of proposed process changes.

Prior to initiating the full-scale data collection effort, the team conducted a 1-week pilot test at the Baltimore RO. Employee feedback from the pilot test helped improve the DCI format and instructions.<sup>1</sup> The experience also enabled the team to improve the structure of the DCI

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<sup>1</sup> A copy of the DCI and its accompanying instructions are included at the end of this appendix.

training session that was conducted at each station. The 2-hour training session gave an overview of business process reengineering, discussed how the data would be used to model the claims process, and demonstrated through interactive examples how to properly complete the DCI for various scenarios.

Following the employee DCI training session, data collection began at the regional offices. Individuals responsible for initiating DCIs were given hands on assistance filling out their first instrument. Whenever an action was taken on a claim, that action and all of the time spent was recorded. Team members remained in the adjudication division throughout the first day to answer any questions or concerns. A DCI coordinator was assigned at each of the four regional offices, who acted as the point of contact for collecting instruments, answering questions, and overseeing the operation. The coordinators mailed completed instruments to the BPR team on a weekly basis.

Because the completion time for most claims exceeds five weeks, the DCI yielded few start-to-finish observations of the process. Therefore, to ensure that sufficient observations were garnered for all activities in the claims process, the DCIs were strategically initiated at three entry points:

- Claims establishment—once the claim is received in adjudication.
- Claims development—once sufficient evidence to rate or prepare a decision has been received.
- Rating activity—once the rater begins to rate a claim.

Table D-1 summarizes the number of observations, by activity, collected during the DCI effort.

Activity	Sample Size
Establishment	529
Development	522
Rating	1,254
Award Preparation	1,217
Authorization	827

*Table D-1: Number of DCI Observations by Activity.*

The simulation model incorporates all types of work, not just a subset of end products. As such, DCIs were randomly attached without regard to claim type. The data collection effort obtained data from claims establishment through authorization for 91% of the workload; the remaining 9% includes periodic claims or other work (refer to Section D.3.1). Because the DCIs were attached to claims and not assigned to individuals, the data collected represents the widest cross-section of adjudication employees. As a result, the DCI data were not biased towards specific case types or complexity levels, or unduly influenced by proficiency variances among employees.