

D.1.2 Evidence Gathering

The five-week data collection period was not sufficient to measure evidence response time—the elapsed time between request for and receipt of a particular type of evidence. Evidence gathering is the largest component of claim cycle time, thus the team conducted a separate study on required evidence and evidence response times. This study was accomplished through the analysis of the evidence history for over 400 randomly selected claims completed in April 1996. The completed claims were drawn from 47 stations; Table D-2 shows the total number of claims analyzed by EP group. The percentage of evidence types requested, and the evidence response times are presented in Section D.3.7.

EP Group	Sample Size
010/110	50
020	116
120/180	36
150/155/190	56
Appeals	59
130/290	69
All other	30
TOTAL	416

Table D-2: Claim Folder Sample Size for Each EP.

D.1.3 Data Sources

Additional sources of data were used to supplement the data collection effort and to create and/or validate model assumptions. The data sources used were:

- VBA COIN DOOR C&P workload reports 1001,1003, and 1015
- VBA COIN DOOR work measurement reports 0001,0013,0026, and 0068
- M21-4, Appendix C, End product codes and work rate standards
- 1995 Compensation and Pension work measurement data and instructions
- VA COIN PAI 243-102, “Full Time Employees in Adjudication Division”, as of 3/31/96
- VBA COIN Appeal workload reports 1 through 8
- VBA HOLAR report for FY95
- VBA Weekly C&P workload report
- COIN C&P 41 April 1996 report, “Current Service Connected Cases as of End of Month,” for number of Individual Unemployability beneficiaries
- Compensation and Pension Budget projections for 1996 and 2002 received workload

- Daily mail logs for White River Junction, Vermont, and Washington ROs over the period of October-November 1995 and March-April 1996
- Data from ten Hearing Officers for hearing time, pre- and post-hearing review time
- Adjudication Commission data on service medical records
- BPR Team workshops held in April, May, and June 1996.

D.2 Model Descriptions

A simulation model, validated against current system performance, can be a powerful analysis tool. The model allows the user to test drive assumptions and play “what if” scenarios. For example, how would eliminating the authorization step affect task time and cycle time? A key objective in building the model of the current claims process was to provide a mechanism for quantitative and qualitative analysis.

The team modeled the claims process using the *Extend+BPR* simulation tool. Among the reasons for choosing *Extend+BPR* were its easy to use interface, comprehensive discrete-event library, and strong/flexible attributing capabilities. Moreover, the graphical nature of the tool proved essential in presenting and validating the models. As the models became more complex, the hierarchical block structure available in *Extend+BPR* helped manage complexity and facilitated re-use of key model structures.

As-Is Model. The simulation model, populated with the data collected via the two data collection efforts (refer to Section D.1), has the flexibility to represent EP variations in processing flow and task times. As a claim moves through the process, the simulation model reads the attributes assigned to the claim, including EP codes, and draws from the appropriate random distributions to determine the appropriate flow path or task time. The scope of the model spans the arrival of mail in adjudication through the authorization of a claim, including the processing and wait time associated with evidence gathering. The results of a simulation run report the case history of the claims processed—each having a unique history as in the real process. The results of a simulation run are not deterministic. For example, two EP 110s flowing through the model will not have the same record. Flow probabilities and task times vary between as well as within EPs. The EPs observed in the DCI and the method for grouping similar EP types in the model are discussed in Section D.3.1.

The simulation model depicts a generic Regional Office that handles 1% of the national workload. The team analyzed the resource staffing of Regional Offices completing about 1% of the national workload (e.g., Baltimore, Des Moines, Huntington) to determine the appropriate number and type of resources to use in the simulated RO (refer to Section D.3.2).

As shown in Figure D-1, an original compensation claim currently navigates seven queues before authorization, even without re-work. Although personnel in some regional offices perform multiple actions, the team modeled a generic RO in which each action is performed by a different position. (VCEs are the exception to this rule; they switch between the development and award preparation activities based on relative queue lengths.)

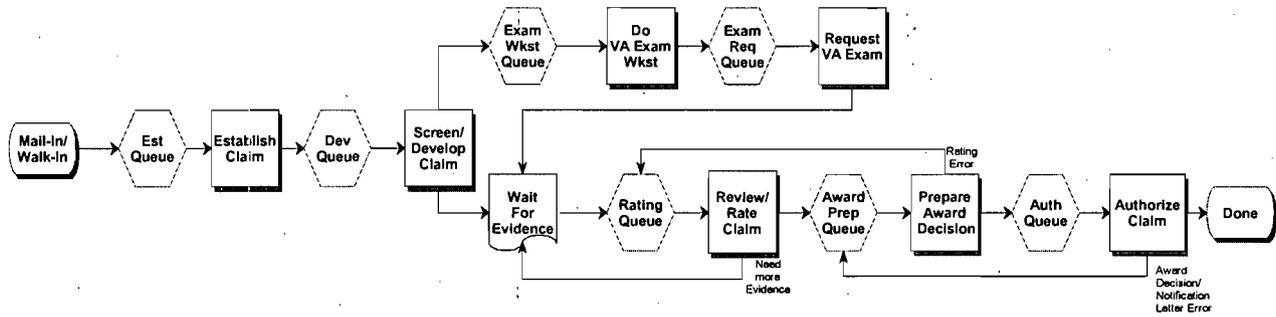


Figure D-1: As-Is Original Compensation Process Flow.

To-Be Model. In contrast, the To-Be process flow in Figure D-2 shows an original compensation claim waiting in only two queues and requiring a maximum of one hand-off. Once the Veteran Service Representative (VSR) finishes conducting the Application Interview, the Rating Certified VSR has ownership of the claim. If additional development is necessary, he/she will do the development. The Rating Certified VSR prepares the Rating decision which results in award action and notification to the veteran. Although the rating certified VSR is responsible for the rating decision, award action and notification, technology will greatly aid in this area.

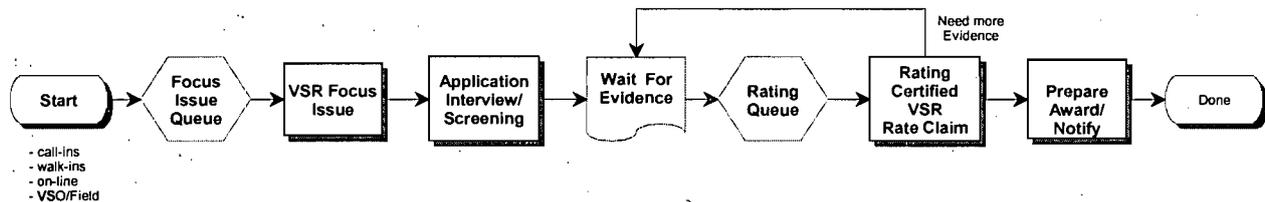


Figure D-2: To-Be Original Compensation Process Flow.

Simulation Output. The team measured individual activity costs, claim costs, and cycle times by EP for both the As-Is and To-Be models. Queue statistics such as the average/maximum queue length and queue wait were also measured. Labor resources were balanced until resource utilization, which indicates the percentage of time a resource pool is busy working on claims, replicated current behavior. Rework percentages derived in the model enabled the team to calculate the additional labor cost and time associated with problems or errors. Additionally, the number of file actions and WIPP reviews are counted in the As-Is simulation model by EP. The team assumes file action will be reduced in the future claims process with greater electronic receipt of evidence. System support of the To-Be process will provide tools to monitor the claims process and issue automatic suspense date notices to the employees.

D.3 Model Assumptions

This section describes key empirical assumptions for the simulation models and the underlying rationale for their use. Section D.3.1 and D.3.2 present the workcount and resource assumptions used in populating both the As-Is and To-Be simulation models. The remaining sections follow the pattern of claims through the process, from access options for filing a claim

and procedures for handling incoming calls, to the task times, flow probabilities, and evidence wait times associated with a claim. In addition, miscellaneous assumptions concerning prioritization, POA reviews, WIPP reviews, files activity, and overtime are addressed in this section.

D.3.1 Workcount

Tables D-3 and D-4 display the projected workcount for both the As-Is and To-Be models respectively, based on FY96 and FY02 projected received. The tables distinguish between EPs which were and were not sampled in the DCI. The labor involved in processing the EPs listed in the *Sample EPs* column represent 91% of FY96 workload. For analytical tractability the team grouped many individual EPs that are processed similarly (that is, they have similar flow paths and task times) into broad groupings. The EPs for which insufficient data were collected in the DCI sample are assumed to behave as the most nearly related EP or EP group. For example, EP 165 is grouped with EP 160. The To-Be model has three additional EP groups as represented in Table D-4 due to assumptions that applied differently to the EPs represented in the As-Is groups. In Table D-4, EP 154 is separated from the Income group because of the variances in access options.

Group Name	Sample EPs	Related EPs	FY96	FY02
Initial Disability Compensation (<=7 issues)	110		91,800	88,800
Initial Disability Compensation (>7 issues)	010		21,900	21,100
Initial Disability Pension	180		34,600	32,700
Initial Death Compensation	140	680s	32,800	31,700
Income	150/155/190	154/173/690s	852,000	548,300
Burial, Plot, Headstone	160	165/050/500/510	310,100	295,100
Reopened Pension	120		93,800	99,100
Reopened Compensation	020		312,200	296,000
Dependency/Eligibility Determinations	130/290	133/135/293	441,700	421,900
Program Integrity	310/320/600	314	157,700	150,100
Appeals	172/070/174		208,100	210,200
Chapter 31	095/295		64,600	62,100
TOTAL			2,621,300	2,257,100

Table D-3: Projected Workcount (As-Is).

Group Name	Sample EPs	Related EPs	FY96	FY02
Initial Disability Compensation (<= 7 issues)	110		91,800	88,800
Initial Disability Compensation (>7 issues)	010		21,900	21,100
Initial Disability Pension	180		34,600	32,700
Initial Death Compensation	140	680s	32,800	31,700
Income (Excluding IVMs and Death Pension)	150/155	690s	287,420	222,640
Income Verification Match	N/A	154	79,300	74,500
Initial Death Pension	190		35,400	33,600
Burial, Plot, Headstone	160	165/050/500/510	310,100	295,100
Reopened Pension	120		93,800	99,100
Reopened Compensation	020		298,312	282,981
Dependency/Eligibility Determinations	130/290	133/293	326,340	313,140
Program Integrity (No Predeterminations)	310/320	314	71,400	68,800
Predeterminations	600		14,412	13,577
Appeals	172/070/174	173	77,580	75,194
Chapter 31	095		24,500	38,500
TOTAL			1,799,664	1,691,432

Table D-4: Projected Workcount (To-Be).

As reflected in the tables, the workcount for certain claim types will be reduced or eliminated in the To-Be environment due to changes in procedures, rules, and regulations. Based on their collective experience, the team expects the following workload reductions:

- EP 020 will be reduced by 3.9% due to immediate resolution during the post-decision review process.²
- EP 150/155 will be reduced by 80% due to pension simplification.
- EP 290 will be reduced by 80% as a result of accepting more court appointed guardians.
- EP 293 will be reduced by 80% with a decrease in committee on waiver decisions through pension reform and automated links for data.
- EP 295 will be eliminated because vocational rehabilitation benefits will be processed by VR&C personnel.
- EP 600 will be reduced by 83.3% due to automated (i.e., no human involved) generation and transmittal of notification letter and—unless the veteran responds—automatic system update to master record. An EP 600 will only be established once the veteran responds to the letter. The model assumes a 16.7% response rate based on evidence submission rate observed in completed EP 600s.

In addition, certain claim types will be almost completely automated with minimal human interaction to process:

- EP 135 will be eliminated due to direct links to VA hospitals.

² Based on an independent model of the Appeals process, the team quantified the proportion of EP 020s that are awards for appeals.

- 75% of EP 160s will be automatically generated and processed upon first notice of death.
- Notification letters for EP 600 will be automatically generated.

D.3.2 Resources

As-Is Model. As discussed in Section D.2, the team modeled a generic RO representing 1% of the national workload and FTE. Table D-5 compares FTE distribution for a 1% station (Des Moines) with (1) the resource levels used in the simulation model, and (2) 1% of the National FTE distribution. The relatively small variance between the simulation and actual FTE levels further validate the As-Is simulation model.

POSITION	PAY GRADE-STEP	VARO-DES MOINES FTE	SIMULATION RUN FTE	1% OF NATIONAL
File Clerk	Blend of GS 3-5 & 4-5	3	3	4
Program Clerk	GS 4-5	2	2	2
Development Clerk	GS 5-5	3	3	3
VCE	GS 9-5	4	8	10
Sr VCE	GS 11-5	9	4	4
Rating Specialist	GS 12-5	9	8	9
Hearing Officer	GS 13-5	1	1	1
Manager	GS 13-10	6	5	3
TOTAL		37	34	36

Table D-5: As-Is FTE Analysis/Pay Grades

To-Be Model. Table D-6 compares the assumed distribution of FTE represented in the To-Be simulation model based on FY02 projected received. The pay grade assumptions used in calculating the As-Is and To-Be EP costs, presented in Section 5, are shown in the Tables D-5 and D-6.

POSITION	PAY GRADE-STEP	FY02
Veteran Service Rep (VSR)	GS 11-5	9
Rating Certified VSR	GS 12-5	6
Review Officer	GS 13-5	2
Manager	GS 13-10	5
TOTAL		22

Table D-6: To-Be FTE Distribution/Pay Grades

In both the As-Is and To-Be simulation models, the team adjusts for the amount of time an employee can work on claims. Working from a full-time base of 2,080 hours per year, the team subtracted hours unavailable for claims processing:

- 304 hours (38 days of annual leave/holiday/sick leave);³

³ Source: C&P Budget.

- 266.4 hours (15% general allowance factor);⁴
- 106.5 hours (6% allowance factor for batch processing);⁵ and
- 124.3 hours (7% factor for training).⁶

Adjusting for these indirect factors, the work year is reduced from 2,080 to 1,279 hours. Thus, an effective work day is reduced from 8 hours to 4.92 hours.⁷

D.3.3 Claim Access Options

As-Is Model. In the current claims process, a veteran files a claim through the mail or in person. The As-Is simulation model does not distinguish between mail-in and walk-in applications. However, the As-Is simulation model accounts for the daily variance of incoming mail. According to FY96 workload, the 1% station will receive a mean of 107 claims per day. Based on the daily mail logs for White River Junction, Vermont, and Washington ROs over the period of October-November 1995 and March-April 1996, the team approximated the daily arrival of claims using a lognormal distribution with a standard deviation of 41.

To-Be Model. In the vision of the future claims process, veterans will have a number of modern and traditional means to file a claim. During a BPR workshop, team experts estimated the proportion of claims arriving through the various access options by EP group; Table D-7 displays the results. The simulation model also exhibits day of the week and hour of day variations for the frequency of incoming calls based on call data from the Cleveland, St. Petersburg, and Baltimore ROs.

⁴ Source: C&P Work Rate Measurement Study for FY95; allowance factor includes: Non-Rep Equal Employment Opportunity Training, Personal Needs, Unavoidable Delays, Office Maintenance, Informal Training, Computer Delay, and Individual Production Report Preparation.

⁵ Source: C&P Work Rate Measurement Study for FY95; allowance factor includes: Veterans Assistance Inquiry processing, miscellaneous Education awards, Restored Entitlement Program for Survivors, mail handling and distribution, first notice of death processing, miscellaneous correspondence activity/Data Terminal Unit actions, Transfer In and Out, Suspense File, Military File, Typing, Printing, Status Inquiries, Beneficiary Identification and Records Locator Subsystem Inquiries, Master Record Inquiry & Updates, Change Name/Address, Work-in-Progress, Master Record Correction, Beneficiary Identification and Records Locator Subsystem updates, and Systems Terminal Operator activities.

⁶ Source: VBA COIN DOOR reports.

⁷ Because program clerk duties explicitly include batch processing, that allowance factor is not applied to them. Thus, a program clerk's effective work year is 1,385 hours, or 5.33 hours per day.

EP Group	Call-Ins / Walk-Ins	Mail/Fax/ On-Line	VSO/ Out-reach	System Generated
110	36%	19%	45%	0%
010	35%	21%	44%	0%
180	32%	20%	48%	0%
140	38%	18%	44%	0%
150/155	39%	23%	38%	0%
154	0%	0%	0%	100%
190	35%	20%	45%	0%
160	19%	14%	19%	48%
120	40%	15%	45%	0%
020	40%	17%	43%	0%
130/290	44%	20%	35%	0%
310/320	0%	0%	0%	100%
600	39%	22%	39%	0%
172/070/174	100%	0%	0%	0%
095	35%	23%	43%	0%

Table D-7: To-Be Access Options.

D.3.4 Call Processing

To-Be Model. An automated answering system in the To-Be environment will route and filter calls. However, a significant portion of VSR time will still be devoted to answering calls that do not result in new claims (e.g., general info/questions, status checks, etc). The team is assuming that 20% of the calls received by a VSR, excluding calls of dissatisfaction, will not result in a claim. The team assumes 60% of the calls from dissatisfied veterans will be resolved with the VSR, and the remaining 40% will be forwarded to a Review Officer for Post Decision Review (PDR).

VSRs will work four in-boxes:

- In-Box #1 - Live calls and walk-ins, which are always given first priority.
- In-Box #2 - Suspense queue, which consists of work that has been waiting longer than a specified period of time. For example, a call-back that has not occurred within 2 days will be transferred to this in-box. The suspense queue is given second priority by the VSR.
- In-Box #3 - Evidence-in queue, composed of (non-rating) claims for which evidence has arrived. Individual VSRs have end-to-end ownership of these claim types. Once evidence arrives, these claims will be worked as third priority. Claims remaining in this queue for longer than 5 days are transferred to the Suspense Queue (In-Box #2).
- In-Box #4 - Call-back queue, consisting of calls, letters, and on-line applications that have not been answered, but have not yet tripped the time trigger for transfer to the Suspense Queue.

D.3.5 Processing Times/Flow Probabilities

As-Is Model. Tables D-8 and D-9 display the mean (mn) and standard deviation (sd) in minutes and the number of observations (n) for EP-unique and generic activity task times.⁸ For the Appeals group, the Award column represents the task time distribution for updating the Appeal Tracking System (ATS). Task times and flow probabilities used to populate the As-Is simulation model were determined by blending all of the DCI data from the four ROs.⁹ Table D-10 lists the transition flow probabilities by EP group.

EP Group	Develop			Rating			Award			Authorize		
	mn	sd	n	mn	sd	n	mn	sd	n	mn	sd	n
010	20.68	18.46	8	220	165	28	26.81	28.78	30	15.35	24.46	28
020	12.46	12.07	91	72.32	56.55	153	22.37	18.55	182	15.35	24.46	130
110	14.74	13.44	65	83.78	45.89	55	22.37	18.55	64	15.35	24.46	63
120	16.82	18.06	32	49.77	42.4	34	22.37	18.55	56	14.79	19.25	50
140	14.74	13.44	9	34.58	24.52	9	26.8	18.55	13	15.35	24.46	12
160	15.64	15.99	5	34.58	24.52	10	10	7.24	118	4.91	6.16	118
180	20.68	18.46	36	46.4	32.79	13	22.37	18.55	29	14.79	19.25	28
Appeals	20.68	18.46	5	103	165	55	5.46	6.31	43	N/A	N/A	N/A
Ch. 31	15.64	15.99	1	34.58	24.52	5	10	7.24	15	4.91	6.16	12
Income	16.82	18.06	27	N/A	N/A	N/A	26.81	28.78	130	14.79	19.25	118
Prgm Integ	15.64	15.99	8	46.4	32.79	8	14.69	12.36	66	10.2	18.56	11
Misc	15.64	15.99	5	34.58	24.52	58	14.69	12.36	67	10.2	18.56	25
ALL	15.64	15.99	292	71.05	62.35	428	19.95	19.45	777	13.56	24.62	600

Table D-8: EP-Unique Activity Task Times.

Activity	mn	sd	n
Establish Claim	3.66	3.16	467
Exam Worksheet	12.07	16.41	84
Exam Request	8.08	2.85	119
Deferred Rating	29.19	41.18	45
Supplemental Development	14.07	11.87	75
Supplemental Rating	37.80	71.30	39
Supplemental Award	11.15	12.13	96
Supplemental Authorization	12.55	21.28	67

Table D-9: Generic Activity Task Times.

⁸ The simulation model uses a lognormal distribution for the task times.

⁹ Only St. Louis and Baltimore data were used in calculating the authorization task time distributions. Data from Des Moines and Milwaukee were excluded because some adjudicators at these stations have single signature authority, which is not a nationwide practice.

SIMULATION MODELING DESCRIPTION

EP Group	From Establish To:			From Develop To:		From Rate To:		From Award Prep To:			From Authorize To:	
	Develop	Rate	Awd Prep	Rate	Awd Prep	Develop	Awd Prep	Rate	Authorize	Complete	Awd Prep	Complete
010	1.00	0.00	0.00	1.00	0.00	0.11	0.89	0.04	0.96	0.00	0.16	0.84
020	1.00	0.00	0.00	1.00	0.00	0.11	0.89	0.01	0.75	0.24	0.10	0.90
110	1.00	0.00	0.00	1.00	0.00	0.11	0.89	0.04	0.96	0.00	0.11	0.89
120	1.00	0.00	0.00	0.53	0.47	0.11	0.89	0.01	0.94	0.05	0.24	0.76
140	0.50	0.45	0.05	0.90	0.10	0.11	0.89	0.01	0.99	0.00	0.10	0.90
160	0.03	0.00	0.97	0.17	0.83	0.11	0.89	0.04	0.96	0.00	0.02	0.99
180	1.00	0.00	0.00	0.60	0.40	0.11	0.89	0.03	0.97	0.00	0.10	0.90
Appeals	0.00	1.00	0.00	1.00	0.00	0.45	0.55	0.00	0.00	0.00	0.00	0.00
Ch. 31	0.22	0.00	0.78	1.00	0.00	0.00	1.00	0.01	0.65	0.34	0.00	1.00
Income	0.31	0.00	0.69	0.00	1.00	N/A	N/A	0.00	0.96	0.04	0.25	0.75
Prgm Integ	0.22	0.00	0.78	1.00	0.00	0.11	0.89	0.01	0.71	0.27	0.00	1.00
Misc	0.45	0.00	0.55	1.00	0.00	0.11	0.89	0.01	0.58	0.41	0.17	0.83

Table D-10: Transition Probabilities.

To-Be Model. As shown in Figure D-3, a maximum of two C&P employees are involved in processing an individual claim in the proposed future environment. The team assumes the only hand-off is when a claim requires a rating action. The probability that a rating is required following the ‘Screening/Application Interview’ step remains consistent with the probability that a rating is required in the As-Is model.

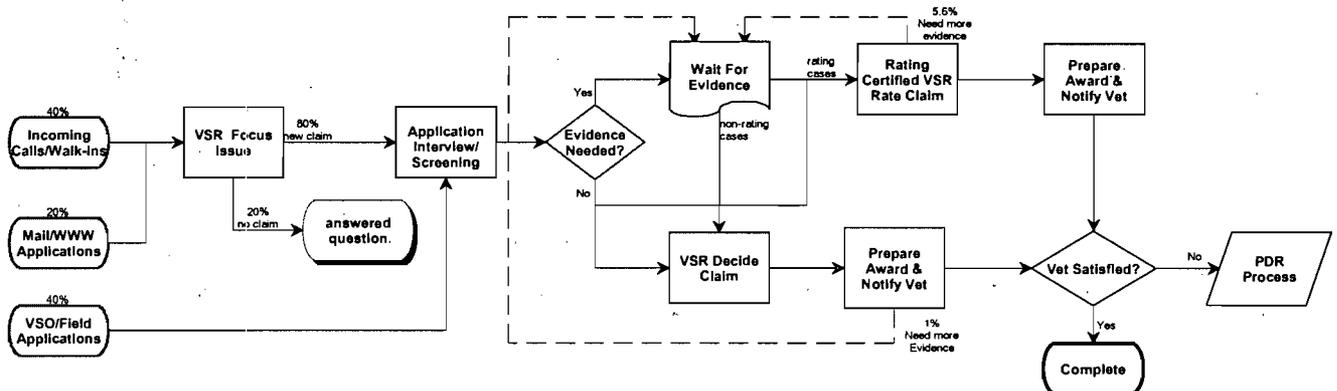


Figure D-3: To-Be Initial Claims Process Flow.

In the revised post-decision review (PDR) process displayed in Figure D-4, internal handling of claims is also reduced (refer Section 4.2). In the future environment, unsatisfied veterans will contact their VSR who will explain the award decision and answer any questions. Using the current ratio of NODs to Form 9s, the team assumes 40% of the cases will be forwarded to a review officer for the PDR process. Following the review officer’s conference with the veteran, the team assumes:

- 50% of the cases will be resolved by the review officer;
- 35% of the cases will continue with the appeal; and
- 15% of the cases will result in a supplemental claim.

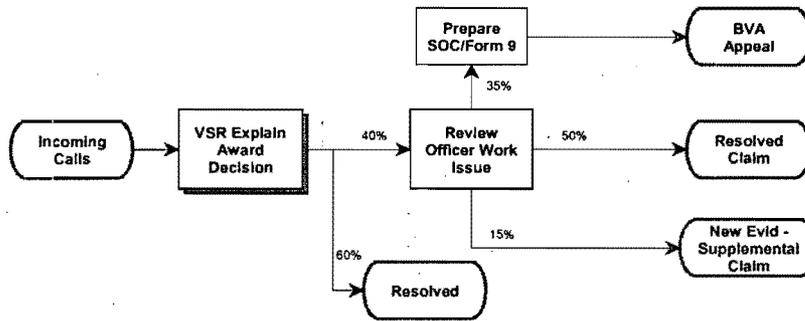


Figure D-4: To-Be PDR Process Flow.

Below are assumptions used for processing times in the To-Be model, including the PDR process. The proportion of As-Is activity task times used to quantify the To-Be activity costs are based on expert opinions. The steps map to the process diagrams in Figures D-3 and D-4.

- **VSR Focus Issue**—takes 7.5 minutes on average, or double the As-Is Establishment time. VSO/Field applications will not require this step.
- **Application Interview/Screening**—takes 35 minutes for EP 110, which corresponds to Baltimore VSD walk-in interview times, as opposed to 14.74 minutes of development time from the DCI. The team applied this factor (2.37) to scale development time for each EP. The processing time for VSO/Field applications will be scaled down by 60%.
- **VSR Decide Claim**—takes 50% of the As-Is award time by EP for 99% of the claims. The remaining 1%, which require additional evidence, take 35% of the award time by EP. The rework percentage is reduced by 50% from the As-Is.
- **Prepare Award & Notify Vet**—takes 5% of the current award time by EP for non-rated claims. This step is performed by a VSR.
- **Rating Certified VSR Rate Claim**—takes 90% of the As-Is rating time by EP for 94.4% of the claims. The remaining 5.6%, which require additional evidence, take 15% of the rating time. The rework percentage is reduced by 50% from As-Is.
- **Prepare Award & Notify Vet**—takes 5% of the current award time by EP for rated claims. This step is performed by a rating certified VSR.
- **Post Decision Review Processing Times:**
 - **VSR Explain Award Decision**—takes 35 minutes on average;
 - **Review Officer Work Issue**—takes 3.475 hours on average; and
 - **Prepare SOC/Form 9**—takes 1.5 hours on average.¹⁰

¹⁰ Source: Data from ten Hearing Officers for hearing time, pre- and post-hearing review time.

D.3.6 Miscellaneous Actions

POA Review. For the As-Is simulation model, the team assumes 75% of non-appealed cases and 90% of appealed cases require a POA review following a rating decision. Assuming a review occurs within 1-5 days for non-appealed cases and 5-7 days for appealed cases, a claim remains in “hold” status until the POA review in the simulation model. As discussed in Section 4, the team is proposing a To-Be environment where POAs will have on-line access to their clients file, and will be more involved with the VSR through the entire process. Therefore, the To-Be model does not represent a wait time for a POA review.

Prioritization. In both of the simulation models, all claims begin with the same priority and are worked in First-In, First-Out (FIFO) order. When a claim is deferred because of errors or incompleteness, however, the claim receives a higher priority in the next queue. For example, a claim with insufficient evidence to rate, receives a higher priority when returned to the development queue. In the As-Is simulation model, the team assumes EPs appearing on a WIPP managerial review list, for pending over a certain time period, receive the highest priority in the remaining queues.

WIPP Review. The As-Is simulation model counts the number of WIPP actions, both “Age of Claim” and “Suspense Date” reviews. The team assumes “Age of Claim” managerial reviews occur at different times for rating and non-rating type claims. Specifically, managers review rating type EPs that are over 90 days old, and non-rating type EPs that have been pending over 60 days. After the initial review subsequent managerial reviews occur at 30-day intervals. In the simulation model, rating type EPs receive the highest priority following a WIPP managerial review for claims pending over 180 days. However, non-rating type EPs receive the highest priority, after the first managerial review.

The As-Is simulation model counts the number of “Suspense Date” reviews by tracking evidence wait times. Claims with evidence pending over 60 days appear on a WIPP suspense list for review, as in the real process. In addition, the simulation model tracks the duration between award preparation and authorization. Claims pending authorization over 5 days appear on a WIPP suspense list and are worked immediately.

Files Activity. Similar to the WIPP counters, the As-Is simulation model counts the number of file actions to quantify the files activity effort associated with processing a claim. The team’s assumptions for representing files activity in the model are: (1) following claims establishment, the majority of non-original claims require a file pull,¹¹ (2) during evidence gathering, the model takes the average number of evidence types requested for an EP and multiples it by two, accounting for both file retrieval and file return, and (3) following authorization, completed claims are returned to the file banks. Field personnel on the team estimated two days for retrieving a claim folder. The simulation model accounts for the two day retrieval by placing a claim in ‘hold’ status, once the last piece of required evidence arrives.

Overtime. VBA uses overtime as a workload management tool to help lower pending claim levels and improve completion times. Likewise, the As-Is simulation model schedules

¹¹ 100% of EPs 020/095/295/120/140/170/310/320/600/130/290 require a file pull following establishment; 20% of EP 160s and 95% of EPs 150/155/190 require a file pull following establishment.

overtime when queues exceed a specified length.¹² In the model, overtime is scheduled by position (e.g., development clerk, rating specialist). When an overtime day is required, *all* resources in that position work one full extra day. Maximum overtime for any position is one day every two weeks.

Explicit objectives of the To-Be process are to reduce queues and pending workload. The resource levels in the To-Be simulation model were set to ensure that queue waits did not exceed three days. Should the To-Be process achieve this level of performance, overtime will not be warranted.

D.3.7 Evidence Type and Wait Time Data

As-Is Model. The As-Is assumptions for the percentage of evidence types requested and evidence response times are displayed in Tables D-11 and D-12. These assumptions are based on an independent survey of completed claims, as discussed in Section D.1.2. Unless otherwise indicated, the simulation models use a lognormal distribution for the evidence response times.

EP Group	Evidence Type					
	None	SMR	Private Med	VA Hospital	VA Exam	All other
010/110	6.00%	58.00%	26.00%	36.00%	66.00%	64.00%
020	23.28%	7.76%	18.97%	31.03%	53.45%	29.31%
120/180	41.67%	8.33%	19.44%	16.67%	30.56%	19.44%
150/155/190	73.21%	0.00%	0.00%	0.00%	0.00%	28.57%
Appeals	54.24%	0.00%	11.86%	22.03%	35.59%	8.47%
130/290	56.52%	0.00%	0.00%	0.00%	0.00%	43.48%
All other	80.00%	0.00%	0.00%	0.00%	0.00%	20.00%
TOTAL	43.51%	9.86%	11.78%	17.55%	30.53%	31.25%

Table D-11: Evidence Type Probabilities.

Evidence Type	As-Is		To-Be	
	Mean	Std. Dev.	Mean	Std. Dev.
SMRs	96.6	80.3	96.6 (25%); 5.84 (75%)	80.3 (25%); [4.4-7.3] (75%)
Private Medical	32.4	37.5	32.4	37.5
VA Hospital Summary	35.4	45.9	1.5	0.7
VA Exam	42.6	27.8	42.6	27.8
Other	52.0	84.9	41	70

Table D-12: Evidence Response Time Comparison (calendar days).

To-Be Model. In the To-Be environment, the team assumes Social Security Numbers and Service Verification data will be obtained on-line. As a result, the percentage of all claims

¹² The use of overtime is triggered for Development Clerks when the development queue exceeds 10 work days; for Rating Specialists when the rating queue exceeds 15 days; for VCEs when the award prep queue exceeds 10 days; and for Sr VCEs when the authorize queue exceeds 5 days.

that request evidence type 'Other' is reduced from 31.25% to 27.12%.¹³ The probability a VA exam is needed is reduced by 31.5% (from 66% to 45%) for original compensation claims. This reduction stems from outreach programs at military installations. Part of this outreach will include application for and establishment of original compensation claims (before the veteran leaves active duty).¹⁴

In the To-Be environment, the team assumes 75% of SMRs will be received within 4-7 days and the remaining 25% will take the current time. As discussed in Section 4.4, an on-line connection between C&P and VHA facilities will result in same or next day evidence response times for VA Hospital Summaries. Table D-12 compares the As-Is and To-Be evidence response times.

D.4 Model Validation & Results

An essential component of the modeling process is *validation*, which is the determination that a model is an accurate representation of the real system. This section describes the process used to validate the As-Is and To-Be models, and compares key performance metrics for the As-Is simulation model to actual system performance.

Building the simulation model of the current C&P claims process was an iterative process. Team members from C&P service and in the field (including five Adjudication Officers), along with additional support from C&P services, mapped the flow of the C&P claims process and defined the detailed practices in processing claims. The data collected from the DCI validated the fundamental process flow represented in the model and identified the specific variations in flow probabilities and task times by EP. The team expanded the simulation model to represent the flow patterns of all the EP groups captured in the DCI and populated the model with the data captured by the two data collection surveys. VBA experts validated the data collected on task times, transition probabilities, evidence probabilities, and evidence response times as presented in Tables D-8 through D-12. The team then gave performance parameters for the current process (e.g., completion times, queue times) that became benchmarks for comparison.

The As-Is simulation model was presented at a BPR team workshop to display the additions in flow logic and demonstrate the simulation results. The team compared simulation results on EP task times, cycle times, and queue lengths with current performance measurements (e.g., workrate standards, COIN DOOR reports). Table D-13 compares cycle times generated in the simulation model with actual performance measurements for a subset of EPs. Table D-14 compares queue lengths generated in the simulation model with queue lengths in the current process. The experts agreed the results derived in the simulation model were an accurate representation of reality.

¹³ This figure is derived by eliminating the requests for Social Security Number and Service Verification data from the evidence request sample describe in Section D.1.2.

¹⁴ 63% of original compensation claims are filed within a year of discharge. For one-half of these cases—31.5% of all original compensation claims—the team assumes a claim will be established prior to discharge and the discharge exam will be substituted for the VA exam.

EP	Current Process	As-Is Model
010/110	148.6	158.4
020	113.4	124.3
120/180	82.8	84.5
140	76.8	77.7
160	25.9	16.4
150/155/190	26.2	32.3
095/295	31.7	31.7

Table D-13: Cycle Time Comparison (calendar days).

Activity	Current Process	As-Is Model
Establishment	5-6	2.2
Development	7.3-14.6	7.3
Rating	14.6-36.5	31.9
Award Preparation	4.4-13.1	3.2
Authorization	less than 7	6.2

Table D-14: Average Queue Time Comparison (calendar days).

APPENDIX E. COST/BENEFIT ANALYSIS DETAIL

This section explains the assumptions underlying the costs and benefits of the BPR plan presented in Section 5. Section E.1 describes the general assumptions for the analysis. Section E.2 and E.3 detail the estimation of the non-IT and IT expenditures, respectively. Finally, Section E.4 provides the detail underlying the computation of BPR benefits.

E.1 General Assumptions

To the extent possible, the BPR team integrated the cost/benefit analysis with existing Information Resources Management (IRM) and C&P budgets.¹ Budgets served only as a starting point, however, as additional expenditures will be necessary to implement the vision. The team used the simulation model described in Appendix D to derive much of the cost savings.

Unless otherwise specified, all cost figures are reported in nominal (or "then-year") dollars to facilitate budget decisions. Outyear inflation estimates are based on Department of Defense projections by fiscal year and expense category; annual rates range from 2.10% to 2.75%.²

The analysis uses the term "baseline" to denote the expenses that are consistent with the current business processes. This amount will differ from budget submissions to the extent that initiatives that support the vision are already programmed. Even items that are funded should be scrutinized to determine whether they are consistent with the VBA vision.

E.2 Non-IT Expenditures

More than 5,000 employees are involved in compensation and pension (C&P) claims processing. As such, baseline payroll costs greatly exceed IT expenditures in support of C&P. Moreover, it is then crucial to address people (and how to ensure their effectiveness) in the vision for claims processing. This section provides the back-up detail for the C&P baseline costs (Table 5-1), the investments in training, severance, survey and outreach, medical exam improvements, and pre-service discharge examinations (Table 5-2), and VA medical examination savings (Table 5-3).

C&P Baseline. Beginning in FY97, most Veterans Services Division (VSD) staff will be accounted for within the C&P account. To facilitate cross-year comparisons, FY96 expenses are adjusted to include VSD staff but are otherwise based on C&P budget projections.³ FY97 expenses track directly to the Congressional budget submission. The payroll estimates for FY98 and beyond are adjusted for inflation and expected changes in employment (see discussion of

¹ Unless otherwise noted, IRM budget data are taken from the *Information Resources Management Support Plan* dated June 10, 1996, and supporting budget worksheets. C&P Service data were obtained from the draft *1998 VBA Business Plan and Secretary's Budget Submission* dated July 2, 1996.

² See "Revised Inflation Guidance," published by the Principal Deputy Under Secretary of Defense (Comptroller) on February 21, 1996.

³ FY96 budget data for the C&P allocation of VSD were projected to a full year total and then summed with full-year figures for C&P.

baseline staffing in Section E.4).⁴ The non-payroll estimates for FY98 and beyond are adjusted only for inflation.

- Initiative Costs: Training.** An integral portion of the vision is that all claims processing personnel will be trained and certified. As shown in table E-1, two training tracks are envisaged. First, separate computer-based programs will train and certify all employees. Second, all C&P employees will undergo classroom training as well.

INITIATIVE CATEGORY	FY96	FY97	FY98	FY99	FY00	FY01	FY02	Total
Computer-Based Training Development	0.8	0.8	2.1	5.1	3.4	1.9	1.9	15.9
Basic Rating Training	0.8	0.8	2.1	0.4	0.4	0.4	0.4	5.3
Advanced Rating Training	-	-	-	0.9	0.9	0.4	0.4	2.6
Veteran Service Representatives	-	-	-	3.0	1.3	0.6	0.6	5.5
Post-Decision Review Officers	-	-	-	0.9	0.9	0.4	0.4	2.6
Training Classes	-	-	-	0.4	1.5	3.8	1.9	7.5
Office of the AO	-	-	-	0.1	0.2	0.6	0.3	1.2
File Clerks	-	-	-	0.0	0.1	0.3	0.1	0.6
Veteran Service Reps	-	-	-	0.1	0.6	1.5	0.8	3.0
Rating Certified VSRs	-	-	-	0.1	0.4	1.0	0.5	2.0
Post-Decision Review Officers	-	-	-	0.0	0.1	0.3	0.2	0.7
Total Cost of Training and Certification	0.8	0.8	2.1	5.4	4.9	5.7	3.8	23.5

Table E-1: Derivation of Training Costs (\$ millions).

The estimates for computer-based training development are based on the C&P business plan, which includes \$4.5 million for basic rating training and \$1.7 million for advanced rating training through FY00. Maintenance for FY01 and FY02 is projected at the FY98 level for the basic rating training package. Additional packages would be required for the VSR and the review officer. Because the VSR is an entirely new position, the training development cost should be high. The team assumed an initial cost of the sum of FY98 costs for the basic rating training package and FY99 costs for the advanced rating package. The team set subsequent year costs equal to 50% more than that of the advanced rating package. The review officer package should be similar in scope to the advanced rating package, so the costs are assumed equal.

The estimates for classroom training are based on an assumed factor of \$250 per person day of training. The team projected that all personnel except file clerks will require two weeks of training. File clerks will instead need only one week of training. Employees are trained as they transition to the new job structure.⁵ The training will consist of instruction on both the new process and the new computer systems.

Initiative Costs: Employee Severance. As discussed in Section E.4, the To-Be process will require fewer employees than the baseline staffing projection. While C&P might be able to obtain some of these staff reductions through attrition, most of the reductions will require either a buyout or a reduction in force. Thus, the VBA will have to pay severance costs to help the people affected by the staff reduction. To be conservative, the team assumed that all staff

⁴Beginning in FY98, the payroll for support activities, such as Finance and Human Resources, will be allocated to the business lines. These costs are not included in the baseline computations.

⁵ As discussed in section D.3.2, the team assumed that C&P employees attend 124 hours or 15.5 days of training a year. The new training is assumed to occur within this 124 hours.

reductions below the baseline staffing profile would entail severance costs of \$30,000 per employee. This amount includes outplacement counseling and amounts paid directly to the affected person.

Initiative Costs: Customer and Employee Surveys. To monitor customer and employee satisfaction (as called for in the strategic plan), the VBA will have to undertake surveys. VBA has already budgeted \$417,000 in FY97 for a customer survey and projects \$400,000 for FY98. The BPR team assumes that employee surveys will begin in FY98 at a cost of \$200,000. Estimates beyond FY98 include inflation adjustments.

Initiative Costs: VA Medical Exams. Table 5-2 presents two initiatives to improve VA medical exams—training Veterans Health Administration (VHA) doctors and enhancing the physician guide. The C&P business plan includes \$300,000 for both of these initiatives. The team assumed that the update to the physician guide represented a one-time expense, but that the physician initiatives would incur recurring costs. These expenses are assumed to recur at the FY98 level.

Initiative Costs: Pre-Service Discharge Exams. VBA has begun pilot testing of pre-service discharge medical exams, which allows veterans to file for and receive benefits more quickly. Table E-2 derives the cost implications associated with the pre-service discharge examination program.

COST CATEGORY	FY96	FY97	FY98	FY99	FY00	FY01	FY02	Total
Factors								
Total Projected Military Separations	275,000	268,000	247,000	247,000	245,000	245,000	245,000	1,772,000
% to Undergo Pre-Discharge Exams			6%	30%	30%	30%	30%	
Total Pre-Discharge Exams			14,091	74,100	73,500	73,500	73,500	308,691
VA Exams Avoided			4,451	23,285	23,160	23,056	22,952	96,905
Costs (\$ millions)			2.0	10.7	10.9	11.1	11.3	46.1
Benefits (\$ millions)			0.6	3.4	3.4	3.5	3.5	14.5
Net Cost of Pre-Discharge Exams			1.4	7.4	7.4	7.6	7.8	31.6

Table E-2: Pre-Discharge Examination Costs and Benefits

Military separations through FY00 reflect official VA estimates. The team assumed that separations in FY01 and FY02 would remain at the FY00 level. The team assumed that each pre-discharge examination will cost \$135, or the amount the VBA currently pays VA Hospitals for exams. The business line plan proposes a test project for FY98 involving three discharge processing centers at a cost of \$2 million. Together, the FY98 budget projection and the \$135 cost per exam imply that 6% of discharged personnel will receive an examination. The team projects that full implementation will occur the following year and that 30% of all discharged military personnel will receive the examination.

Because some veterans will now use this pre-service discharge exam, fewer VA exams will be needed. The methodology to compute the benefits is consistent with the derivation of performance improvements in the simulation model. The team projects that only original compensation claims (EP 010 and EP 110) will be affected by the new exam. Presently, about 66% of all veterans filing these claims need a VA exam. The results of this service exam would be useful only if it were not more than a year old. Approximately 63% of original compensation

claims are within one year of discharge. However, the team assumes that only half of such veterans will have undergone the pre-discharge exam.⁶ This implies that 21% of the projected number of original compensation claims will avoid the need for a VA exam, saving \$14.5 million through FY02.

E.3 IT Expenditures

While small in comparison to the total cost of claims processing, IT expenditures represent the largest investments needed to achieve the vision. Many of the basic improvements and job structure changes hinge upon IT. For example, having a VSR available to answer phone calls on claims status is worthless unless the VSR has ready access to claim history information. This section provides the back-up detail for the IRM baseline costs (Table 5-1), IT investments (Table 5-2), and operations and maintenance cost savings (Table 5-3).

IRM Baseline (C&P Portion). The VBA IRM budget includes projects that support the entire VBA. An important step, then, in comprehending the relationships among IT, C&P, and BPR is to break down the budget as shown in Table E-3. The table presents for each IT project the category (baseline, non-C&P, or vision), percent of costs allocable to C&P, and the estimates for FY96-FY02. The table characterizes all IT projects in one of four ways:

- *Exclusive C&P Baseline Expenditures*—projects that maintain the current processes and systems that support C&P only.⁷ The only project in this category is “Maintenance for Pre-Existing Systems” such as RBA.
- *Exclusive non-C&P Baseline Expenditures*—projects that maintain the current processes and systems but do not support C&P, such as the imaging system for Education Services.
- *Shared Baseline Expenditures*—projects that maintain the current processes and systems that support C&P and other organizations throughout VBA. Shared projects are further divided into those that support all of VBA (including support functions such as Finance, and Human Resources) and those that support only the component service lines. Based on payroll expenditures, the C&P share of VBA-wide and Service line-wide projects are set at 46.2% and 58.7%, respectively.⁸

⁶ Although 30% of all veterans are assumed to undergo an exam, those who file a claim shortly after discharge are more likely to have asked for an exam.

⁷ Exclusively C&P baseline projects are designated by the category “baseline” with a 100% allocation factor.

⁸ FY96 payroll data through May were used to determine shares. The C&P share includes an estimate for the VSD allocation as if it had occurred in FY96.

IT PROJECT	Category	% Alloc	FY96	FY97	FY98	FY99	FY00	FY01	FY02	Total
C&P Business Process Reengineering	vision	100.0%	0.2	0.1	0.1	0.0	0.0	0.0	0.1	0.7
Enhanced AMIE	vision	100.0%	0.0	0.3	0.4	0.4	-	-	-	1.1
COVERS	vision	100.0%	1.3	0.4	1.4	0.4	0.0	0.0	0.0	3.6
CPS	vision	100.0%	1.8	1.3	1.4	-	-	-	-	4.5
Master Veteran Record (MVR)	vision	100.0%	-	0.1	0.1	-	-	-	-	0.2
VETSNET I (BDN Replacement)	vision	100.0%	4.3	5.5	5.6	-	-	-	-	15.4
VETSNET and other maintenance	vision	100.0%	-	-	1.4	4.2	4.4	4.7	4.9	19.6
Central Processor – VETSNET	vision	100.0%	1.1	6.0	11.9	13.1	15.3	17.6	19.9	84.9
Field network systems--Sequents	vision	100.0%	5.7	3.7	4.0	4.3	4.4	4.5	4.6	31.0
Changes in phones	vision	100.0%	0.2	0.3	0.3	0.4	0.4	0.4	0.4	2.4
BPR except C&P	non-C&P	0.0%	0.0	0.6	0.7	1.2	1.2	0.3	0.7	4.6
Education System Replatform	non-C&P	0.0%	2.3	1.4	1.0	-	-	-	-	4.6
WINRS	non-C&P	0.0%	0.1	0.1	-	-	-	-	-	0.3
Loan Service and Claims System	non-C&P	0.0%	1.6	0.1	0.1	0.8	0.8	0.6	-	4.0
Imaging System Maintenance	non-C&P	0.0%	-	-	-	0.5	0.5	0.6	0.6	2.2
Stage II (Education Imaging System)	non-C&P	0.0%	5.1	0.5	1.8	-	-	-	-	7.4
Insurance Rehosting	non-C&P	0.0%	6.6	5.9	6.1	6.3	6.2	6.0	5.5	42.6
Systems Architecture	baseline	46.2%	6.8	4.5	4.6	4.7	4.8	5.0	4.1	34.4
Wang Migration	baseline	58.7%	1.8	2.1	-	-	-	-	-	3.9
E-Mail Replacement	baseline	46.2%	2.5	0.3	0.3	0.2	0.2	0.2	0.2	3.8
Maintenance for Pre-Existing Systems	baseline	100.0%	1.0	0.1	0.1	-	-	-	-	1.3
ARMS	baseline	58.7%	0.2	0.3	0.3	0.3	0.3	0.3	0.3	2.0
Jetforms	baseline	46.2%	0.6	-	-	-	-	-	-	0.6
Printing	baseline	46.2%	5.3	3.9	4.2	4.3	4.4	4.5	4.6	31.2
Change century	baseline	58.7%	0.8	1.7	1.8	0.7	-	-	-	5.0
CARS/CAROLS, LGY and BIRLS	baseline	58.7%	1.9	1.6	1.6	1.2	1.3	1.3	1.4	10.3
Legislative mandates	baseline	58.7%	3.1	1.0	1.1	-	-	-	-	5.2
Upgrades/enhancements	baseline	58.7%	1.4	0.4	0.4	-	-	-	-	2.3
Management & Support	baseline	46.2%	59.1	56.3	59.3	61.0	62.8	64.5	66.0	429.0
BDN Honeywell mainframes	baseline	58.7%	10.8	9.3	9.7	0.1	-	-	-	29.9
BDN IBM mainframes	baseline	58.7%	2.5	2.5	2.3	0.3	-	-	-	7.7
Wang Mainframes	baseline	46.2%	3.4	3.4	0.2	-	-	-	-	7.0
Field - Personal computers	baseline	46.2%	6.0	9.4	9.4	9.4	9.5	9.5	9.5	62.7
Field network systems - LAN	baseline	46.2%	6.4	8.4	8.1	8.3	8.6	8.8	9.1	57.6
LAN/WAN communications	baseline	46.2%	2.4	2.2	2.7	0.6	0.6	0.7	0.7	9.8
Information Security	baseline	46.2%	0.1	0.1	0.3	0.3	0.3	0.4	0.4	2.0
Information Center	baseline	58.7%	0.5	3.3	3.6	3.2	2.4	2.4	2.5	18.0
Video conferencing	baseline	46.2%	0.1	0.0	0.0	0.0	0.0	0.0	-	0.3
Telecommunications Management	baseline	46.2%	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.3
Total IT Budget			147.5	137.5	146.3	126.4	128.7	132.5	135.5	954.5
Vision Addition to IT Budget			-	1.0	2.6	3.8	7.4	13.3	5.8	33.9
VETSNET II and III (BPR Initiatives)	vision	100.0%	-	1.0	2.6	3.4	6.1	9.8	3.8	26.8
Phone Installation and Maintenance	vision	100.0%	-	-	-	0.3	1.3	3.5	2.0	7.1
Baseline Additions to IT Budget			-	-	-	14.0	14.7	15.1	15.4	59.2
Maintenance for Pre-Existing Systems	baseline	100.0%	-	-	-	0.6	0.6	0.6	0.7	2.5
Legislative Mandates for BDN	baseline	58.7%	-	-	-	1.1	1.1	1.1	1.1	4.4
Upgrades/Enhancements for BDN	baseline	58.7%	-	-	-	0.5	0.5	0.5	0.5	1.9
BDN Honeywell Mainframes	baseline	58.7%	-	-	-	9.8	10.1	10.3	10.5	40.7
BDN IBM Mainframes	baseline	58.7%	-	-	-	2.1	2.5	2.5	2.6	9.6

Table E-3: Categorization of IT Costs. (\$ Millions)

- **C&P Vision Expenditures**—projects that directly or indirectly support the VBA achieve the vision for claims processing. These include systems such as CPS and VETSNET Phase I. While these projects were initiated prior to the beginning of BPR, they are necessary steps to successfully achieve the vision. For instance, much of the IT support that will enable the to-be process to occur will be part of VETSNET Phases II and III. Even though VETSNET Phase I only involves the replacement of BDN, this step is a required prerequisite to the later phases. Thus, the cost of Phase I should be included as a

part of the cost of BPR. All vision projects are fully allocated to C&P, even though they will provide benefits to other services.

The team made several adjustments to the IRM budget to reflect more accurately the costs and benefits associated with the vision. These adjustments are listed at the bottom of the table in italicized text. The adjustments are in two primary groups:

- *Baseline Maintenance Expenses*—projects that continue the present environment beyond what is projected in the budget. The IRM support plan shows spending on BDN and other legacy systems falling dramatically in FY99 and disappearing in FY00. The team projected these costs through FY02 at current levels, adjusted for inflation. This assumption is conservative, because maintenance costs increase substantially over time. If the vision were implemented, none of this \$59.3 million in spending would occur (for either C&P or non-C&P purposes). Thus, the \$59.3 million in additional expenditures is shown as IRM O&M Savings in Table 5-3.

INITIATIVE CATEGORY	FY96	FY97	FY98	FY99	FY00	FY01	FY02	Total
VETSNET II and III (BPR Initiatives)	-	1.0	2.6	3.4	6.1	9.8	3.8	26.8
Software Development Estimate	-	0.7	1.9	2.2	3.0	3.0	0.3	11.1
Software Development -- SLIM Estimate	-	0.7	1.9	2.9	4.0	3.9	0.4	13.8
Minus : Ability to Use CPS & AMIE (50% overlap)	-	-	-	0.7	1.0	1.0	0.1	2.8
Commercial Off-the-Shelf Software (COTS)	-	-	-	0.6	2.3	5.9	3.0	11.7
Management/Systems Engineers/QA	-	0.3	0.6	0.7	0.7	0.7	0.3	3.3
Labor	-	0.3	0.6	0.6	0.6	0.6	0.3	3.0
Travel	-	0.0	0.1	0.1	0.1	0.1	0.0	0.3
Installation	-	-	-	0.0	0.1	0.4	0.2	0.7
Labor	-	-	-	0.0	0.1	0.2	0.1	0.4
Travel	-	-	-	0.0	0.1	0.1	0.1	0.3
Phone Installation and Maintenance	-	-	-	0.3	1.3	3.5	2.0	7.1
Telephone installation estimate	-	-	-	0.3	1.2	3.2	1.6	6.3
Installation - Estimate assuming no pre-existing installations	-	-	-	0.4	1.5	3.8	1.9	7.5
Minus : Overlap with pre-existing phone installations	-	-	-	0.1	0.2	0.6	0.3	1.2
Maintenance	-	-	-	0.0	0.1	0.3	0.4	0.8
Total New IT Expenditures	-	1.0	2.6	3.8	7.4	13.3	5.8	33.9

Table E-4: Categorization of Additional IT Investments. (\$ Millions)

- *Additional IT Investments*—projects that implement additional functionality defined by BPR within VETSNET and improve the telephone system. Table E-4 shows the BPR team’s estimate of the cost of the additional VETSNET functionality and improvements to the telephone system necessary to achieve the vision. The amounts for VETSNET contained in the FY98 VBA budget are only for the replacement of BDN. The cost estimate of \$26.8 million shown in Table E-4 for VETSNET II and III includes \$11.1 million for new software development, \$11.7 million for several commercial off-the-shelf software (COTS) packages, and \$4.0 million for quality assurance and installation. The estimate for new software development was generated using a software cost estimation tool called SLIM.⁹ Note that half of the amounts budgeted for CPS and AMIE were subtracted from the SLIM estimate to reflect the assumption that these systems should provide some of the required functionality. The estimate for COTS assumes that 3 COTS

⁹ SLIM is a management tool developed by Quantitative Software Management, Inc. to estimate and analyze software development project characteristics including cost, schedule, staffing requirements and quality based on such factors as database size, lines of code, system complexity, etc.

such as a database engine, document management system, and workflow management system will be purchased and utilized in the development of VETSNET at a cost of \$3,500 per person for 3,000 people including VSOs. The management/quality assurance cost estimate is based on a factor used for large systems development projects, and the installation cost estimate is based on the assumption that the software will have to be installed at each of VBA's 58 regional offices. The \$7.1 million estimate for the new phone system assumes the installation and maintenance of a new PBX system including voice mail, automatic call distribution (ACD), and new phones in each regional office.

E.4 Benefits of BPR

BPR will generate five major cost savings. First, C&P will be able to process claims and appeals with fewer personnel than would be required if no changes were made. Second, reductions in payroll should also lead to small reductions in C&P non-payroll budget. Third, the implementation of VETSNET would mean IRM could discontinue BDN and realize savings from not incurring expenditures on BDN maintenance. (This savings in O&M was discussed above with IT expenditures.) Fourth, improved links with evidence sources and improved processing are expected to decrease overpayments and administrative errors. Fifth, the pre-service discharge examination will decrease the number of VA examinations that otherwise would be required. (This savings was discussed above with non-IT expenditures). This section provides backup for Table 5-3.

C&P Payroll Savings. The simulation model indicates that the new processes and job structures will require less staff than the current system. This reduction in personnel is in addition to cuts caused by projected lowered workloads. Table E-5 shows the staffing assumptions embedded in the simulation models. Simulation runs were made for the As-Is process in FY96 and the To-Be process in FY02. Staff in the Office of the AO and file clerks were not explicitly included in the model as they are not directly involved in claims processing.

POSITION CATEGORY	SALARY & BENEFITS	FTE COUNT	
		AS-IS	TO-BE
AS-IS STRUCTURE			
Program Clerks	\$24,394	2	-
Development Clerks	\$27,288	3	-
Veterans Claims Examiners	\$41,349	8	-
Sr. Veterans Claims Examiners	\$50,028	4	-
Hearing Officers, Rating Staff	\$61,096	9	-
TO-BE STRUCTURE			
Veteran Service Representatives	\$50,028	-	9
Rating Certified VSRs	\$59,962	-	6
Review Officers	\$71,301	-	2
TOTAL		26	17

Table E-5: Simulation Model Staffing Assumptions.

The team assumed that reengineering would not explicitly affect the need for staff in the Office of the AO or file clerks. This is a conservative assumption as VETSNET will include electronic claim files, reducing the need for file clerks. Also, the lower staffing profile projected by the model should also entail a proportionately lower number of managers. Of the modeled positions, 25 people are required with the As-Is process in FY96. In FY02 under the To-Be scenario, the model projects that only 17 people in the three modeled positions—a 35% reduction. Part of this reduction is the result of lower expected workload and the rest would result from the new process.

Table E-6 explicitly separates the staffing reduction into its constituent parts. The top half of the table shows the staffing profile without reengineering. For C&P personnel other than VSD staff, C&P budget personnel provided a projected total staffing count (based on a projected workload). FY96 and FY97 data reflect projected overtime in the C&P FTE count.¹⁰ Individual position counts in all years are based on percentages from FY95. C&P Service staff is assumed constant over the analysis horizon. Starting in FY97, the C&P budget will include 1,123 VBCs. These VSD personnel are also included in the FY96 figures for consistency. The team determined that only 47% of the VSD staff assigned to C&P would be performing C&P related tasks (such as answering questions on C&P benefits). The remainder are in C&P for budgeting purposes only and are not affected by BPR. The number of both types of VBCs is assumed to decline based on projected workload. The BPR team thus assumes in the baseline staff will decline from 5,259 to 4,826, an 8% reduction.¹¹

¹⁰ Overtime is projected to add the equivalent of 130 FTE in FY96 and 54 FTE in FY97.

¹¹ This baseline staffing profile is used to project baseline C&P payroll costs discussed in Section E.2

POSITION CATEGORY	FY96	FY97	FY98	FY99	FY00	FY01	FY02
BASELINE STAFFING PROFILE	5,259	5,116	5,127	4,888	4,868	4,847	4,826
C&P Field Staff	4,603	4,460	4,436	4,201	4,182	4,164	4,146
Office of the AO	482	465	459	431	429	427	425
File Clerks	460	444	438	411	410	408	406
Program Clerks	192	185	183	172	171	170	170
Development Clerks	377	364	359	338	336	335	333
Veterans Claims Examiners	1,159	1,118	1,103	1,037	1,032	1,028	1,023
Sr. Veterans Claims Examiners	400	386	381	358	357	355	353
Hearing Officers, Rating Staff	1,009	974	961	903	899	895	891
VBCs (C&P-Related Tasks)	523	523	553	551	549	546	544
VBCs (Other Tasks)	600	600	635	632	629	627	624
C&P Service	56	56	56	56	56	56	56
TO-BE STAFFING PROFILE	5,259	5,116	5,127	4,824	4,549	3,895	3,563
C&P Field Staff (As-Is Process)	4,603	4,460	4,436	3,991	3,137	1,041	-
Office of the AO	482	465	459	409	322	107	-
File Clerks	460	444	438	391	307	102	-
Program Clerks	192	185	183	163	128	43	-
Development Clerks	377	364	359	321	252	84	-
Veterans Claims Examiners	1,159	1,118	1,103	985	774	257	-
Sr. Veterans Claims Examiners	400	386	381	340	267	89	-
Hearing Officers, Rating Staff	1,009	974	961	858	674	224	-
VBCs (C&P-Related Tasks)	523	523	553	523	412	137	-
C&P Field Staff (To-Be Process)	-	-	-	146	727	2,172	2,883
Office of the AO	-	-	-	22	107	320	425
File Clerks	-	-	-	21	102	306	406
Veteran Service Representatives	-	-	-	55	274	818	1,086
Rating Certified VSRs	-	-	-	37	183	545	724
Review Officers	-	-	-	12	61	182	241
VBCs (Other Tasks)	600	600	635	632	629	627	624
C&P Service	56	56	56	56	56	56	56

Table E-6: Comparison of As-Is and To-Be Staffing Profiles.

The bottom half of the table shows the transition to a new staffing profile with the implementation of BPR. To determine the composition of the new staffing profile over the transition period (FY99-FY01), the team first constructed the staffing profile for FY02 when BPR will be fully implemented. In FY96, 3,138 employees were working in the modeled positions (program and development clerks, VCEs, Senior VCEs, hearing officers, and rating staff). The 35% reduction yields a total of 2,052 VSRs, rating certified VSRs, and review officers in FY02, which are distributed according to the proportions from Table E-3. The number of file clerks, VBCs performing non-C&P tasks, and people in the Office of the AO are assumed the same as in the baseline, which results in a total staff of 3,563. This estimate is 32.2% less than the FY96 FTE of 5,259, and 26.2% less than the projected FY02 baseline FTE of 4,826.

For FY99-FY01, the team assumed a partial implementation. On average, 5% of the C&P staff (including VBCs performing C&P related tasks) will transition to the new positions in FY99, 25% by FY00, and 75% by FY01. Implementation would be fully achieved by the end of FY01. The reductions displayed in Table E-5 generate the payroll savings displayed in Table 5-3, using the pay rate assumptions shown in Table E-4. The reductions also generate the severance costs shown in Table 5-2. The phase-in of To-Be positions also drives the training classes shown in Table E-1.

C&P Non-Payroll Savings. Most of the C&P non-payroll costs is travel, which should decrease with staff reductions. In the 1997 Congressional Submission, VBA projected its non-payroll costs to be \$351 per person. The team thus assumed that C&P would save this amount in non-payroll costs for each person no longer on the C&P payroll.

Overpayments and Administrative Errors. The General Accounting Office (GAO) has noted that overpayments on benefits represent a large area of potential savings.¹² With the new system, automated links with evidence sources and improved processing time should greatly reduce the time needed to discover overpayments and process changes in benefits.

It is important to note that the team assumes that pension simplification will not cause a reduction in overpayments. Because the reform envisions income adjustments only occurring once a year, a number of present-day overpayments would become legitimate payments. For instance, suppose in 1996 a veteran's income is the same as in 1995. However, the income of the veteran rises during the first half of the year and then falls during the second half of the year. If under present law C&P did not adjust for the rise in income until June 30, this would create an overpayment. Similarly, if C&P did not then adjust for the fall in income until December 31, this would cause a retroactive payment. With pension simplification, both the overpayment and retroactive payment would cease to exist (as the annual income had not changed). Because pension simplification will not change the overall amount of benefits, any "reduction" in overpayments will be balanced by a similar "reduction" in retroactive payments. No savings should thus occur. The team estimated 70% of income-related overpayments will be reclassified in this way.

The top half of table E-7 shows projections of overpayments and administrative errors. The total amount of overpayments is the Debt Management Center's estimate of total overpayments less the 30% that the GAO states that VBA is able to collect from the beneficiaries. The overpayments are then broken out into income-related, dependency, medical and other, using shares estimated by the GAO. Income-related overpayments are further subdivided into causes of the overpayment, again using GAO estimates. These causes are Social Security, interest and dividends, wage employment and other.

The bottom half of table E-7 shows the reduction in overpayments resulting from IT. For the purposes of this table, the team assumed that the new system would be implemented in the second half of FY99. Thus, the amount shown in FY99 is half the amount that the methodology would otherwise indicate. For income-related overpayments, the GAO estimated that VBA now takes on average five months to discover an overpayment and then four months to process changes in benefits. The team projected that real time links with the Social Security Administration would reduce income overpayments involving Social Security and wage employment to less than one day. Real-time links with DHCP would allow C&P to reduce medical overpayments to less than one day. The team assumed discovery time for other kinds of income overpayments, dependency overpayments and other overpayments would remain the same.

¹² General Accounting Office, *Veterans' Benefits: VA Can Prevent Millions in Compensation and Pension Overpayments*, GAO/HEHS-95-88, April 28, 1995 is the source of all GAO data.

ERROR CATEGORY	FY96	FY97	FY98	FY99	FY00	FY01	FY02	Total
Projected C&P Benefits Payments	18,346.8	18,485.9	18,558.7	19,167.9	19,260.2	19,369.8	19,494.7	132,684.0
AS-IS PAYMENT ERRORS	198.0	191.0	184.0	177.1	170.1	163.1	156.1	1,239.5
Uncollected Overpayments	196.0	189.0	182.0	175.0	168.0	161.0	154.0	1,225.0
Income: Social Security	26.8	25.8	24.8	23.9	22.9	22.0	21.0	167.2
Income: Wages Employment	11.0	10.6	10.2	9.8	9.4	9.0	8.6	68.6
Income: Interest & Dividends	17.8	17.2	16.6	15.9	15.3	14.7	14.0	111.5
Income: Other	13.0	12.6	12.1	11.6	11.2	10.7	10.2	81.5
Dependency	56.8	54.8	52.8	50.8	48.7	46.7	44.7	355.3
Medical	35.3	34.0	32.8	31.5	30.2	29.0	27.7	220.5
Other	35.3	34.0	32.8	31.5	30.2	29.0	27.7	220.5
Administrative Errors	2.0	2.0	2.0	2.1	2.1	2.1	2.1	14.5
TO-BE AVOIDANCES	-	-	-	26.8	51.4	49.3	47.2	174.8
Uncollected Overpayments	-	-	-	26.2	50.4	48.3	46.2	171.1
Income: Social Security	-	-	-	2.8	5.4	5.1	4.9	18.2
Income: Wages Employment	-	-	-	1.1	2.2	2.1	2.0	7.5
Income: Interest & Dividends	-	-	-	0.5	1.0	1.0	0.9	3.5
Income: Other	-	-	-	0.4	0.7	0.7	0.7	2.5
Dependency	-	-	-	5.6	10.8	10.4	9.9	36.8
Medical	-	-	-	12.3	23.5	22.5	21.6	79.9
Other	-	-	-	3.5	6.7	6.4	6.2	22.8
Administrative Errors	-	-	-	0.5	1.0	1.1	1.1	3.7

Table E-7: Derivation of Reductions in Payment Errors (\$ millions).

Investments in IT and changes in the system should cause processing time for all types of overpayments to only be two months, or the current mandatory period for due process. When C&P discovered an overpayment, the system would instantly generate and send a letter to the veteran explaining the problem. If the veteran had not responded within the currently mandated due process time of 60 days, the system would automatically change benefits to reflect the new situation. Because of these reductions in discovery and processing times, the amount of overpayments would be correspondingly reduced. Accordingly, the team projected that Social Security, wage employment and medical overpayments would be reduced by 78%, whereas other kinds of overpayments would be reduced by 22% (after adjusting for pension simplification). If the current mandatory due process time was shortened, the savings would be even greater.

BPR should also reduce administrative errors, which are mistakes in judgment or computation that cause veterans to receive benefits to which they are not entitled. A survey of regional offices has revealed that about \$2 million in errors occur each year. The new system will not be able to catch some kinds of errors, such as granting benefits to a person who was not honorably discharged. However, mistakes in calculating amounts of awards should disappear as award preparation will be automatic in the new system. Thus, the BPR team projected that administrative errors would be reduced 50%.

E.5 Miscellaneous

Table 5-5 shows the net BPR savings through FY02, estimated to be \$16.6 million. It also shows data on net discounted present value. This section explains that computation. This section also explains the assumptions behind the data in Figure 5-2 (which shows cumulative costs and benefit) for FY03 to FY07. Finally, this part provides detail on the risk analysis performed by the team.

Net Discounted Present Value. By FY02, the benefits of BPR will outweigh the costs. Because of this, BPR can be viewed as a strategic investment, where initial costs yield greater returns later. Although not appropriate for budget analysis, investment decisions should consider the discounted present value. In this type of analysis, amounts spent or obtained in the future are not as valuable as similar amounts spent or obtained today—future benefits are worth less as the government has to wait for them, and future investments cost less as the government can delay borrowing.

The interest rate used in the analysis started at 5.45% in FY97 and dropped to 4.8% in FY99 and beyond, which represents a 2.7% “real” discount rate over projected inflation. The return on investment is defined as the net discounted present value of savings (total savings minus total costs) divided by discounted present value total investments.

Analysis for FY03 to FY07. The team made some additional assumptions in order to project costs and benefits through FY07. The vision will be fully implemented by FY02, and workload will remain at the FY02 level through FY07. Payroll and non-payroll savings would thus continue as C&P would be proceeding with fewer staff, but the amounts involved would increase by the amount of projected inflation.¹³ No severance costs or software development costs for VETSNET Phases II and III would occur. The team did add VETSNET software maintenance costs beginning in FY03 at the same (constant dollar) level as BDN software maintenance. Maintenance for the new phone system would also continue. The computer-based training packages would continue to be updated annually, at a similar cost to FY02. However, only new employees would undergo the classroom training; a 4% turnover rate is assumed. All other costs and benefits that occurred in FY02 would continue through FY07 and the amounts involved would increase through inflation.

Risk Analysis. Both the estimates of savings and costs arising from BPR are subject to a degree of uncertainty. The cost for projects such as VETSNET or training could exceed original projections. Similarly, the amount of payroll savings or overpayments savings could be smaller than expected. The team therefore prepared a risk analysis to examine this uncertainty.

Risk adjustments were conducted using a financial simulation model. Instead of making just one calculation of the return on investment, the financial simulation made the calculation repeatedly (1,000 iterations) and yielded a distribution of predicted discounted present values. It was assumed that the investment costs followed a truncated lognormal distribution with a mean equal to the estimated investment costs, and a 25% standard deviation. The distribution had upper and lower bounds of 200% and 90% of the mean, respectively. This risk class was chosen because there was some uncertainty inherent in estimating costs for future baseline activities. The upper bound of the probability distribution was farther than the lower bound from the mean value because actual costs were more likely to exceed than fall below expected costs. The savings that arise from implementing the vision were assumed to follow a uniform distribution with a minimum value of 75% of the mean and a maximum of 125% of the mean. The results of the risk analysis are in section 5.

¹³ Inflation is assumed to stay at the FY02 level.

APPENDIX F. DISTRIBUTION OF CYCLE TIMES

The simulation model results described in Section 5 reflect mean cycle times for groupings of end products. The models simulate the flow of individual claims through the process. Hence, the model can track less aggregated EP groupings and generate ranges for all of the key parameters. Because cycle time estimates are so critical, this section graphs the complete distribution of cycle times for the most disaggregated EP groupings contained in the simulation model, both for the “As-Is” and “To-Be” scenarios. All simulation model runs are based on the FY02 workload.

F.1 Distribution of Cycle Times for EP 010

This section provides the As-Is and To-Be distributions for EP 010.

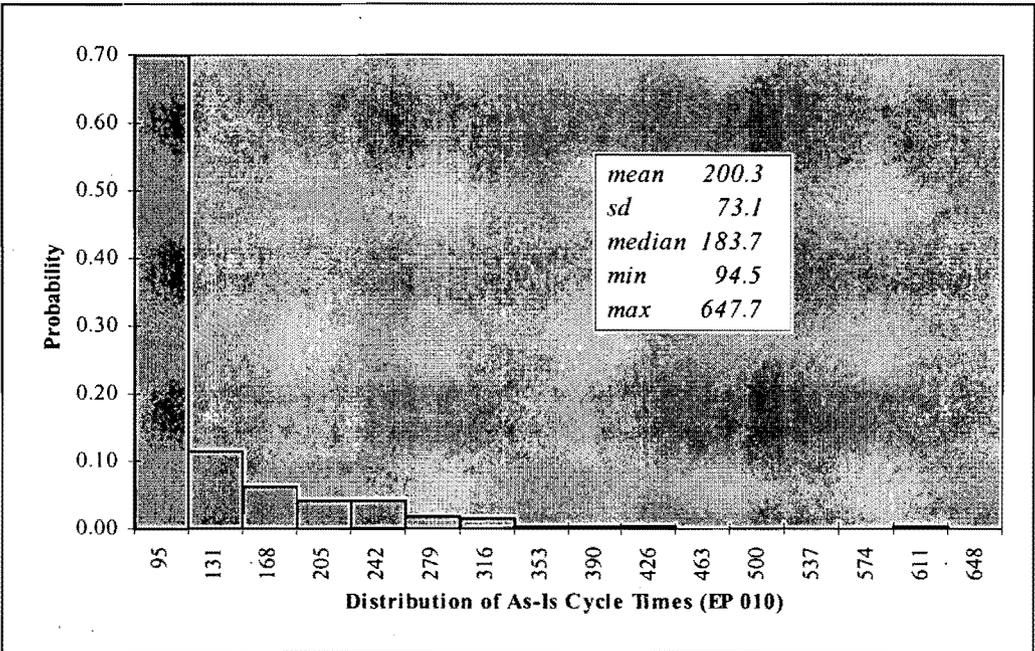


Figure F-1: Distribution of Cycle Times for EP 010 (As-Is).

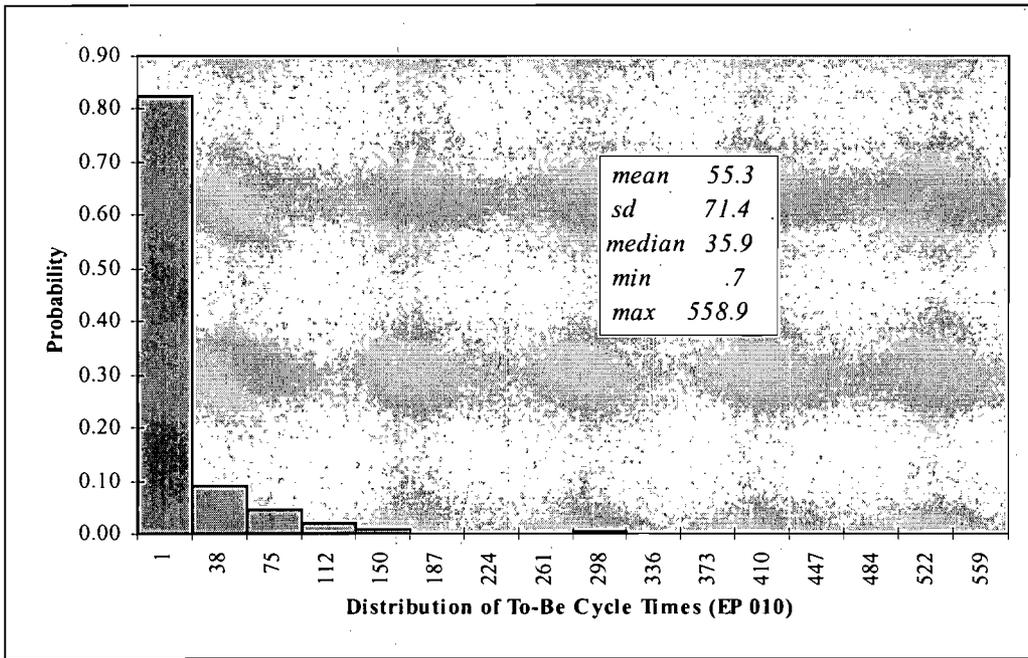


Figure F-2: Distribution of Cycle Times for EP 010 (To-Be).

F.2 Distribution of Cycle Times for EP 110

This section provides the As-Is and To-Be distributions for EP 110.

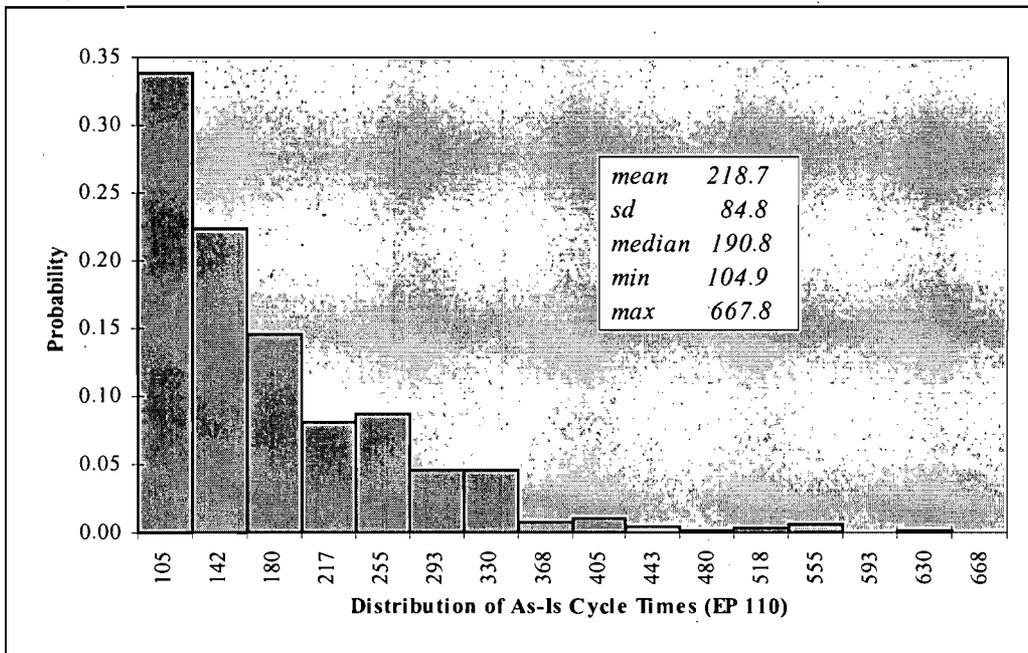


Figure F-3: Distribution of Cycle Times for EP 110 (As-Is).

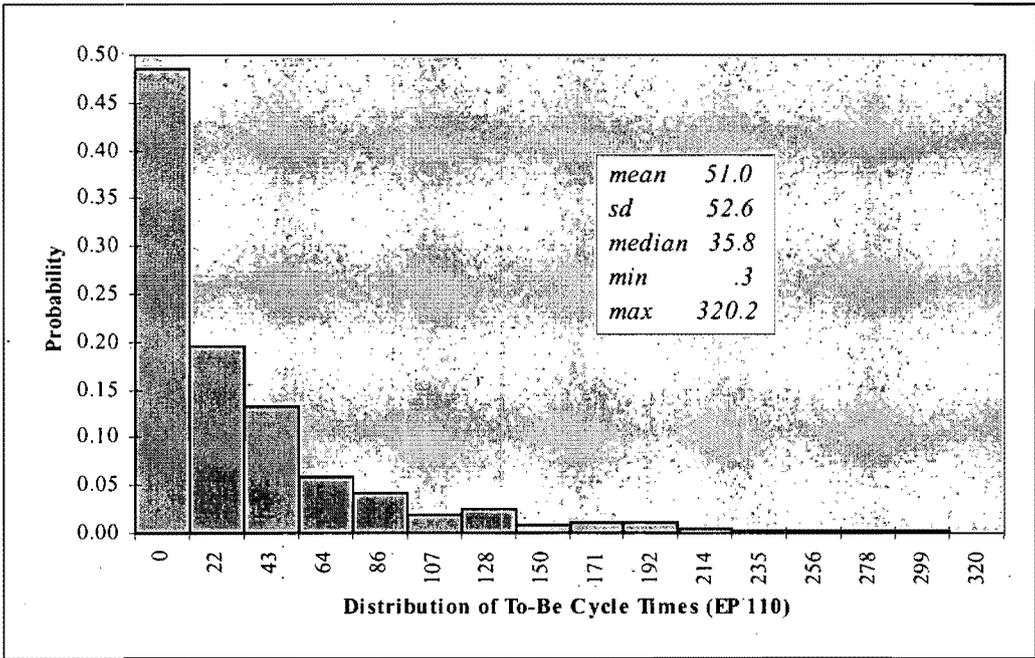


Figure F-4: Distribution of Cycle Times for EP 110 (To-Be).

F.3 Distribution of Cycle Times for EP 140

This section provides the As-Is and To-Be distributions for EPs 140, 680, 682, 683, and 684.

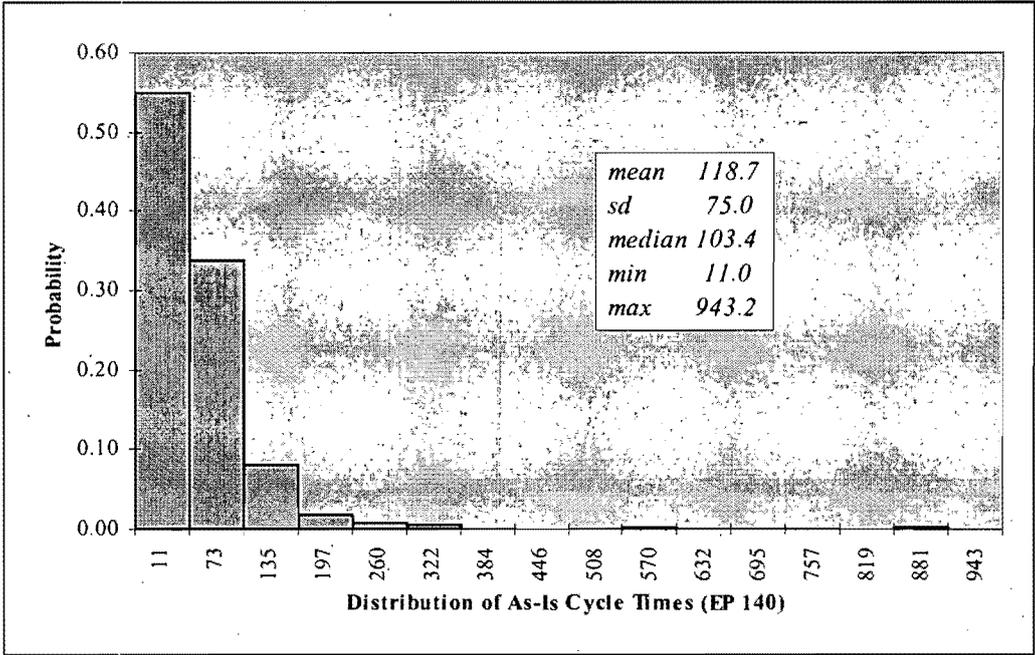


Figure F-5: Distribution of Cycle Times for EP 140 (As-Is).

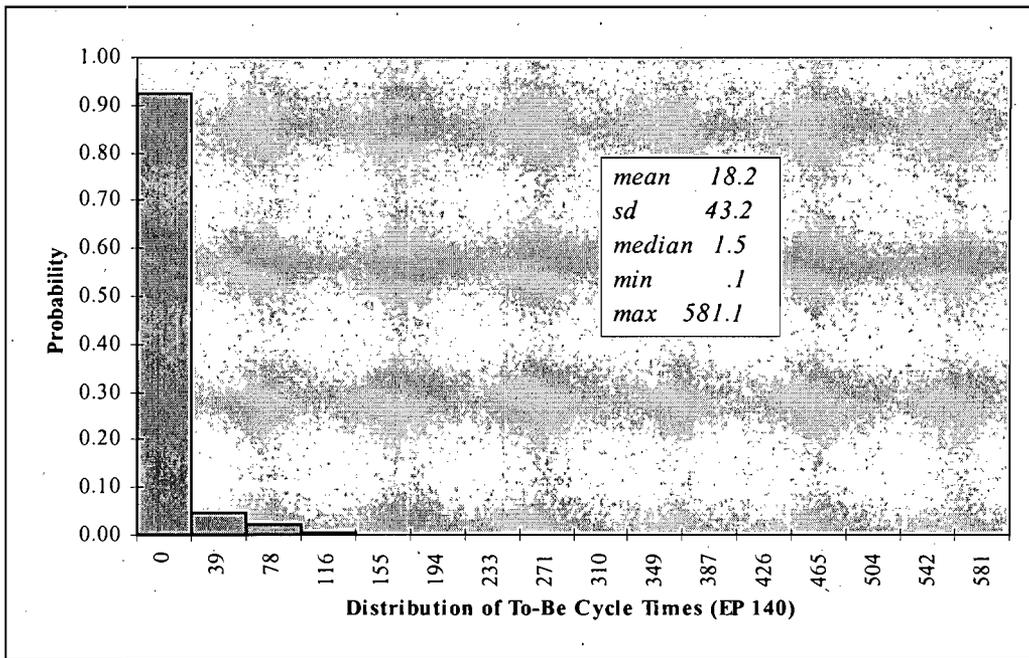


Figure F-6: Distribution of Cycle Times for EP 140 (To-Be).

F.4 Distribution of Cycle Times for EP 160

This section provides the As-Is and To-Be distributions for EPs 160, 165, 050, 500, and 510.

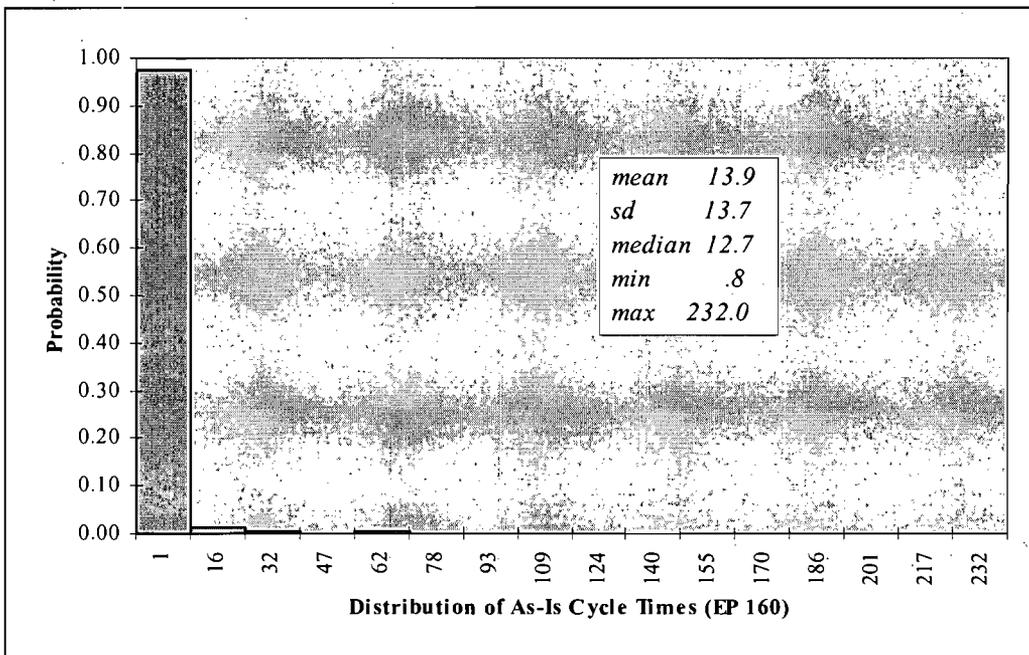


Figure F-7: Distribution of Cycle Times for EP 160 (As-Is).

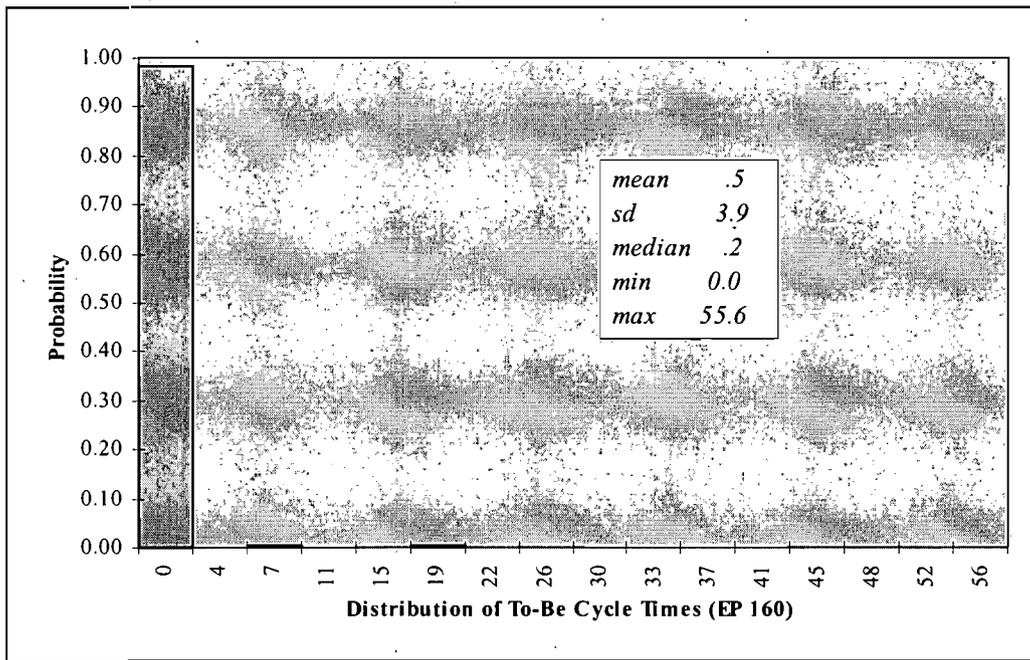


Figure F-8: Distribution of Cycle Times for EP 160 (To-Be).

F.5 Distribution of Cycle Times for EP 180

This section provides the As-Is and To-Be distributions for EP 180.

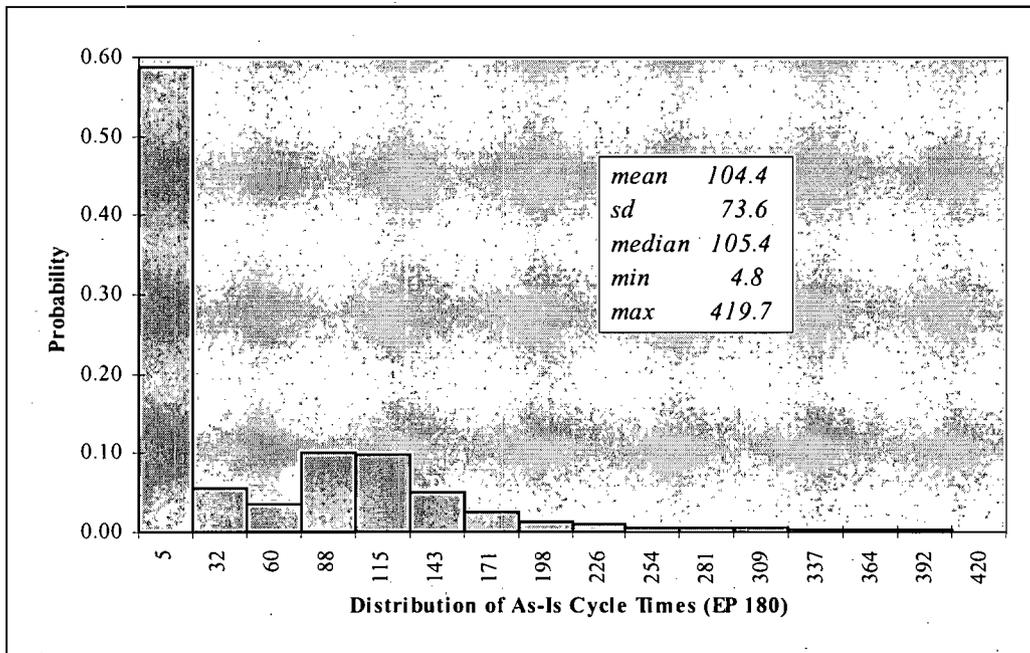


Figure F-9: Distribution of Cycle Times for EP 180 (As-Is).

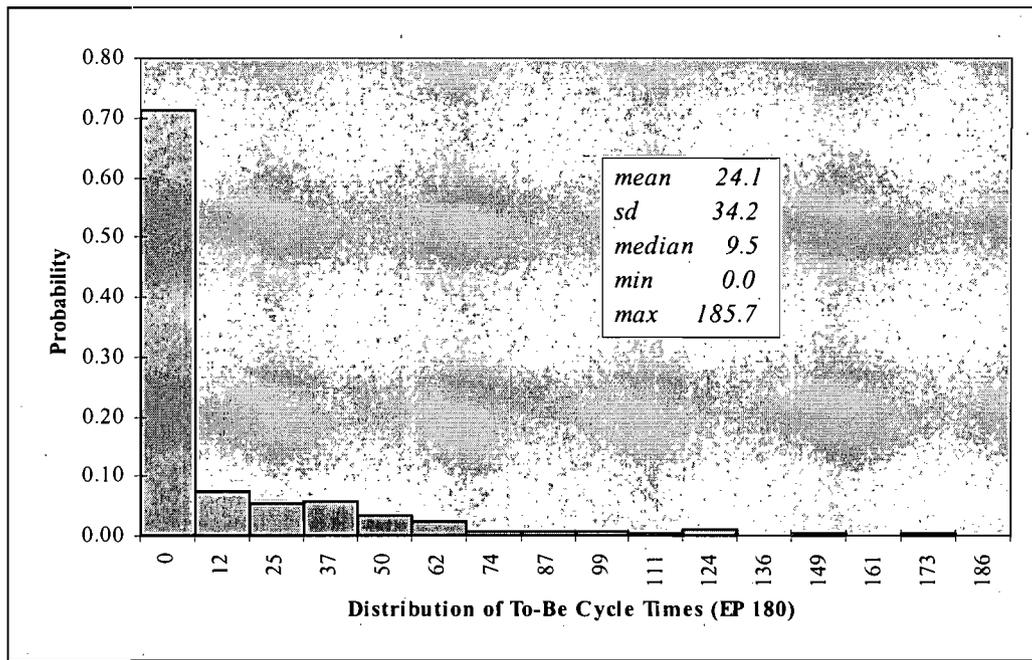


Figure F-10: Distribution of Cycle Times for EP 180 (To-Be).

F.6 Distribution of Cycle Times for EP 020

This section provides the As-Is and To-Be distributions for EP 020.

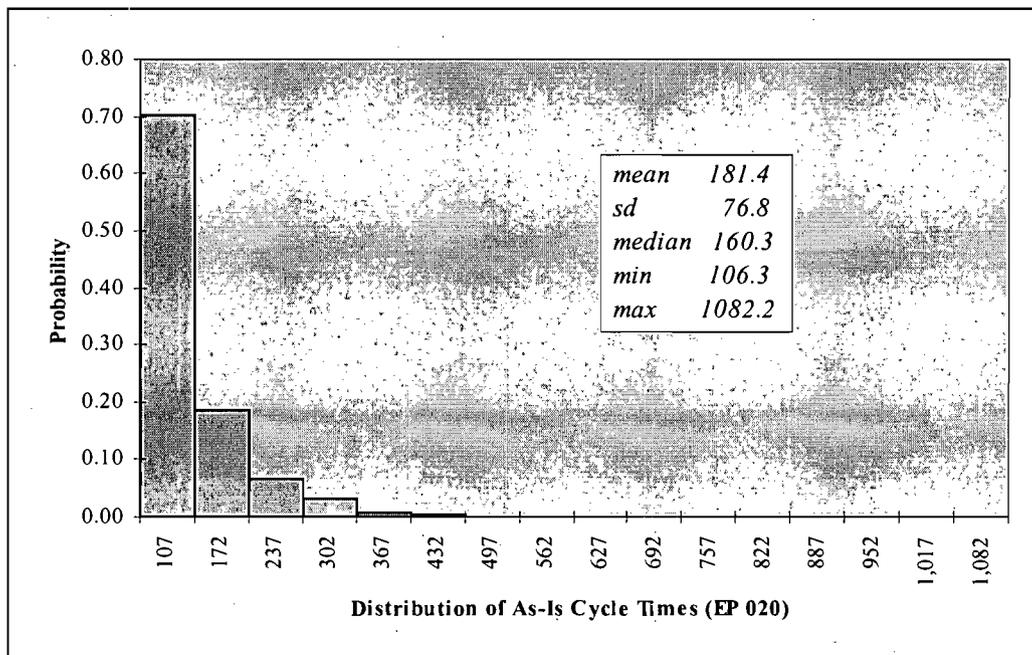


Figure F-11: Distribution of Cycle Times for EP 020 (As-Is).

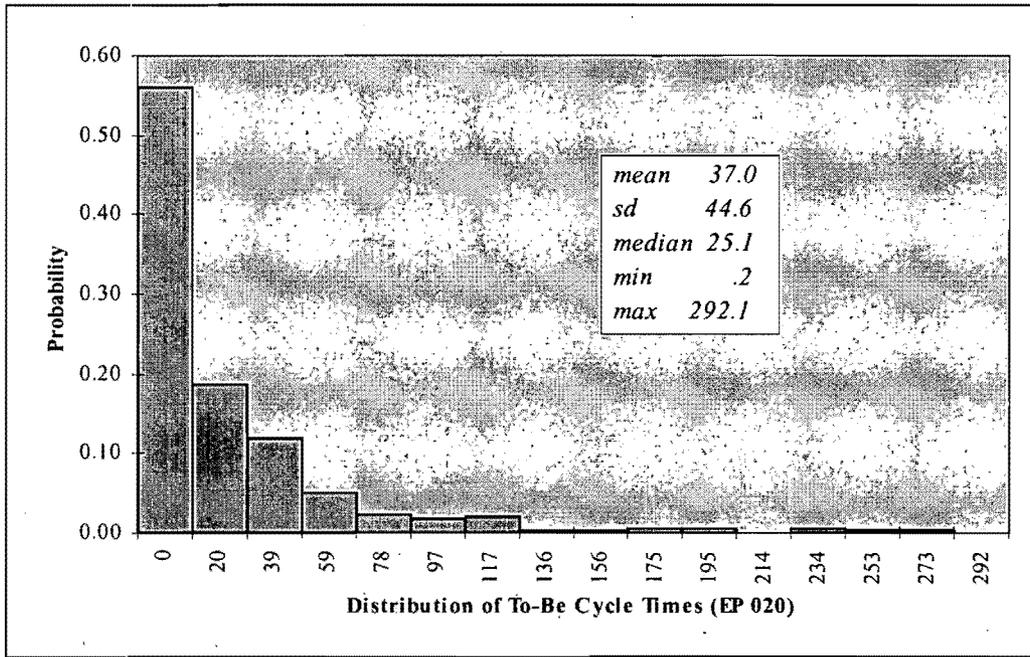


Figure F-12: Distribution of Cycle Times for EP 020 (To-Be).

F.7 Distribution of Cycle Times for EP 120

This section provides the As-Is and To-Be distributions for EP 120.

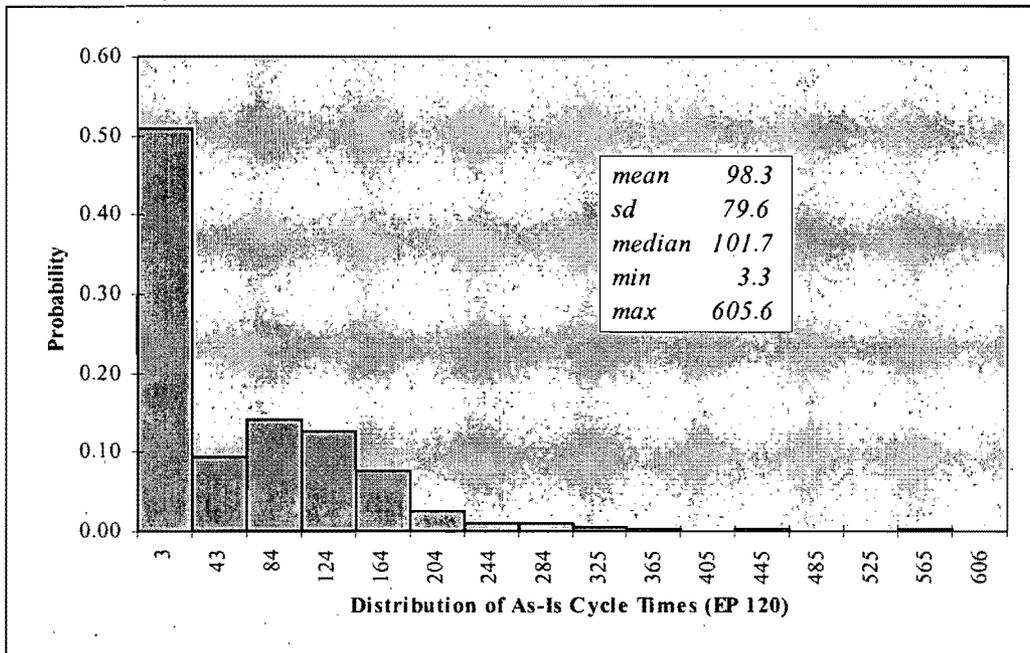


Figure F-13: Distribution of Cycle Times for EP 120 (As-Is).

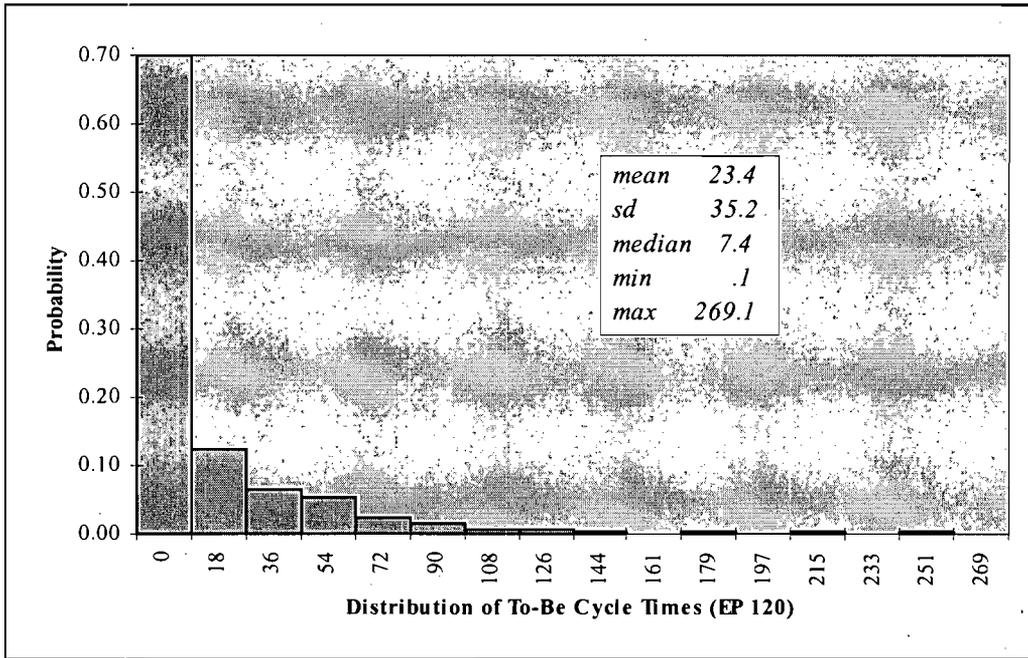


Figure F-14: Distribution of Cycle Times for EP 120 (To-Be).

F.8 Distribution of Cycle Times for Income EPs

This section provides the As-Is distribution for EPs 150, 154, 155, 173, 190, 690, 692, 693, and 694 and separate To-Be distributions for EPs 150, 154, 155, 173, 690, 692, 693, and 694 and 190.

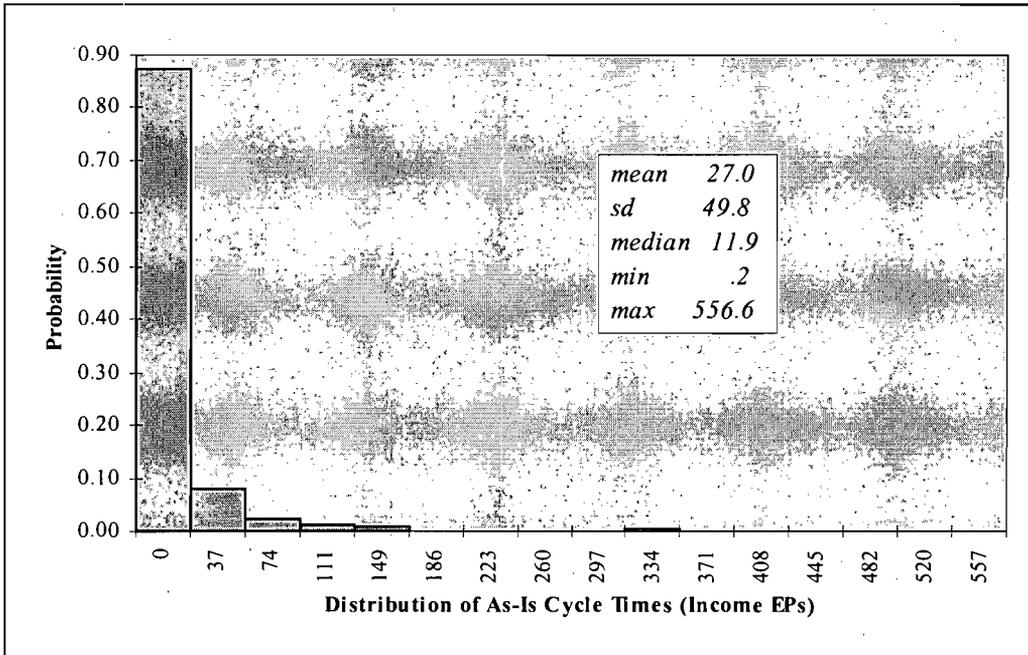


Figure F-15: Distribution of Cycle Times for Income EPs (As-Is).

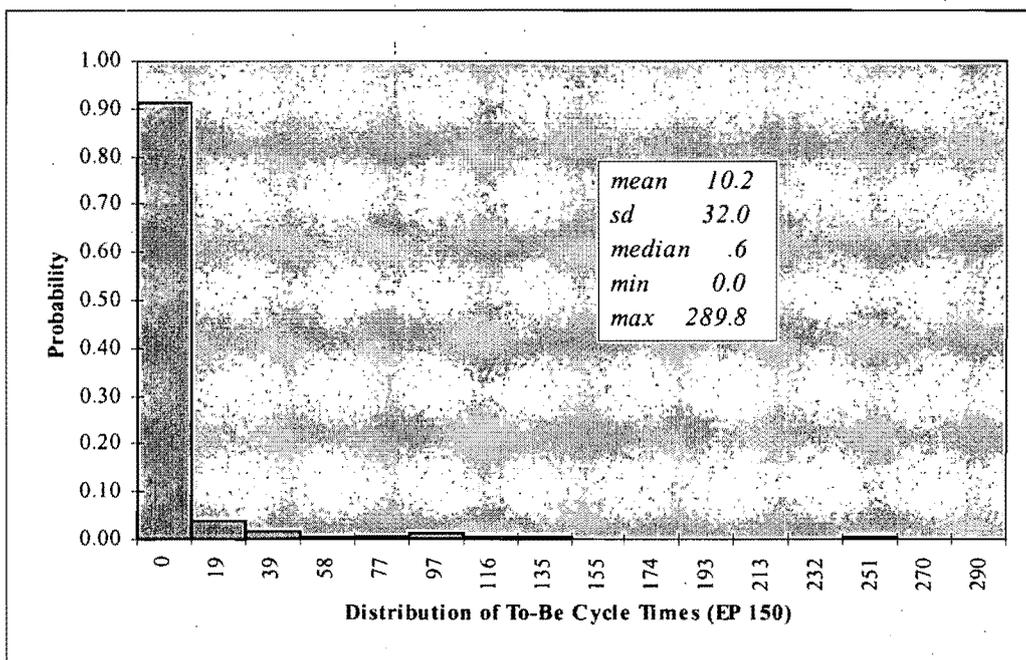


Figure F-16: Distribution of Cycle Times for Income EPs—no EP 190 (To-Be).

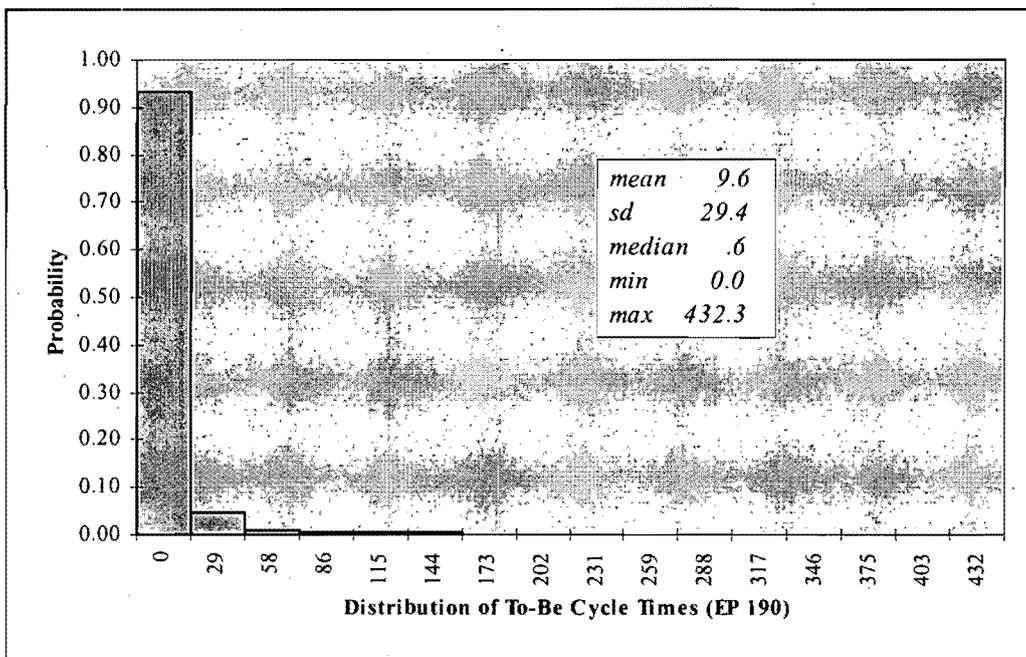


Figure F-17: Distribution of Cycle Times for EP 190 (To-Be).

F.9 Distribution of Cycle Times for Dependency/Eligibility Determination EPs

This section provides the As-Is and To-Be distributions for EPs 130, 133, 135, 290, and 293.

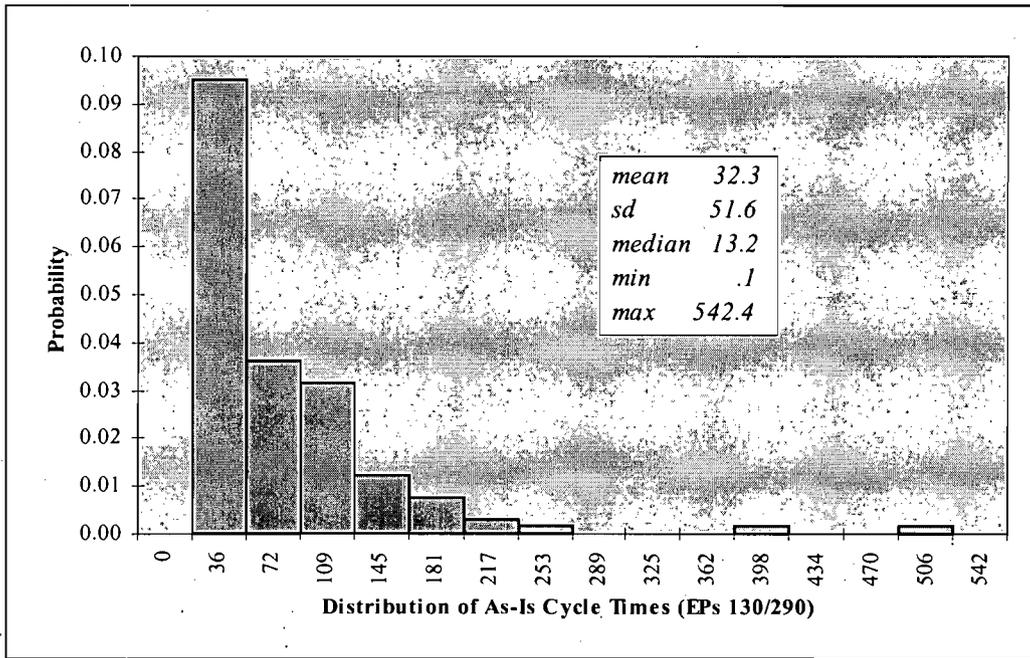


Figure F-18: Distribution of Cycle Times for EPs 130/290 (As-Is).

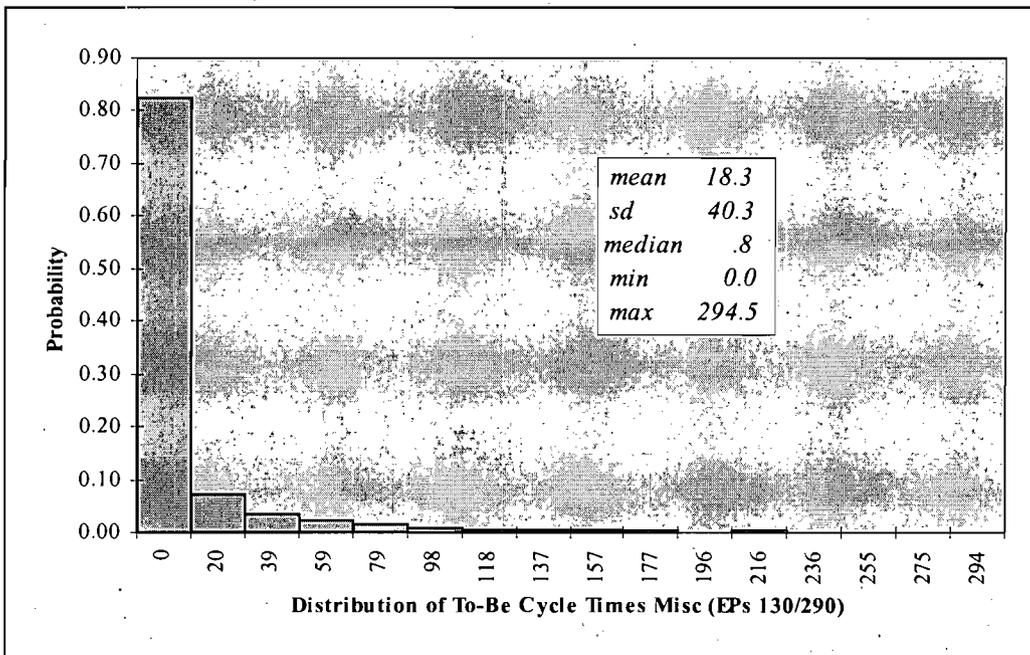


Figure F-19: Distribution of Cycle Times for EPs 130/290 (To-Be).

F.10 Distribution of Cycle Times for Program Integrity EPs

This section provides the As-Is distribution for EPs 310, 314, 320, and 600 and separate To-Be distributions for EPs 310, 314, and 320 and 600.

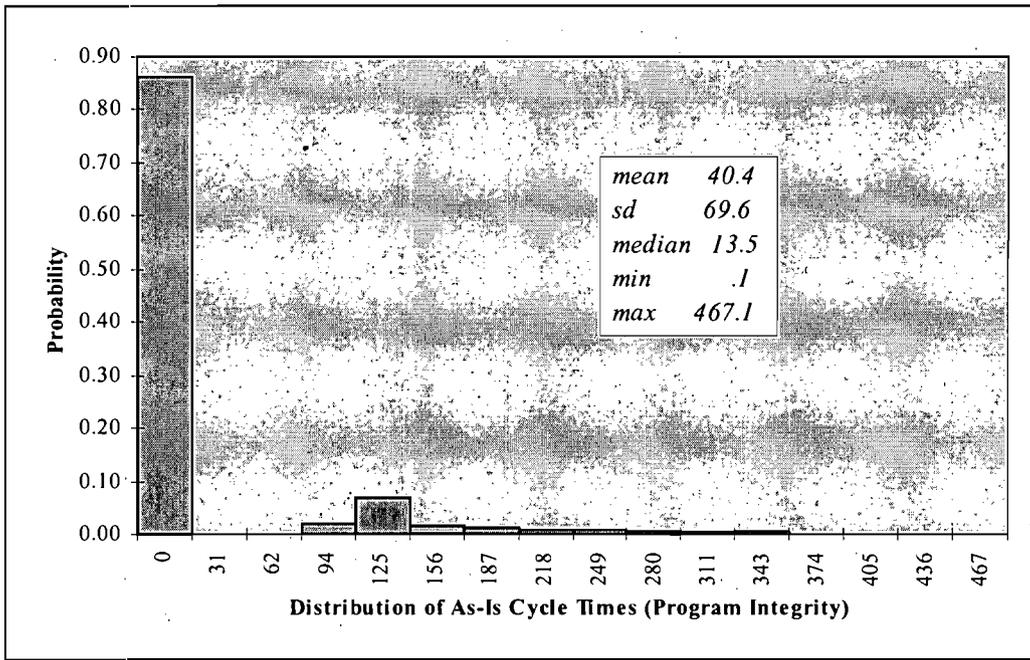


Figure F-20: Distribution of Cycle Times for Program Integrity EPs (As-Is).

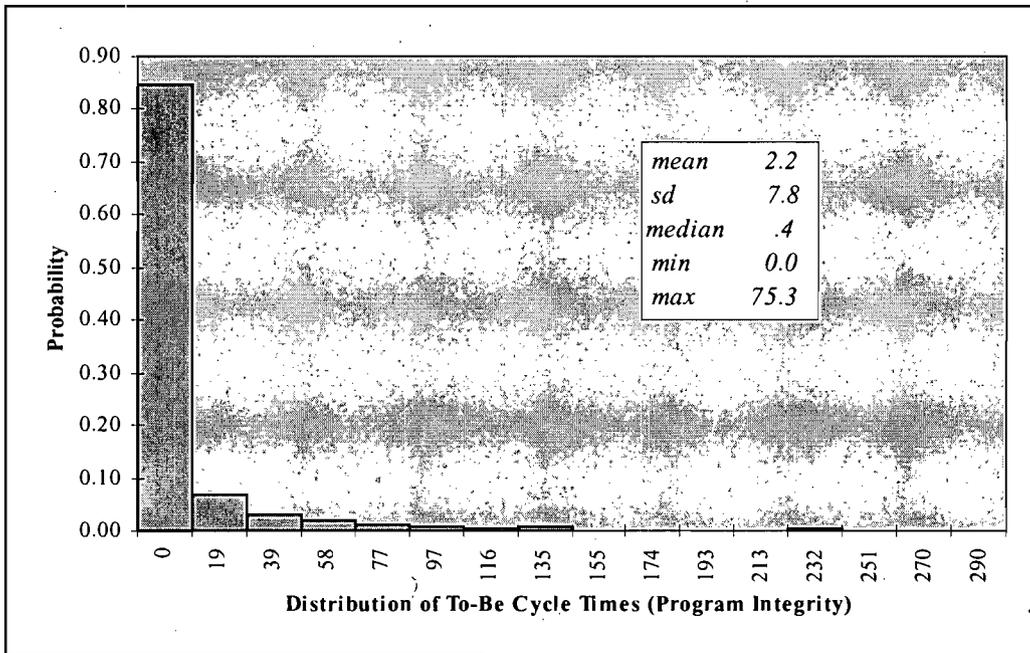


Figure F-21: Distribution of Cycle Times for Program Integrity EPs (To-Be).

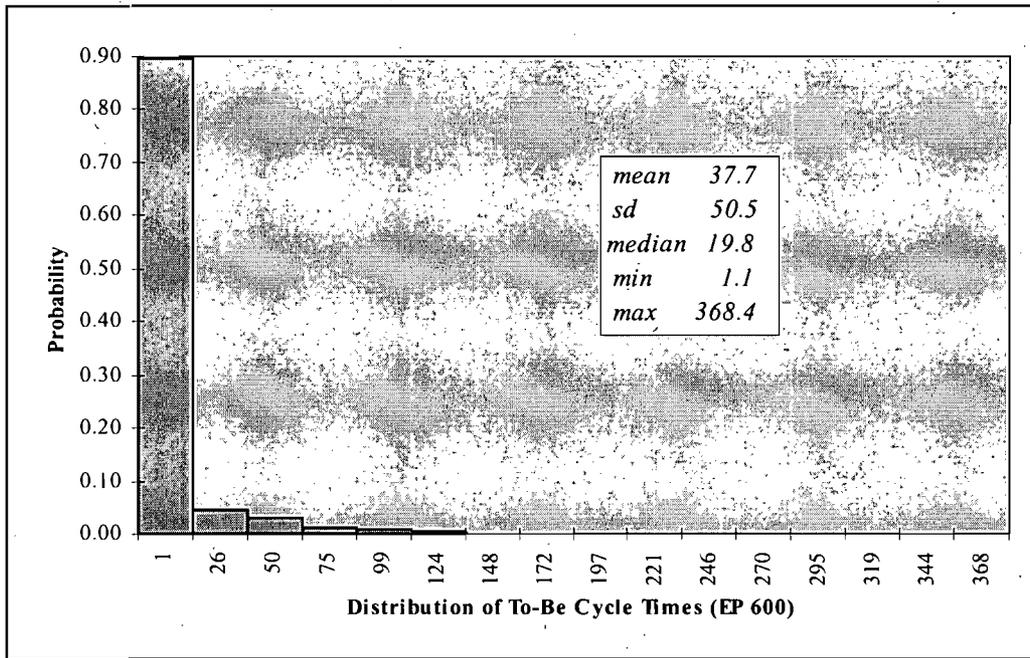


Figure F-22: Distribution of Cycle Times for EP 600 (To-Be).

F.11 Distribution of Cycle Times for Appeal EPs

This section provides the As-Is distribution for EPs 070, 172, and 174 and the To-Be distribution for the new post-decision review process.

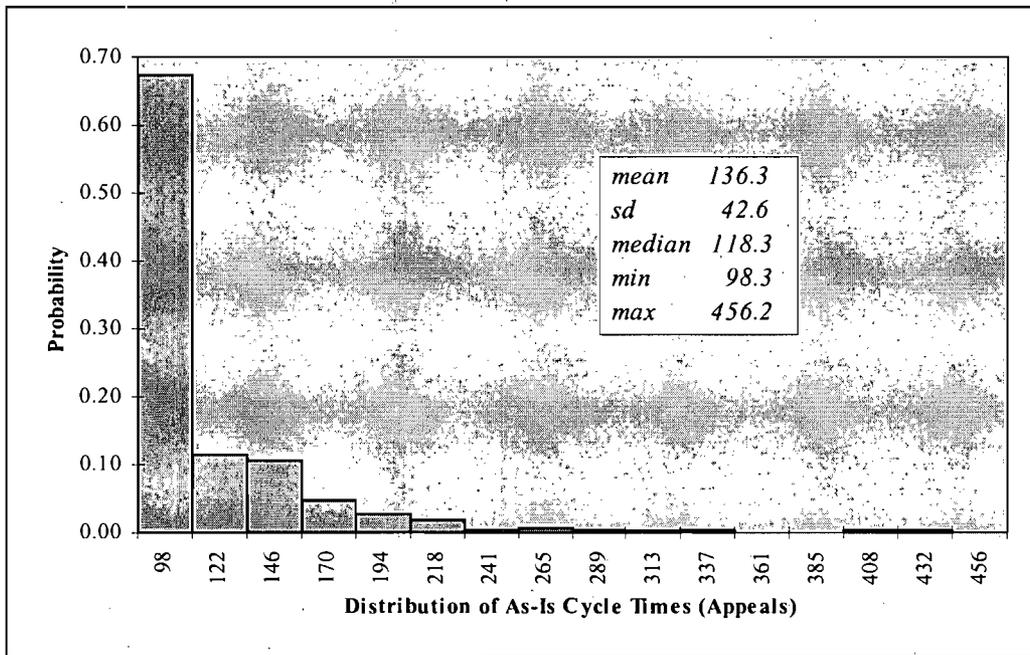


Figure F-23: Distribution of Cycle Times for Appeals (As-Is).

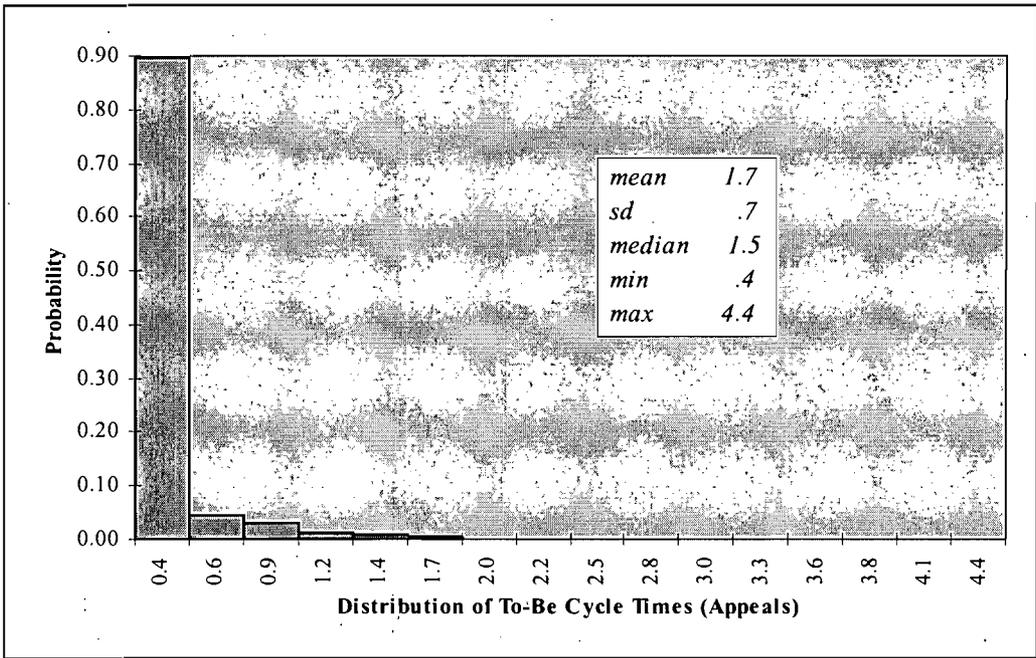


Figure F-24: Distribution of Cycle Times for Appeals (To-Be).

F.12 Distribution of Cycle Times for Chapter 31 EPs

This section provides the As-Is and To-Be distributions for EPs 095 and 295.

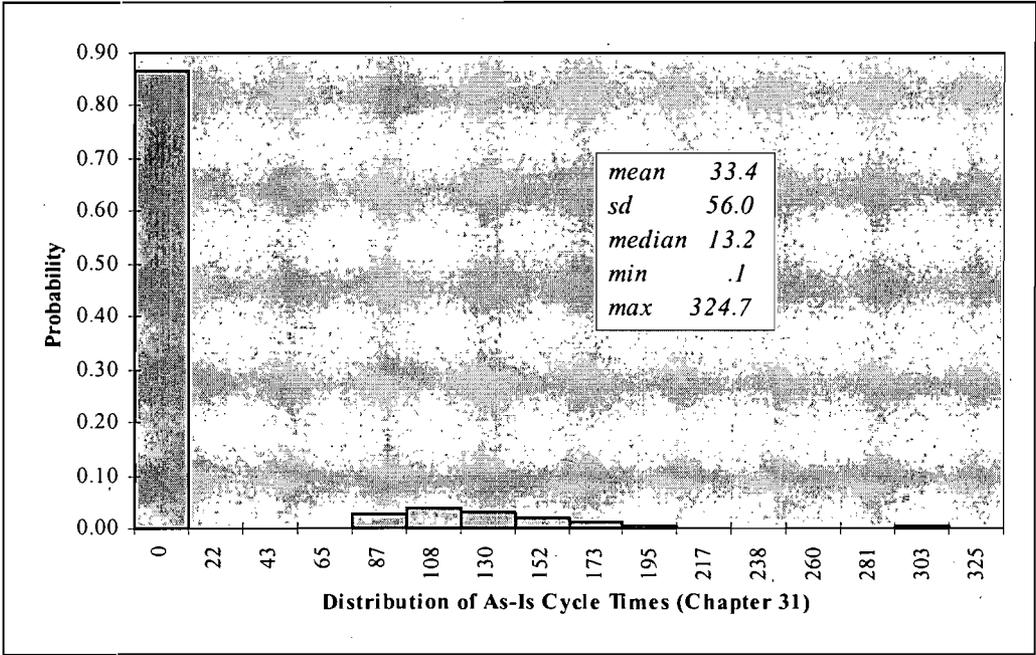


Figure F-25: Distribution of Cycle Times for Chapter 31 EPs (As-Is).

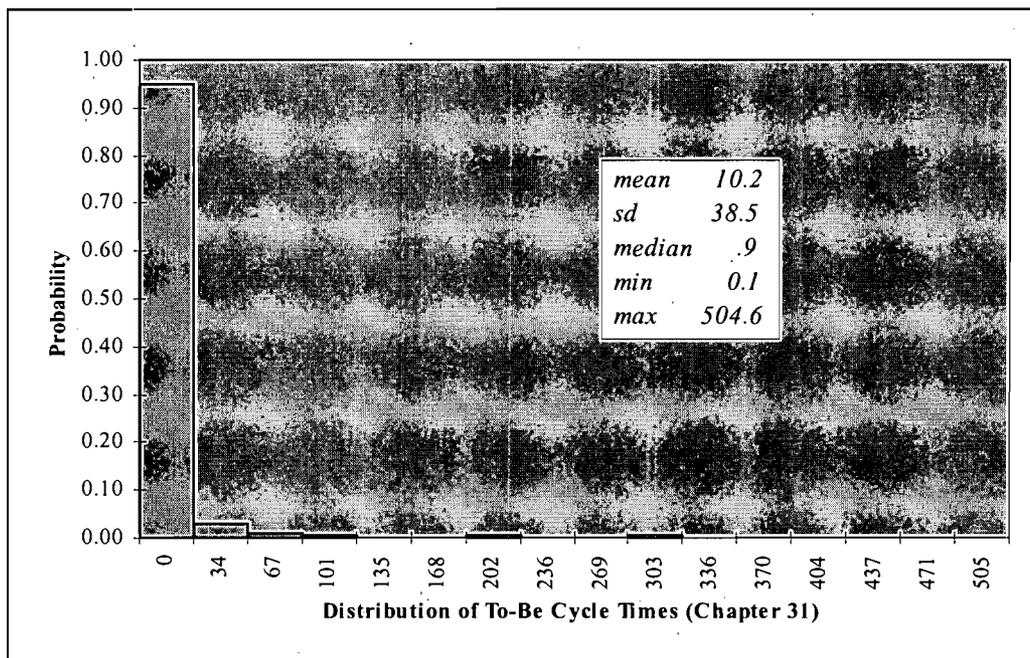


Figure F-26: Distribution of Cycle Times for Chapter 31 EPs (To-Be).

APPENDIX G. DESCRIPTION OF INITIATIVES

Section 4 lists the initiatives that directly support the vision. During the course of the BPR effort, the team identified other initiatives that, while not integral to the vision, should be implemented to enhance efficiency and service to the veteran.

G.1 Near Term Initiatives

There are several specific actions that VBA should take in the near future (by FY 1998) to simplify individual processes and improve the quality of service. These items are primarily within the control of VBA.

- **Bar coding.** Add bar codes to VA forms and labels to correspondence. This would enable VBA staff to take advantage of the equipment that they will have as part of COVERS to sort individual items as well as file folders. It would reduce the time and effort required to file and retrieve hard copy materials, speeding processing and lessening program clerks' workload..
- **Determination of Individual Unemployability.** After the initial determination of unemployability, VBA currently requires disabled veterans to submit annual employment questionnaires (VA Form 21-4140) for the next 19 years or until age 64, whichever occurs first. This initiative would use matching of SSA data to identify the earned income and IVM reports to identify the total income of such veterans. This would eliminate the need for staff review of unemployability claims and rely on SSA and IVM data to detect ineligible veterans. Reduced administrative costs (estimated at 3.5 FTE annually) would offset any overpayments during the period before such data become available. Unlike the above reforms, this initiative would not require legislative or regulatory changes.
- **Hospital summaries through DHCP.** Establish an on-line connection between VBA and VHA facilities. It would produce a large improvement in timeliness, especially for compensation claims. It would require a \$30,000 investment in equipment but would save \$860,000 per year in dedicated telephone lines to VHA facilities.
- **Notification of processing delay.** Send notices to veterans whose claims are delayed beyond the estimated processing time. CPS Case Manager would enable identification of delayed claims and generation of letters stating the reason and new estimate of processing completion.
- **Post Office boxes to presort mail.** Lease additional post office boxes and request that veterans use different boxes for different forms and other correspondence. This would simplify mail sorting, reducing the workload of program clerks in VARO mailrooms and speeding initial processing.
- **Process Burial claims without folders.** Eliminate separate burial claim folders for veterans with VBA folders. This would end the practice of establishing a separate First Notice of Death (FNOD) folder where a veteran has an existing compensation folder. VBA staff would enter data on burial reimbursement analysis and payment in the existing

record. This would reduce filing requirements and consolidate VBA data on a veteran into a single source.

- ***Simplify original claim application.*** Substitute VA Form 21-526SF for the current VAFs 21-526 and 21-4142. One-page instructions, application form, and authorization to release information, which VA is currently testing, would replace the current longer, more complex, and difficult to follow forms. This would ease the veteran's reporting burden and reduce VBA's workload by reducing the number of inaccurate applications.
- ***Unemployability due to Mental Disorders.*** Count veterans who are 100% disabled due to mental disorders as eligible for unemployability benefits. VBA would rely on SSA and IVM data to detect any employed veterans who receive unemployability benefits. The initiative would reduce workload in processing, saving FTE.

G.2 Long Term Initiatives

For the most part, the following initiatives will require either legislative or regulatory action.

- ***Accrued Benefits.*** Establish simplified requirements and guidelines on VBA payments that are pending to veterans at the time of death. This would supersede Court decisions that greatly expand the development required to adjudicate claims for such payments. It would reduce VBA workload and improve the timeliness with which deceased veterans' survivors receive appropriate payments.
- ***Benefit Apportionments.*** Simplify the allocation of payments of benefits between veterans and non-cohabiting dependents (e.g., estranged spouses with dependent children). This would apply a few standard rules to such cases based on evidence of status from IRS, state courts and agencies, and other sources. It would reduce the time and work involved in the apportionment process and reduce the number of resulting overpayments.
- ***Clothing Allowance with Prosthesis.*** Eliminate the need for disabled veterans (other than military retirees) who require prostheses to reapply for clothing allowances. This would establish a clothing allowance for each veteran as part of the process of obtaining a prosthesis. VHA would pay the allowance annually while the veteran required the prosthesis. It would ease the burden on the veteran and reduce the processing workload.
- ***Diagnosis of Mental Disorders.*** Use the current American Psychiatric Association (APA) *Diagnostic and Statistical Manual of Mental Disorders* (DSM) to rate psychiatric disability. This would eliminate the requirement to amend Federal regulations (currently a two-year process) whenever the APA revises the manual to permit its use as the basis for such ratings. It would facilitate consistent evaluations of psychiatric disorders by VBA and VHA (which the regulation does not affect).
- ***First-party information.*** Expand the current definition of "first-party" (i.e., primary source) information to include information that a veteran states during a telephone

interview (as well as on paper) or that VA personnel (e.g., at a VAMC) provide from VA official records. This would reduce the veteran's reporting burden, eliminate the need for duplicative data gathering, and improve timeliness. VSRs would enter data from veterans into IT systems. IT systems might automatically transfer relevant data from VAMC and other VA sources into a veteran's electronic claim folder.

- ***Increase Estate Limit.*** Pay benefits to hospitalized veterans with estates up to \$10,000. This would change the maximum estate value (now \$1,500) to reflect increases in the value of real and other property and the cost of living, while retaining the benefit's focus on needy veterans and their dependents.
- ***Payments to Guardians.*** Assign benefits due to incompetent veterans to their court-appointed fiduciary without VA confirmation. This would accept a state court's appointment of a guardian for the veteran without the need for claim development by VA and state field examiners. It would eliminate the processing of many EP 120s and save processing time and workload.
- ***Single Payment Death Benefit.*** Pay a single death benefit to a veteran's estate upon receipt of a First Notice of Death (FNOD) about the veteran. This would replace the current eligibility requirement and different rates of payment depending on cause of death and burial site with one level of benefit. It would enable IT background processing of most burial claims, reducing workload and processing time.
- ***Medical exam reimbursement.*** 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). Nearly 25% of requested VA medical exams are currently incomplete or inadequate for rating purposes. This initiative would encourage VAMC and private health care practitioners to perform complete exams and laboratory tests before submitting results to VBA for evaluation. It would reduce workload and improve timeliness by eliminating the need for reexaminations and reduce examination-related costs.

APPENDIX H. GLOSSARY**H.1 Definition of End Product Codes**

110	Initial Disability Compensation—1 to 7 issues
010	Initial Disability Compensation—8 or more issues
180	Initial Disability Pension
140	Initial Death Compensation and Dependency and Indemnity Compensation (DIC)
190	Initial Death Pension
160	Burial, Plot, Headstone, Marker, and/or Engraving
165	Accrued Benefits (based on either reimbursement or relationship)
120	Reopened Pension
020	Reopened Compensation
130	Disability and Death Dependency Determination
135	Hospitalization Adjustments
150	Income, Estate and Elections Issues
154	Income Verification Match—Pension and Parents' DIC
155	Eligibility Verification Review (EVR) Referrals
050	Eligibility Verification Review Processing
310	Routine Future Exams
314	Income Verification Match—Service Connected Unemployability
320	Reviews Due to Hospitalization
172	Issuance of a Statement of Case
070	Appeal Processing
173	Hearings Conducted by Other Than a Hearing Officer
174	Hearings Conducted by a Hearing Officer
290	Eligibility Determination—Other
293	Waiver and Compromise Decisions
500	Special Controlled Correspondence
510	Freedom of Information Act and Privacy Act Requests
600	Predetermined Notice Cases
133	Restored Entitlement Program for Survivors (St. Louis)
680	Special Review Project Requiring Rating Activity Actions
682	Special Review Project Requiring Rating Activity Actions
683	Special Review Project Requiring Rating Activity Actions
684	Special Review Project Requiring Rating Activity Actions
690	Special Review Project Not Requiring Rating Activity Actions
692	Special Review Project Not Requiring Rating Activity Actions
693	Special Review Project Not Requiring Rating Activity Actions
694	Special Review Project Not Requiring Rating Activity Actions
330	Routine Reviews
400	Correspondence and Information Actions (Answered Based on Existing Records)
930	Review/Referral
960	Administrative Error
295	Chapter 31 without Rating
095	Chapter 31 with Rating

H.2 List of Abbreviations

AMIE	Automated Medical Information Exchange
AO	Adjudication Officer
ATS	Appeals Tracking System
BDN	Benefits Delivery Network
BIRLS	Benefits Information Record Location System
BPR	Business Process Reengineering
BVA	Board of Veterans' Appeals
C&P	Compensation and Pension
CO	Central Office
COIN	Computer Output Information
COVERS	Control of Veterans Records System
Court	Court of Veterans Appeals
CPS	Claims Processing System
DCI	Data Collection Instrument
DEERS	Defense Enrollment Eligibility Reporting System
DHCP	Decentralized Hospital Computer Program
DIC	Dependency and Indemnity Compensation
DMDC	Defense Manpower Data Center
DoD	Department of Defense
DOOR	Distribution of Operational Resources
DTU	Data Terminal Unit
ELITE [®]	Enterprise Life Cycle Integration and Technology Engineering
EP	End Product
EPC	End Product Code
EVR	Eligibility Verification Report
FNOD	First Notice of Death
FTE	Full Time Equivalent
FY	Fiscal Year
GAO	General Accounting Office
HOLAR	Hearing Officer Letters and Reports
HR	Human Resources
IRM	Information Resources Management
IRS	Internal Revenue Service
IT	Information Technology
IVM	Income Verification Match
MVR	Master Veteran Record
NOD	Notice of Disagreement
O&M	Operation and Maintenance
OMB	Office of Management and Budget
PDR	Post-Decision Review
PIF	Pending Issue File
POA	Power of Attorney
RBA	Rating Board Automation
RO	Regional Office
SMR	Service Medical Record

SOC	Statement of the Case
SRA	Systems Research and Applications, International
SSA	Social Security Administration
SSOC	Supplemental Statement of Case
STO	System Terminal Operator
USAA	United States Automobile Association
VA	Department of Veterans Affairs
VACOLS	Veterans Appeals Control and Locator System
VAI	Veterans Assistance Inquiry
VARO	Veterans Affairs Regional Office
VBA	Veterans Benefits Administration
VBC	Veterans Benefits Counselor
VCE	Veterans Claims Examiner
VETSNET	Veterans Service Network
VHA	Veterans Health Administration
VR&C	Vocational Rehabilitation and Counseling
VSD	Veteran Services Division
VSO	Veteran Service Organization
VSR	Veteran Service Representative
WIPP	Work In Progress Process

H.3 Definition of Terms

Accuracy Rate	The number of cases for which no errors were found, divided by the number of cases examined (GPRA/BPR definition).
Adjudication	The division in a Department of Veterans Affairs Regional Office or Medical and Regional Office Center that processes compensation and pension claims.
Adjudication Officer	A supervisory veterans claims examiner responsible for the overall operations of the Adjudication Division.
Adjudicator	Another name for Veterans Claims Examiner.
Administrative Error	An erroneous award based on an error of judgment resulting in overpaid money. A determination that an administrative error exists is prepared only by designated Adjudication personnel. A positive decision for the beneficiary avoids the creation of a debt.
AMIE	A subsystem of DHCP at each medical facility to allow for electronic transfer of data between the regional office and medical centers servicing the same area.
AMIE Clerk	A claims clerk specialized in doing data entry to, and extracting data from AMIE.
Appeal	A case that is in appellate review.
Appellant	A veteran or dependent that has initiated the appellate review process.
Appellate review	The process that begins when a beneficiary submits a notice of disagreement to a VA decisions and ends either when the Board of Veterans' Appeals allows or denies the benefits sought, the office of original jurisdiction grants the appeal, or the appeal is withdrawn by the claimant.
Application	Same definition as claim.
Appeals Tracking System (ATS)	A subsystem of the BDN that tracks appeals from receipt of notice of disagreement through final disposition by the regional office or BVA.

Authorization activity	The activity in the Adjudication Division comprised of claims clerks, development clerks, adjudicators, and senior adjudicators that develop for evidence, prepare award prints and notifications, authorize awards/disallowances for compensation and pension claims.
Authorizer	A senior veterans claims examiner in the Adjudication Division designated as the additional signatory on an award of disallowance print.
Award Authorization	The task of reviewing an award or disallowance print for correctness. Actions include 1) review of claim and evidence received, 2) review of rating decision, and/or administrative, 3) review of notification letter, or 4) additional signature review mandated by rules. All authorization actions require a second signature; payments over \$10,000 or with a retroactive effective date of more than one year require a third signature
Award Preparation	The task of entering data onto the computer screens such as service, income, evaluations to generate payment with a notification letter or a notification of disallowance of benefits. Actions included are 1) the generation of an award print, 2) generation of a disallowance print, and 3) generation of a notification letter.
Back to files	The act of returning the claims folder to the file activity for storage.
Beneficiary	An individual who receives a VA benefit.
Benefits Delivery Network (BDN)	The computer processing system that is the primary tool used in the adjudication of claims. This automated system also facilitates workflow control. All claims are controlled using this system until final action on the claim is taken. The BDN also contains a master record of beneficiaries.
Benefits Process Re-engineering (BPR)	The analysis and redesign of business processes. It is a structured approach that relies on performance measurement, both to determine which processes should be re-engineered and to determine if proposed changes will have a productive impact.

Beneficiary Identification and Records Locator Subsystem (BIRLS)	An index of veteran and beneficiary records containing personal, military service and file location information. A subsystem of the BDN.
Board of Veterans' Appeals (BVA)	The functional area of the VA that makes final decisions on appeals under the authority of section 511 of Title 38 U.S.C.
Business process	A series of logically related tasks undertaken to achieve a specified outcome, typically either a product or a service.
Claim (or Application)	A communication (in writing) requesting a determination of entitlement or evidencing a belief in entitlement to a benefit.
Claim number	The records of each claimant or beneficiary is identified by one number, called a claim number. It is generally the veteran's Social Security number (SSN). However, the claim number may also be an eight-digit number. Also called file number.
Claims Clerk	An employee in the Adjudication Division specialized to request basic evidence for compensation and pension claims. Synonymous with Development Clerk.
Claims folder	A red-rope, three flap folder with fasteners that houses all compensation and pension records pertaining to a veteran.
Claims process	The C&P business process that begins when a claim or application is received in the VA.
Compensation and Pension Service	The functional area of the Veterans Benefits Administration that administers the compensation and pension programs.
Compensation Program	The program that provides benefits in recognition of the potential loss of earning capacity cause by disability or disabilities incurred in or aggravated during active military service; also provides benefits to surviving spouses, dependent children and or dependent parents in recognition of the economic loss caused by the veteran's death during active military service or, subsequent to discharge from military service, as a result of a service-connected disability.

Court of Veterans Appeals	A national court created by Congress in 1988, with exclusive jurisdiction to review BVA decisions.
Date of claim	The date a claim is received in the Department of Veterans Affairs.
Department of Veterans Affairs	The 14th department in the President's cabinet, comprised of several functional areas: Office of the Secretary, Office of the General Counsel, Veterans Benefits Administration, Veterans Health Administration, National Cemetery System, Board of Veterans' Appeals, Office of the Inspector General, National Service Organization Liaisons, Board of Contract Appeals, and Small and Disadvantaged Business Utilization.
Deferred rating	Deferred rating decisions are prepared by rating specialists, on a specific VA form, to request additional development because the claim was not developed properly or because the evidence received shows that more evidence must be requested before a final decision can be made.
Develop claim	The task of requesting the evidence to support a claim.
Development Clerk	See definition for claims clerk.
Direct Labor	Hours spent in activities usually associated with the output of established end products or services.
Due Process	The policy that every claimant is entitled to a written notice of the decisions made on his or her claim, the right to a hearing, and the right of representation. Beneficiaries are also entitled to a predetermination notice of any proposed adverse action affecting the receipt or amount of benefits.
End product (EP)	The final results of the efforts of one or multiple employees in accomplishing the activities inherent to an operation.
End product (classification) code (EPC)	The three digit numerical designation used to identify a discrete type of claim. Currently, there are 36 end product codes.

GLOSSARY

Error	For the accuracy rate, only clear and unmistakable and notification errors are considered.
Establish Claim	The task of placing a claim under computer (BDN) control.
Evidence	Documentary statements on which a judgment or conclusion is based.
Examination request	A request for a VA examination is initiated by VBA to a VA Medical Center.
Examination worksheet	An AMIE generated form used by rating specialists to request a VA examination, periods of hospitalization for observation and examination, medical opinions, and social surveys.
File number	See definition for claim number.
Files activity	The activity in the Adjudication Division responsible for associating mail with claims folders, delivering claims folders to the employees, and storing claims folders.
Focus the issue	The task of pinpointing what the veteran or dependent is claiming or inquiring about.
Form 9	BVA form that must be completed by the appellant in order to continue with appellate review.
Hearing Officer	A veterans claims examiner in the Adjudication, with decision-making authority over the issues to be discussed in a Regional Office hearing, who conducts the hearing. However, an HO can overturn a prior decision only if new evidence is received or the prior decision was in error. Generally, the Hearing Officer is an employee with vast rating board experience.
Hearing Officer Letters and Report System (HOLAR)	A separate computer system used by the Hearing Officers to docket hearing requests, schedule hearings, and generate letters to the claimant. It produces reports showing the number of hearing requests, development requests, and dispositions.
Interview (Current)	The task of eliciting general information from a claimant regarding his/her claim for benefits.

Interview (Vision)	The task of orienting the claimant, focusing the specific issues claimed, and requesting the evidence needed to support the claim.
Issue	Subcomponents of a claim for which a veteran or dependent is seeking entitlement. A claim may consist of one or more issues.
Mail	All claims, applications, evidence, and other correspondence received in the Regional Office mail room.
Master Record	BDN records containing award payment data.
Notice of Disagreement	A written communication from a claimant or beneficiary expressing disagreement with a VA decision.
Office of Original Jurisdiction	The claims folder of a living veteran is under the jurisdiction of the regional office assigned the geographical area where the veteran maintains a permanent address.
Pending Issue	A working file that contains data for a pending claim and maintains a control until an award or disallowance is processed. The identifier is an end product code.
Overpayment	Monetary benefits overpaid to a beneficiary because the beneficiary has no entitlement to the benefit.
Pension program	The program that provides benefits for wartime veterans with permanent and total disability as defined by 38 CFR Part 4. The veteran's age, work history and level of education are considered.
Post Decision Review (PDR) (Vision)	The process that starts when a veteran or dependent expresses dissatisfaction with a VA decision. The VSR is the first point of contact. The PDRO sees the case only if the veteran continues to express dissatisfaction with a VA decision.
Post Decision Review Officer (PDRO) (Vision)	This employee will be highly skilled, well-trained, and knowledgeable of VA C&P benefits. He/she will conduct a conference with the veteran, will have the authority to issue a revised favorable decision if the evidence so warrants, and will provide assistance if continued dissatisfaction is expressed.

Private medical records	Records from private physicians or hospitals showing treatment for disabilities.
Program Clerk	An employee in the Adjudication Division specialized to place claims under end product control in the BDN.
Quality Assurance	The quality measurement program used by C&P Service to assess the quality of compensation and pension actions by the Adjudication Divisions.
Quality Indicator	The numeric expression that reflects that ratio of the review areas successfully completed to the total review areas applicable for the specific issue under review. An over success rate provides information for a more general view of a regional office's quality.
Quality	A degree or grade of excellence.
Rating	Refers to a decision prepared by a rating specialist or to a rating-related action.
Rating Activity	The activity in the Adjudication Division comprised mainly of rating specialists who prepare entitlement decisions for compensation and pension claims based on disability.
Rating Board	Common name referring to group of rating specialists in the Adjudication Division who prepare disability determinations for compensation and pension claims.
Rating Certified Veteran Service Representative (Vision)	This employee will take ownership of claims (from a VSR) that require ratings (disability determinations for compensation and pension cases) and notify the veteran of the decision.
Rating Decision	Name used to refer to a final rating decision. Final rating decisions are prepared by rating specialists who complete a specific form showing the evidence reviewed, the final decision, the rationale for the decision, and the necessary coding for input onto BDN screens.

Rating Schedule	The "Schedule for Rating Disabilities" (Code of Federal Regulations, Title 38, Part 4) is the primary guide in the evaluation of disability resulting from all types of diseases and injuries encountered as a result of or incident to military service. Fully descriptive and accurate medical examinations are required to properly apply the schedule. It is used routinely by VBA, BVA, and the Court of Veterans Appeals.
Rating Specialist	A veterans claims examiner specialized in preparing disability determinations for compensation and pension claims.
Remanded case	An appeal case that BVA has referred to the regional office for further development.
Screen claim	The task of reviewing and routing a claim. Actions include: checking of incoming evidence with no additional development is needed; reviewing a claim to determine completeness or priority for routing; reviewing a claim for quality or performance assessment by a supervisor.
Senior Veterans Claims Examiner	A veterans claims examiner assigned to be the second signatory on an award or disallowance print. This employee is considered to be technically proficient in program issues. Generally referred to as Senior VCE or Authorizer.
Service medical records	These DOD records are the military health record for each veteran. Generally includes all physical examinations, medical history, dental records, clinical record cover sheets, clinical summaries, entries from outpatient medical and dental treatments, physical profiles, medical board proceedings, and prescriptions for eyeglasses and orthopedic footwear.
Start Time	The beginning time of a task.
Statement of the Case (SOC)	The initial document mailed to an appellant explaining the appealed decision. It contains pertinent laws, regulations, rating schedule provisions, and the rationale for the decision.
Stop Time	The ending time of a task.

Supplemental (action)	An additional action on a task (i.e., establish, develop award, rating, authorize) to correct or modify the first action completed.
Supplemental Statement of the Case (SSOC)	A subsequent document mailed to the appellant explaining decisions made on an appeal, after the mailing of the SOC, based on the review of new evidence.
Task Time	The average time, from beginning to end, that it takes an employee to complete a particular task for a compensation and pension claim.
Timeliness	A C&P performance indicator expressed in average days to complete a claim (from date of receipt of claim to the date the award is authorized in the BDN).
VA examination	Medical examinations required by VBA to establish the presence or absence of injuries, diseases, or residual disabilities and to record the severity of the disabling conditions for compensation and pension claims. These examinations are generally performed by VHA physicians.
Veteran	A person who served in the active military, naval, or air service and who was discharged or released under conditions other than dishonorable.
Veterans Benefits Administration	One of the functional areas in the Department of Veterans Affairs responsible for administering a variety of benefit programs, i.e., compensation, pension, vocational rehabilitation, education, housing assistance, and life insurance.
Veterans Benefits Counselor (VBC)	The occupational title held by employees of the Veterans Services Division who assist claimants in filing their claims or answer general inquiries about VA benefits.
Veterans Claims Examiner (VCE)	The occupational title assigned to the employees in the Adjudication Division who process compensation and pension claims.
Veterans Health Administration	The functional area of VA that operates and maintains the nationwide network of VA medical centers, research centers and information resource centers.

Veteran Service Representative (VSR) (Vision)	This employee will be the primary point of contact for the veteran and take ownership of a claim in the new process. The VSR will receive applications and phone calls, provide information on eligibility, guide the veteran through the application process, focus issues, ascertain the evidence that will be required to rate the claim, and generate electronic requests for evidence. In addition, the VSR will inform the veteran on the progress of his/her claim. The VSR will be responsible for completing claims that do not require a rating and notify the veteran of the decision.
Veterans Services Division	The division in a Regional Office that provides assistance to veterans and dependents providing general information about benefits and filling out applications.
Veterans Services Organization	Organizations that are recognized by the VA to represent claimants in the presentation of their claims.
Vocational Rehabilitation & Counseling	One of the VBA functional areas that administers the programs that provide service and assistance for disabled veterans to help them achieve maximum independence in daily living, and to the extent possible, prepare for, obtain, and maintain suitable employment.
Walk in	A claimant that visits a Regional Office, generally VSD, and files a claim for benefits.
WIPP	The WIPP (Work-in-Progress) subsystem provides information on all cases in a pending status. It is designed to assist management in identifying pending issues that require attention or analysis. It also identifies pending claims based on a age of the claim or based on a suspense control date.
WIPP review	The task of reviewing a claim based because it was identified on a WIPP list. Direct labor is involved in WIPP reviews requested from the file banks based on the suspense dates; managers do WIPP reviews of claims based on age using the date of claim.

Work rate standard

The expression in numerical terms of an established time it takes on the average for an activity or group of employees to produce one defined unit of work. These time values reflect a proportionate distribution of available direct labor hours among the end products completed during the studies at the sample stations. Also included is the proportionate share of the "non-productive" time reported for direct labor employees during the study.