
Blueprint for Change

Tab 4 **Training Team Report**



Implementation Plan for Reengineering Claims Processing

June 1997

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EXECUTIVE SUMMARY

This report presents the training requirements that are consistent with the BPR vision. Training is vital to VBA in a time of a decreasing workforce. Not only are the staffing numbers decreasing, but the demographics indicate that many of our experienced employees will be retiring within the next 5-8 years. Without effective and efficient training for new employees and those moving into new positions, this turnover rate could degrade our ability to serve veterans and perform our mission.

1. BPR and the Need for Dynamic Training

The business case outlines VA's approach to business process reengineering of the claims process. Three fundamental changes are envisioned, which include :

- strengthening of partnerships with veterans and their representatives,
- core process modifications, and
- infrastructure adjustments.

The achievement of these changes demands that VA develop and incorporate dynamic training programs that are available for employees and representatives alike. The three new positions created by BPR present a unique training challenge. Employees will be required to become proficient at new tasks, and this will require an attitude shift for many of them. Also, in this era of improved customer service, our customers have begun expressing their needs, which we must meet. And, as always, increased quality and timeliness are goals that we strive for, and which performance-based training can help to achieve. Reengineering eliminates many of the checks and rechecks; therefore, it is even more important that employees are properly trained.

Another reason why training is so important at this time is that technology has played a significant role in changing our work processes. We have become more efficient. This is also true with training - desktop workstations allow training to be available at an employee's fingertips, when needed, and at lower costs than traditional delivery methods. The introduction of enhanced technology to the workplace also means that employees must learn new skills. We know that we cannot afford to have an employee in class for many months, graduate, and then still require a great deal of assistance from experienced performers. When that happens, which currently is often the situation, VBA loses productivity from both the student, who should have learned the processes in class, and from the experienced performer, who must stop working to provide on-the-job training. The impact of OJT can be minimized by providing training at the desktop, which has proven effectiveness.

TRAINING INVESTMENT AND RETURN

- Total cost of recommended training initiatives is \$17.7 million over a 5-year period FY98-FY02

- \$11.9 million for ISD training packages to support the 3 BPR positions
- \$5.8 million for several interim initiatives to provide necessary training during the transition period. These interim initiatives include:

- Updating and enhancing Advisor

- Return for this investment can expect the following performance impacts:

- Workforce will have received training sufficient to certify them as proficient in their new positions
- Reduced unit costs through a shorter timeframe to train

- There will be improved quality, reduced rework, greater employee satisfaction

In order to achieve the vision espoused in the case for change, VBA must increase its established commitment through the adoption of proven training strategies, and devote the resources to the development, delivery and maintenance of effective training packages.

An overview of the recommendations of the BPR training implementation team follows (All of these recommendations are discussed in greater detail in this report.):

- Recommend that performance-based, multi-media, instructional system designed (ISD) courseware be developed to train employees in the skills required for the 3 new BPR positions, VSR, RVSR and DRO. These packages will fulfill training requirements for credentialing employees as having the skills required to complete the job tasks.
 - Recommend that the Compensation and Pension Service sponsor the development of this training, assisted by the Employee Development and Training Staff.
 - Recommend that full funding and support to accomplish the development of this training be identified and provided to facilitate delivery to the field and minimize delays. This includes both contracting costs for development of training packages and costs of properly managing, monitoring and administering those contracts.
 - Recommend that a course for training coordinators in the field be designed and delivered to provide those coordinators with the facilitation skills necessary to ensure successful implementation of the training packages.
- Recommend solutions to assist with the transition period as stations begin to merge their operations into the BPR format, but before the formal training (mentioned above) is

available. These "short term" solutions consist of utilizing and updating current training opportunities that are presently available. The short term training will not meet long-term training needs, but will provide assistance in the interim period. Short term training includes, but is not limited to, customer service training, the Advisor program, team and coach training, leader training, interactive video telecasting, and the VCR training package.

- Recommend that the Veterans Service Organizations be included and involved in the planning, development and implementation of all training in order to facilitate their partnering role in the BPR vision.
- Recommend that embedded training devices be included in all informational technology releases currently under development or planned for development.

It is extremely clear to the BPR Training Implementation Team that VBA's ability to provide world class service, as articulated by the Secretary, is dependent upon a partnership with the Veterans Service Organizations and County Service Officers. VBA will continue to serve in its role as the decision maker, but will rely more on VSOs for the upfront part of the business process which includes initial veteran or family member contact, claims development, and liaison between the veteran and VBA staff. This means that it is imperative for VSOs to be involved with VBA and for VBA, as we design, train for, and implement BPR.

The Training Team also recognizes that area and regional offices must develop plans specific to their own areas as to how BPR will impact and affect the partnership with VSOs. Given the variety of service delivery methods within states, it is virtually impossible to prescribe a standard method of partnership. Nonetheless, it is true that this partnership is essential for the success of VBA's efforts. The Training Team finds that:

- a. **VSOs must be included and involved in the planning, development and implementation of all training.**
- b. **VBA must capitalize on the strengths of VSO training already developed.**

VBA has shown an interest in and commitment to training. The introduction of the VBA Academy has had a positive impact on our ability to provide meaningful training. Satellite training opportunities have also enhanced our ability to reach a broad audience. However, a study completed by the Naval Training Systems Center in October 1993 identified opportunities for improvement in approximately 25 areas. As well, focus groups conducted at the recently named Lab Sites also identified the need for improved training materials. It is recognized that our present training approaches do not guarantee knowledge transfer and the ability to perform tasks. Also, adult learning strategies can be employed more effectively to produce measurable results.

In the short term, a set of training materials is being recommended (refer to pages 8-10 of this report). This package includes materials to support training for Veterans Service Representatives (VSR), Rating Certified VSRs, Decision Review Officers, employee-managed

teams and coaches. Our long term strategy includes the development of training programs for the 3 key BPR positions, that are based in the instructional systems design (ISD) approach (see page 11). This approach has proven successful in ensuring knowledge transfer and will contain built-in testing and certification criteria. Pursuing the proposed long term approach will result in the development of dynamic training materials that will require a shorter time frame for the accomplishment of training, and permit measurement of training effectiveness directly, through performance tests of students. These improved training methods will also have residual affects on our overall quality. Standardization of training will improve consistency in claims processing. Customer service skills will be emphasized, resulting in better customer and employee satisfaction, as well.

2. Training Team Charter

The training implementation team was formed to:

- *Catalog and evaluate existing training initiatives,*
- *Determine training needs in the short term, during transition and in the revised business state of the future,*
- *Evaluate different training media, and*
- *Develop training strategies for each of the three new positions defined under the BPR vision.*

The team was comprised of a diverse mix of regional office personnel, training and human resource specialists, service organization delegates, union representatives and contractor support. (See Appendix A for a complete list of team members.) This mix was essential in order to gain an understanding of our training needs and the identification of a range of possible creative solutions.

The team analyzed existing training tools and materials and evaluated each against a set of criteria that was developed. They were also mapped against the high level tasks, skills and competencies that were developed for each of the three new BPR positions. None of the existing tools meet the team's standards of a valid, reliable instrument that can produce measurable performance results. Several of the tools, however, are sufficiently well-developed to be usable as an interim training instrument.

A set of training tools have been packaged for recommended use in the short term as the preferred materials are being created. These include existing materials and are supplemented with an expanded Advisor program that will serve the purpose of a job aid, particularly as personnel transition into the combined veterans claims examiner/veterans benefits counselor position of veterans service representative (VSR). Where gaps in recommended training tools exist, the team has proposed the development of suitable, additional materials.

A training requirements analysis was performed through a study of transition staffing projections and a functional review of the three new positions. This exercise and other analyses validated the need for training tools development to proceed in an orderly, structured way, utilizing the ISD (instructional systems design) methodology. Timelines for delivery of each of the three training packages were developed along with cost estimates for producing the training materials.

The need for two other types of training surfaced as the team conducted its study. Team building and coaching skills were identified as requisites in our business of the future. All organizations can benefit from team building training. As well, the supervisory ratio goals of 1:15 argue for an evolution to fewer supervisors and more coaches. Coaching skills are valuable for all employees assuming leadership roles. The training team has made recommendations concerning the provision for training in these areas as well (see page 8).

3. Why Instructional Systems Design (ISD)?

The field of instructional systems design provides a framework whereby instruction can be developed in a systematic way. It addresses all of the areas noted in the Naval Training Systems Center report where VBA training needed improvement, as well as providing specific direction for measuring the change in performance as a result of the training. Over 30 years of experience in government and military, private industry and educational institutions prove the effectiveness of using the ISD methodology. The structure allows for tasks to be specified, learning objectives for those tasks to be focused, and training effectiveness to be measured through performance testing. ISD developed courses can be specifically measured in terms of cost for development and delivery as well as student performance outcomes.

Another major reason for using ISD methodology is that the Government Performance and Results Act (GPRA) requires accountability for dollars spent. The valid, performance-based tests that ISD requires will help to ensure that VBA meets the measurability and accountability requirements for GPRA.

Systematically designed instruction requires substantial development time. In this type of training, we are specifically training to the performance of tasks. We are not training a "body of knowledge." So, in order to train to task, it is essential to know the detailed tasks. This process takes time because VBA documentation is difficult to understand, processes vary from station to station, and current training materials are not well-documented. The results of such an investment are worthwhile in the long run. Effective training tests outcomes rather than attendance by ensuring that the ability of the students is tested and measured.

All of the packages will be designed using the Instructional Systems Development methodology. For each position, a job and task analysis will be the first items completed and will be the basis for developing the instructional package. A Learning Analysis will be completed to identify and separate the training objectives and to determine the levels of cognitive learning that needs to be addressed for adult learners. An analysis which outlines the best mix of media and methods to present the material will be completed. Media and methods include classroom

instruction, small group learning, cooperative learning, computer-based instruction, interactive video teletraining, paper-based learning materials, electronic job aids, etc. Valid and reliable performance-based tests will be developed to ensure that learners can perform the job tasks and that learning can be effectively transferred from the training environment to the actual job. Certification will be required for all three BPR positions (see section 5).

The VSR package will train all the tasks required in the current VCE and VBC positions. The Basic Rating Package and Advanced Rating Packages will train the Rating-certified VSR position. A complete package of rating training is presently under development, using the ISD approach. Individual modules will be released as they are completed. The first module, Certify a Case to the Board of Veterans Appeals, is planned for release this summer.

It is assumed that an RVSR will have completed the VSR training package prior to becoming an RVSR. The DRO training package will be taken by advanced, experienced personnel who have the skills required of VSR and RVSR positions. In addition, it may include such topics as negotiation skills, dealing with angry customers, advanced interviewing techniques, conducting hearings, and others identified in the task analysis. It may also include in depth case training to provide skills in expert level rating decision-making.

A field instruction and facilitation course will prepare field instructors to facilitate these training packages. The role of the instructor changes dramatically from primary lecturer to facilitator, with skills in grading and certifying, cooperative learning, on-site facilitation of Interactive Video teletraining classes, etc. In order for these training packages to be successful, VBA must have skilled facilitators and instructors available in the field.

4. Why Contract Support?

The volume of training materials that require development between now and 2002 exceed the present capacity of our education and development staff. Furthermore, it is not practical to maintain a staff of the size required and with the types of specialized skills to be devoted to this kind of activity. There is an entire field of knowledge concerning adult learning techniques, instructional systems design, behavioral and cognitive learning, multimedia learning techniques, etc. Supplementing our staff with contract support makes sense, as this permits us to tap the experts to assist in the development of effective, efficient, proven training instruments. A potential source for this training development support is through the Veterans Health Administration's RMEC system. VBA should consider the efficacy of using these VHA resources.

Contractors work directly with subject matter experts (SME) throughout the development process. They observe actual performance on the job, review all documentation and get approval of SME's at every stage of the process. This arrangement allows SME's to contribute where their knowledge is greatest in terms of knowledge of job and processes, while the instructional designers contribute to finding the best way to transfer the job skills to students.

When consideration is given to the limitations imposed by our present training methods, it is easy to see how systematically designed training materials provide a viable alternative. Cost studies have shown that **such training development can reduce the unit cost of work.** Students are trained in a shorter period of time, thus making them more productive sooner. Less time in training means that **overall initial training costs are reduced,** which result in lower unit cost of producing work. Also, we know that **students coming out of class will be able to perform at a higher effectiveness level,** which directly applies to the GPRA goal of having a highly skilled workforce.

PERFORMANCE MEASURES

- Decreased time to train
- Performance testing of students

(Refer to page 15 of the report.)

The commitment to being an organization that values training and learning requires that added staff resources be dedicated to the functions of development, contract oversight, validation, maintenance, upkeep and delivery of quality training. Specific recommendations are made in this area as well.

5. Credentialing/Certification

Part of the training team's initial charter called for the development of suitable training programs with certification of skills at the completion of such training. An integrated approach to the topic of certification has been developed in concert with the human resources team. The concept of certification as it relates to mastery of training materials is only part of the overall process of certification. Certification in its broadest sense may involve a combination of such things as formal training, performance standards, self-assessment, peer reviews, work samples, etc.

As part of the development of ISD-based training materials, it is contemplated that testable criteria will be built into the instruments that will be delivered and fielded. This added dimension of our training materials of the future will be a worthwhile component, as it will demonstrate ability to perform skills upon completion.

6. Recommendations

It is important to delineate between VBA's approach to training in the short term as differentiated from the training materials that will be available before 2002. In the short term, the training team has endorsed a set of materials for use while others are being developed. In addition to recommendations for training materials for the short and long term, there are several other recommendations that are incorporated in this part of our report. All are important to the future of claims processing in VBA and will have an impact on the delivery of benefits and services for veterans.

6.1 Short Term Training Materials

The training team has developed a list of training materials to be used in the short term. Each was mapped against the tasks and skills requirements for each of the 3 key BPR positions. These materials are recommended for use, prior to the time that the ISD-developed training tools will be ready for release. It needs to be emphasized that the short term training materials that are being recommended will not position VBA where it needs to be in the future. Most of these tools have previously been released to regional offices. A list of the primary tools is shown below. A plan is under consideration to add these tools to the Intranet under a BPR Training Webpage. Additional tools are described in Appendix B.

TRAINING TOOL/REFERENCE	VSR	RATING CERTIFIED VSR	DRO
(ISD DEVELOPED) "CERTIFYING A CASE TO BVA" (ANTICIPATED RELEASE 7/97)		X	X
VCR TRAINING PACKAGE	X		
ADVISOR	X		
"YOU'RE MY CUSTOMER, I'M YOURS!"	X	X	X
RATING TRAINING FOR NON-RATING PERSONNEL	X	X	
TELEPHONE INTERVIEWING TECHNIQUES	X	X	X
"UNDERSTANDING THE APPEALS PROCESS"	X	X	X
"SUMMARY OF SIGNIFICANT HOLDINGS OF THE UNITED STATES COURT OF VETERANS APPEALS"	X	X	X
DEVELOPMENT GUIDE FOR COMPENSATION AND PENSION BENEFITS	X		
MEDICAL REFERENCES BOOKLET	X	X	X
"GOVERNMENT LIFE INSURANCE PROGRAMS FOR VETERANS AND MEMBERS OF THE UNIFORMED SERVICES"	X		

Table 6-1: List of Primary Training Materials to be Used in the Short-term

It may be helpful to describe a few of the materials listed above in greater detail. The VCR training package recently developed is considered to be a cornerstone for transition training. It is supplemented by other materials noted above. In addition, an area of emphasis for

centralized training classes and satellite broadcasts in FY 98 and 99 will concentrate on providing transition training for VSRs.

A special emphasis area was identified as useful for all stations. The **customer service package**, "You're My Customer, I'm Yours," was designed to make employees aware of changes occurring in the organization and to provide them with some skill to deal with the changes toward a customer-driven company. Major topical areas include: Why is this change necessary, and didn't we just change last week, Why customer service makes sense now, vision, rewards of providing excellent customer service, internal and external customers, understanding what other people in the organization do and why it is important, communication skills and dealing with angry customers. The course could be an effective tool for change management when taught at the beginning of a planned merge. The course was designed to be taught by two instructors outside of the regional office in which it is being taught, with each class consisting of students from all divisions, management, support and non-management in the same classes. Disks and hard copies of full lesson plans, complete with overheads, instructor and student guides, handouts and exercises were sent to each Area Office. It is suggested that a cadre of trainers be developed who can travel to regional offices and conduct training as requested by the director. Central Area was the original sponsor of this package and may assist with identifying members of the development and instructional teams.

The **Advisor program**, developed by the Veterans Assistance Service, includes training modules in the various benefits administered by VA. It also includes several desk tools (fact sheets, bookmarks, dictionary, and form query capability). The team believes that Advisor has the *potential for enhanced use*, particularly as we transition to merged adjudicative and veterans assistance functions. One of the present limitations of the Advisor program is the difficulty of updating sections without contractor support. With the advent of the Intranet and Internet, the ease with which amendments can be made enhances the attractiveness of this tool. It is proposed that major segments of Advisor be placed on the Intranet. In addition, Advisor should be expanded to include other useful, readily available information for VSRs. Advisor as an enhanced job aid can serve us well, particularly in transition. See Appendix C for a list of improvements that are recommended.

Another area the team was asked to study was in **Employee Managed Team (EMT) and coach training**. While a number of stations have employed different training strategies in evolving to EMTs, the most comprehensive approach to the development of a training package on these topics was developed by the Southern Area. The course, titled "Employee Managed Teams," has been used by several stations in preparation for transition. The course is designed to be taught by a team of 2-3 employees, at least one of whom is from another regional office than the one where training is being conducted. This provides a broader perspective for the target audience about how the concepts have been applied. The 2.5 day course prepares the class to enter into an employee managed environment. It is planned to develop a set of follow-up materials to support the team process, to evaluate the maturity of teams and assess the subsequent needs of individual teams. The team will determine which former instructors for this course are still available to support the training needs of stations that choose to offer the course at their

offices. The desirability of developing a set of satellite broadcasts on teaming and coaching roles is also being considered.

As the organization transitions to its reengineered state, with merged adjudicative and veterans assistance functions, the leadership of this combined operation will require training in the management of the component parts. As well, training segments are recommended for development on change management, the overall BPR implementation plan, the duties of the three new key positions and how each will function in the new organizational structure.

The availability of interactive video satellite training presents a number of opportunities for training. This training approach is suitable for a wide range of training classes. **Traditional classroom** activities are also valuable and will continue to play a vital role in training for the short and long terms.

6.2 Long Term Training Materials

ISD-based training packages for each of the three new BPR positions are recommended. The combination of methods and media to be used permit classification of these packages as training, performance support, and credentialing systems (TPSCS). A timeline for the delivery of these packages is found below.

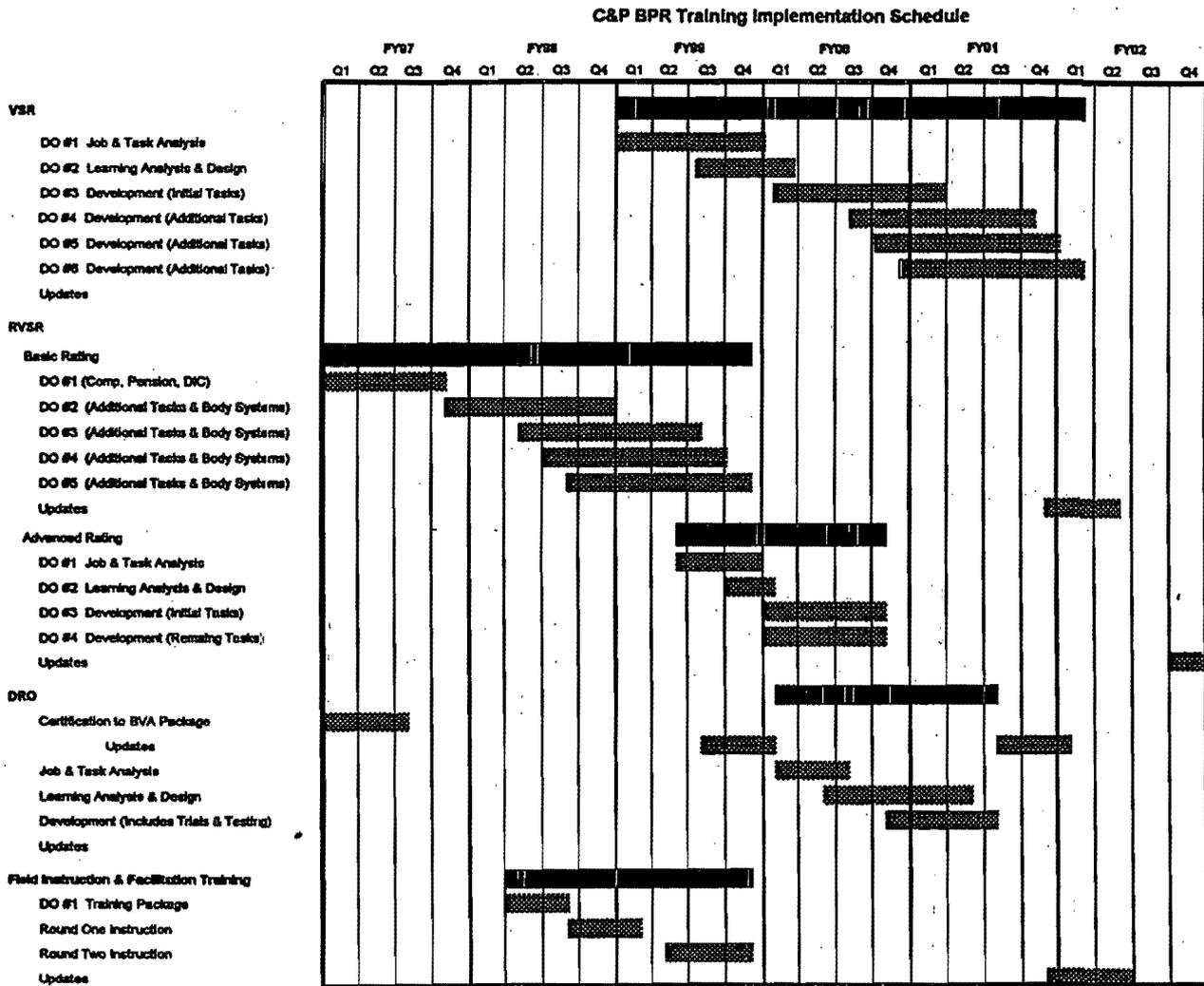


Figure 6-1: C&P BPR Training Implementation Schedule

6.3 Other Issues

Successful implementation of the BPR vision requires a commitment to increased, targeted training resources. These resources take the form of increased staff for the Compensation and Pension Service Training Operations. The projected needs in this operation are summarized below:

Training Operations

9 FTE minimum

With the above staffing level, the following could be accomplished:

Two centralized training classes each month

Two satellite broadcasts per month

On-site training once per quarter

Develop and export hard-copy training materials

Delivery of ISD-based training instruments according to schedule

An organizational structure to support the development of training instruments is already present. The program sponsor, C&P Service, has a staff element already in place to carry out the mission. As well, the Employee Development and Training function also exists. However, these elements should be properly staffed to perform the level of oversight and execution required. For this reason, additional staffing should be provided to ensure successful development, execution and maintenance of each short term and long range project outlined.

A commitment to imbed training devices, such as help systems, tutorials and job aids, in all information technology releases is also needed. This recommendation is supported by the BPR information technology team as a logical inclusion in all software releases.

6.4 Justification

The National Performance Review (NPR) has recommended that employee training be made a fixed percentage of personal services budgets to ensure adequate training within each agency or department. The latest estimate that was available when the President's Management Council met in March 1997, showed VA spent 0.5% of salary for training in FY 95. It was observed that many Federal agencies/departments are spending between 1 and 2%, while some private sector companies are approaching 3 to 5 %.

As a follow-up to that meeting, VA later indicated that reporting of our training expenditures was not accurate. In an attempt to gather information to determine what level of expenditures VBA has made in support of C&P related training, the training team gathered data for FY 96, representing as close as could be determined our estimated training costs. These data include such things as direct and indirect staffing costs, travel, contractor support, space, materials and other overhead, and are summarized on the next page. (Additional background cost data and a description of the data gathering techniques and calculation assumptions may be found in Appendix D.)

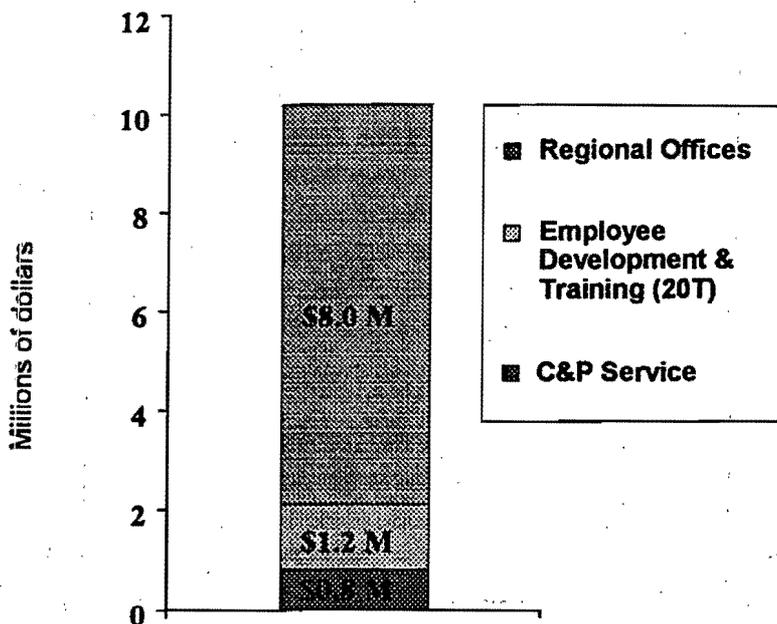


Figure 6-2: Estimated FY96 C&P Training Costs

The data demonstrate that a significant outlay of budgeted funds went toward supporting C&P related training endeavors. That portion of the figures which equate to staffing dollars spent in FY 96 represent approximately 2.9% of total salary dollars devoted to compensation and pension related funding. The majority of the costs for FY 96 C&P-related training is attributed to salary costs. In fact, almost 90% of the regional office related costs were tied to salary expenses. Fully \$7.04 million of the \$8.04 million involved salary expenses associated with trainee time out of production participating in either actual training or on the job training, and instructor time devoted to preparation, delivery and mentoring/on the job assistance for trainees.

REGIONAL OFFICE TRAINING COSTS FY 96	
Instructor Preparation and Delivery	\$1.12 million
Trainee Training Time	1.75
Instructor OJT/Mentoring	1.98
Trainee OJT	2.19
All other training costs	<u>1.00</u>
Total costs	\$8.04 million

Table 6-2: Regional Office Training Costs FY96

Fully 70% of the regional office indirect costs were related to the OJT and mentoring aspects of training. A large portion of the training time presently spent in VA offices can be eliminated through ISD-developed training programs, which are structured to get students "up to speed" more quickly and effectively.

COIN DOOR 0013 data covering training hours reported for the first six-month period in FY 97 were compared with stations' estimates to provide transition training. It is projected that the majority of time devoted to transition training will be for those converting from VBC and VCE positions into the new VSR position. It is projected that the majority of time devoted to transition training will be for those converting from VBC and VCE positions into VSR position. Based on the experience of one office which recently merged operations, transition training for existing VBCs to VSR positions required approximately 400 hours. The training time required for existing VCEs to transition to VSR required approximately 80 hours. An unknown variable in this equation is the pace of training anticipated. The resultant decrease in productivity that is anticipated will need to be monitored to minimize the overall impact to our customers. Lost time for training is equivalent to about 350 FTE.

The chart below outlines anticipated costs for C&P BPR training initiatives. The outlay for the 5 year period from FY 98 through FY 02 is \$17.7 million. Most of the projected costs are related to the development of ISD-based training tools for the 3 key BPR positions, which total \$11.9 million. (Additional information relating to these projected costs may be found in Appendix D.) Full funding and support of these training materials and a commitment to ensure there is a consistent, logical funding stream, will permit the release of materials as presently planned. Such releases will benefit VBA for the reasons outlined in this report.

	FY98	FY99	FY00	FY01	FY02	Total
ISD Initiatives	2,081	3,027	4,809	1,395	591	11,903
Program Management	0	243	289	343	90	965
VSR Project	0	1,563	2,246	0	0	3,810
Basic Rating Project	1,840	0	0	931	0	2,771
Advanced Rating Project	0	931	1,031	0	478	2,440
DRO Project	0	56	1,215	59	0	1,330
Field Instruction & Facilitation Training	211	202	0	40	0	453
IVT Broadcasts	30	32	27	22	23	133
Interim Initiatives	19	1,458	1,394	1,437	1,480	5,789
Program Management	0	393	409	426	443	1,672
Update/Enhance Advisor	0	105	0	0	0	105
Training Intranet Web Site	19	0	0	0	0	19
IVT Broadcasts	0	39	40	41	42	162
Additional Classes at Academy	0	921	945	970	995	3,831
Total Training Cost	2,100	4,486	6,203	2,832	2,071	17,692

Table 6-3: Incremental Cost of C&P BPR Training Initiatives

The most reliable performance measurement categories that can be related to the use of ISD-developed training materials are decreased time to train employees on essential tasks of a particular job (unit cost impact) and measuring training effectiveness directly through performance tests of students, on a task to task basis.

PERFORMANCE MEASURES	
Decreased time to train employees	TBD
Performance testing of students	TBD

It is estimated that ISD-developed training tools permit students to learn the material 30% faster than through traditional means. The advantages that accrue include improved staff utilization, particularly in the out years once the ISD packages are fully developed and fielded. Some near term improvements will be evident, as well, since the individual training modules will be released as they are finalized.

Effective training tests outcomes rather than attendance by ensuring that the ability of the students is tested and measured. As part of the development of ISD-based training materials, testable criteria will be built into the instruments. For the first time, VBA will have training tools that demonstrate an ability to perform skills upon completion of the training. This will permit certification of competence in being able to perform job-related tasks.

Additional benefits can be realized through the improved training methods recommended, to include such things as improved quality, reduced rework and greater employee satisfaction. These other metrics, such as improvements in quality of processing, are intuitively appropriate measures to select, but less precisely measurable due to the presence of other variables that may skew the results. Without being able to control for the other variables, it is not recommended that great reliance be placed on measures other than those selected for primary measurement.

7. Summary of Recommendations

In order to achieve the vision espoused in the case for change, VBA must increase its established commitment through the adoption of proven training strategies, and devote the resources to the development, delivery and maintenance of effective training packages.

The BPR training implementation team presents the following recommendations:

- Recommend that performance-based, multi-media, instructional system designed (ISD) courseware be developed to train and employees in the skills required for the 3 new BPR positions, VSR, RVSR and DRO. These packages will fulfill training requirements for credentialing employees as having the skills required to complete the job tasks.
 - Recommend that the Compensation and Pension Service sponsor the development of this training, assisted by the Employee Development and Training Staff. The C&P Training Operation should be augmented by an additional six personnel for a total of nine.

- Recommend that full funding and support to accomplish the development of this training be identified and provided to facilitate delivery to the field and minimize delays. This includes both contracting costs for development of training packages and costs of properly managing, monitoring and administering those contracts.
- Recommend that a course for training coordinators in the field be designed and delivered to provide those coordinators with the facilitation skills necessary to ensure successful implementation of the training packages.
- Recommend solutions to assist with the transition period as stations begin to merge their operations into the BPR format, but before the formal training (mentioned above) is available. These "short term" solutions consist of utilizing and updating current training opportunities that are presently available. The short term training will not meet long-term training needs, but will provide assistance in the interim period. Short term training includes, but is not limited to, customer service training, the Advisor program, team and coach training, leader training, interactive video telecasting, and the VCR training package.
- Recommend that the Veterans Service Organizations be included and involved in the planning, development and implementation of all training in order to facilitate their partnering role in the BPR vision.
- Recommend that embedded training devices be included in all informational technology releases currently under development or planned for development.

APPENDIX A. TRAINING TEAM MEMBERSHIP

<i>Pat Courtney</i>	Director, Montgomery, AL (Team Leader)
<i>Wayne Taylor</i>	Chief, Training Operations, C&P Service Washington, DC
<i>Steve Griffin</i>	Instructional Systems Specialist Employee Development. and Training Orlando, FL
<i>Audrey Isett</i>	Training Coordinator Central Area, Livonia, MI
<i>Suzanne Brandt</i>	Employee Development Specialist Employee Development and Training Orlando, FL
<i>Richard Kesteven</i>	Assistant Director, Newark, NJ
<i>Ken Swinson</i>	Service Center Manager Salt Lake City, UT
<i>Mike White</i>	Assistant VSO, Providence, RI
<i>Tom Furukawa</i>	Service Center Manager Portland, OR
<i>Leonard Kirksey</i>	NFEE Union Rep, Indianapolis, IN
<i>Bart Marrone</i>	AFGE Union Rep, New York, NY
<i>Deborah Pointer</i>	Eastern Area HRM Officer Baltimore, MD
<i>Jimmy Wallace</i>	Special Assistant, VFW Headquarters Washington, DC
<i>John Lee</i>	Deputy Director WA State Dept. of Veterans Affairs
<i>Philip Zellner</i>	Senior Analyst SRA Corporation, Arlington, VA

APPENDIX B. SHORT TERM TRAINING MATERIALS
Training Materials for Interim Period

Item	Description	Provisos	Availability
<i>Training Tools and Job Aids:</i>			
<p>VCR Training Package</p> <p>A systematic approach to training VSR's developed by Western/Central Areas in 1996. This four volume package includes lesson plans, pre/post assessments and job aids in a modular format adaptable to individual office needs.</p>	<p>VCE to VSR:</p> <ul style="list-style-type: none"> • Preliminaries • Release of Information • Telephone and Interviewing Techniques • VAI's • Educational Benefits • Loan Guaranty Benefits • Insurance Benefits • Burial Benefits <p>VBC to VSR:</p> <ul style="list-style-type: none"> • Preliminaries • Simple Determinations • Advanced Determinations • Creative use of WIPP • 	<ul style="list-style-type: none"> • Target audience is journeyman VCE's and VBC's • Development and ratings are not addressed in this package* • This training should be followed with OJT <p>*Development can be covered using the <i>Development Guide for Compensation and Pension Benefits</i> manual developed by C&P Service in March 1995.</p>	<p>One copy of each of the four volumes was mailed to each Area, each Regional Office, C&P/VAS and the Academy and ED&T.</p>
<p>Certify A Case To the Board Of Veterans Appeals</p> <p>A multi-media training package designed using the instructional systems design methodology.</p>	<ul style="list-style-type: none"> • Consists of 4 computer-based training lessons where groups of two to three students go through the exercises together. • Instructional period lasts approximately 24 hours in training. • Pretest and Posttest consists of performing the job in a training environment. Each test takes at least a full day. • Students completing the course will be certified in this job task. 	<ul style="list-style-type: none"> • Target audience for this course is highly experienced personnel who certify cases that have been prepared for the Board. 	<p>Training packages and CBT will be delivered to all Regional Offices during July, 1997.</p>

<i>Training Tools and Job Aids, (continued):</i>			
<p>Advisor</p> <p>A computer-based training tool and job aid designed by Veterans Assistance Service.</p>	<p>Includes:</p> <ul style="list-style-type: none"> • Training modules on all benefits • Fact Sheets • Dictionary • Form Query <p>Useful to run on a PC in the background. Information may be used in response to telephone and personal inquiries on general benefits.</p>	<p>Some of the material is outdated, such as rate tables, and is presently being revised.</p> <p>Enhancements are under consideration to broaden its functionality, particularly as a transition training tool.</p>	<p>All stations received the software.</p> <p>Some updates are coming <i>See page 9 of report.</i></p>
<p>“You’re My Customer, I’m Yours!”</p> <p>Two-day, cross-functional training Includes student and instructor guide, videotape, overheads, exercises</p>	<p>Customer Service Focused</p> <ul style="list-style-type: none"> • Internal and External Customer • Customer Service Standards • Cultural Change • Includes videotape, “The Invisible Man Meets the Mummy” • Hearing the Customer’s voice • Communication Skills • Dealing with Angry Customers • 	<ul style="list-style-type: none"> • Some of the organizational charts included are outdated • Communications topics are introductions, a good follow-up would be VBC training guide and Reader Focused Writing course • May be useful to use video tape and selected exercises to customize training “segments” to meet individual needs 	<p>One Copy distributed to each Area Office. Distribution among Regional Offices varied. <i>See page 9 of report.</i></p>
<p>Rating Training for Non-Rating Personnel</p> <p>Should be used in conjunction with a trained mentor proficient in rating issues.</p>	<p>Text for rating training for non-rating personnel in the basic concepts and principles of the rating activity.</p> <p>Text is designed to be self-paced, and by devoting 4 hours per day, 5 days per week, should take a minimum of 8 weeks to complete</p>	<ul style="list-style-type: none"> • Not designed to teach a trainee rating specialist everything needed to do the job. Much of the text in this book is from TG-21-75-1 which is rescinded; however, much of the material contained therein is still relevant • Specifics on rating claims can be learned by studying the procedures described in M21-1, Part VI, Rating Board Procedures. • Issued in March 1993, it has not been updated since that time. 	<p>One copy distributed to each Regional Office in 1993.</p>

<i>Training Tools and Job Aids (continued)</i>			
<p>Telephone Interviewing Techniques</p> <p>Classroom training program which can be modified for station needs</p>	<ul style="list-style-type: none"> • MS Powerpoint presentation program • Includes colorful attention-getting slides that are accompanied by both a detailed lesson plan and a booklet with color presentations. • May be used for both experienced public contact people as a refresher tool and for new employees as an introduction to public contact. • This would also serve as a training tool program for VCEs becoming VSRs. 		<p>A 3.5" disk containing all three was provided to all participants during the meeting of all VSD coordinators at the VBA Academy</p>

Table B-1: Training Tools and Job Aids

References			
Items	Description	Provisos	Availability
<p>“Understanding the Appeals Process”</p> <p>VA pamphlet 01-95-1 produced by the Board of Veterans Appeals in April, 1995.</p>	<p>Short well-written handbook that can be easily understood by veterans, service representatives and VA employees.</p> <p>Explains everything from Notice of Disagreement to remands and offers valuable tips to the reader.</p> <p>Recommend that it be easily available at the desk site for easy reference.</p>		<p>Station Publications Officer should be able to obtain copies through the depot, stock number P92422.</p>
<p>“Summary of Significant Holdings of the United States Court of Veterans Appeals”</p> <p>Third edition, published February 1996.</p> <p>Booklet of summaries of cases that have had a significant impact for VBA.</p>	<p>Decisions cover such areas as:</p> <ul style="list-style-type: none"> • well-grounded claims • duty to assist • credibility of testimony • clear and mistakable error • etc. <p>Should be mandatory reading for VCE/VBC, VSRs, Rating VSRs, Rating Techs, Rating Specialists, Hearing Officers as well as anyone else wishing to inform themselves on current COVA thinking and trends. Division Chiefs and above should have at least familiarity with it, leaving the in-depth understanding required to each organization’s needs.</p>		<p>This document can be found electronically through ARMS and can be printed in hard copy.</p>
<p>Development Guide for Compensation and Pension Benefits</p> <p>Reference for development action for rating activities, March 1995</p>	<p>Focuses on issue oriented development requirements</p> <ul style="list-style-type: none"> • General development process • Compensation • Live pension • Death claim • AMIE Quick reference guide 	<p>Should be used in conjunction with other reference materials such as M21-1 and 38 C.F.R.</p> <p>Should be reviewed regularly for updates and changes</p>	<p>One copy distributed to each regional office. Available through C&P Training Operations.</p>

<i>References (continued):</i>			
<p>Medical References Booklet</p>	<p>Includes commonly used medical terminology as follows:</p> <ul style="list-style-type: none"> • Medical Symbols • Prefixes commonly used in pathology • Suffixes commonly used in pathology • Tests, Signs and Reflexes • Medical abbreviations 	<p>Excellent reference, but not all inclusive.</p>	<p>Print copy available from C&P Training Operations.</p> <p>Abbreviations section only is available on ARMS.</p>
<p>“Government Life Insurance Programs for Veterans and Members of the Uniformed Services”</p> <p>Informational booklet about Government Life Insurance published by the Insurance Service, January, 1997</p>	<p>Includes information on:</p> <ul style="list-style-type: none"> • Program Information • Program Descriptions • Program Statistics • Policy Provisions • Points of Contact 	<p>Excellent general information, but does not include information on reading individual policy information screens in the Insurance Terminal System</p>	<p>Available through the Insurance Service, located at the Philadelphia Regional Office and Insurance Center.</p>

Table B-2: References for Training Materials

TRAINING TEAM REPORT

<i>Videos:</i>		
Topic	Title	Developer / Owner
Topic: General Information/Employee Orientation	<i>Keeping America's Promise</i> 1996	C&P Service
	<i>Quality Service in the Public Sector</i>	Private Industry Training Film (Milwaukee Regional Office)
	<i>How to Deliver Superior Customer Service</i> 1991	Private Industry Training Film (Little Rock Regional Office)
	<i>The Power of Vision</i> 1996	CRM Films (Salt Lake City Regional Office)
Topic: Teams	<i>Implementing Self-Directed Work Teams</i> 1996 (Video and Workbook)	Private Industry Training Film (Houston Regional Office)
	<i>Straight Talk on Teams-managing Conflict</i> 1996	Private Industry Training Film (Houston Regional Office)
Topic: Special Issues	<i>Home Street Home: Touching the Lives of Homeless Veterans</i> 1995	VA Film
	<i>Helping Homeless Veterans - the VA Way</i> 1993	VA Film
	<i>Women's Veterans Issues</i> 1996	VA Film
	<i>Sexual Trauma Sensitivity</i> 1996	C&P Service
	<i>Persian Gulf Health Issues</i> 1996	C&P Service
Topic: Technical Training	<i>REPS: Restored Entitlement Program for Survivors</i> 1990	VA Film

<i>Videos (continued)</i>		
Topic	Title	Developer / Owner
	<i>DAV Supplement to VA Schedule for Rating Disabilities</i> Series include the following tapes: Special Monthly Compensation Vol. I, II, III Musculoskeletal System Vol. I, II, III Gynecological System Digestive System Genitourinary System Cardiovascular System Respiratory System	Local DAV
	<i>Mustard Gas in WWII Vets</i> 1993	C&P Service
	<i>Prisoners of War, Pacific and European Theater</i>	C&P Service
	<i>Presumptive Service-Connected Disabilities for POW's</i>	C&P Service
	<i>Advanced AMIE, Where Teamwork Makes the Difference</i> 1996	C&P Service
	<i>Veteran Transition Assistance Program 2</i> 1996	C&P Service
	<i>Estate Administration, Capacity to Manage Funds, and Fund Usage</i> Three Training Videos, 1996	C&P Service
	<i>Physician Training</i> 1997	C&P Service
Veterans of Foreign Wars Training Films	<i>Anatomy and Pathology of the Cardiovascular System</i>	Local VFW Service Officer
	<i>Rating Orthopedic Conditions - Parts I and II</i>	Local VFW Service Officer
	<i>Asbestos Claims</i>	Local VFW Service Officer
	<i>BVA Rules of Practice, COVA</i>	Local VFW Service Officer
	<i>Development in VA Compensation Claims</i>	Local VFW Service Officer
	<i>Handling the Difficult Client</i>	Local VFW Service Officer
	<i>Medical Terminology</i>	Local VFW Service Officer

<i>Videos (continued):</i>		
Topic	Title	Developer / Owner
	<i>Tropical/Infectious Diseases</i>	Local VFW Service Officer
	<i>Administrative Review/Equitable Relief</i>	Local VFW Service Officer
	<i>Benefit Overpayments</i>	Local VFW Service Officer
	<i>Burial Benefits, Memorial Affairs and the National Cemetery System</i>	Local VFW Service Officer

Table B-3: Training Videos

<i>Books: (recommended by various Regional Offices)</i>
<i>Self-Directed Work Teams...The New American Challenge</i> by Jack Orsburn, Linda Moran, Ed Musselwhite and John Zenger 1990
<i>Team Fitness - A How-to Manual for Building a Winning Team</i> by Meg Hartzler and Jane E. Henry 1994
<i>The Team Member Handbook for Teamwork</i> by Price Pritchett 1995
<i>Inside Teams - How 20 World Class Organizations are Winning Through Teamwork</i> by Richard Wellins, William Byham and George Dixon 1994
<i>Workforce 2000 - Work and Workers for the 21st Century</i> 1987

Table B-4: Recommended Training Books

APPENDIX C. ADVISOR PROGRAM EXPANSION IDEAS

1. Update and Correct Self-Assessment Questions

Revise and develop new self-assessment questions for each of the existing modules. The scope as well as the steps necessary to implement this enhancement have been defined.

2. Review/Revise Compensation Module

Initiate complete review and revision of the current module to include development of new scenarios. The scope as well as the steps necessary to implement this enhancement have been defined.

3. Compensation and Pension Project/Claims Development

Initiate development of basic introduction for claims development. This module will include eligibility requirements and rules of evidence. The scope and steps necessary to implement this enhancement have been defined.

4. Revise Insurance Module

Initiate complete review and revision of the existing module. The scope and steps necessary to implement this enhancement have been defined. The Little Rock Regional Office has completed a first draft of this revision.

5. Develop Release of Information Module

Initiate development of a new module which would include scenario-based questions. The scope and steps necessary to implement this enhancement have been defined. The San Diego Regional Office has been tasked with the initial documentation.

6. Develop Customer Service Module

Develop an addition to the current system to expand training capability with scenario-based questions. The scope and steps necessary to implement this enhancement have been defined. The Baltimore Regional Office has been tasked with the initial documentation.

7. Add Additional Fact Sheets

- a. Expand Form Query to include a copy of the form itself, not just a list of form titles.
- b. List the presumptive conditions for former prisoners of war, C.F.R. references and effective dates.

- c. List the presumptive conditions for radiation related illness, C.F.R. references and effective dates.
- d. List the presumptive conditions for herbicide related claims, C.F.R. references and effective dates.
- e. List the applicable rules for service connection for unexplained illness, C.F.R. references and effective dates.
- f. Include entitlement information for the various state veterans benefits.

APPENDIX D. COSTS ASSOCIATED WITH TRAINING INITIATIVES

FY 96 Estimated Training Costs

Data was gathered pertaining to training related expenses for FY 96. Data was provided by four regional offices (Montgomery, Portland, Providence and Salt Lake City). These data were then extrapolated based upon the assigned ratio of C&P-related staffing devoted to these facilities to derive a national estimate of training expenditures.

Categories of training related data and the results are depicted in the chart on the next pages. In addition to regional office data, area related costs were estimated, as well as those costs incurred by the C&P and Veterans Assistance Services and the Employee Development and Training operation. This provided a complete picture of estimated costs for C&P training related activities for FY 96.

FY 96 overall C&P staffing obligations, as adjusted for the inclusion of VSD staffing devoted to C&P-related activities, totaled \$242.4 million. This figure was compared to estimated staffing expenditures for training in FY 96 (\$7.04 million). The percentage of staffing dollars devoted to training in FY 96 is estimated to be 2.9% of all available staffing obligations.

Incremental Cost of C&P BPR Training Initiatives

A chart reflecting the incremental costs for BPR related C&P training initiatives is shown on page 14 of the report. More detailed data relating to these projected costs is shown on the last chart.

TRAINING TEAM REPORT

	FY98	FY99	FY00	FY01	FY02	Total
ISD Initiatives	2,081	3,027	4,809	1,395	591	11,903
Salary Costs	0	0	0	0	0	0
Contractor Costs	1,826	2,933	4,377	1,338	556	11,351
Travel Costs	255	95	432	58	34	922
Program Management	0	243	289	343	90	965
Salary Costs	0	0	0	0	0	0
Contractor Costs	0	243	289	343	90	965
Travel Costs	0	0	0	0	0	0
VSR Project	0	1,563	2,246	0	0	3,810
Contractor Costs	0	1,532	2,030	0	0	3,562
Travel Costs	0	32	216	0	0	248
Basic Rating Project	1,840	0	0	931	0	2,771
Contractor Costs	1,630	0	0	909	0	2,539
Travel Costs	210	0	0	22	0	232
Advanced Rating Project	0	931	1,031	0	478	2,440
Contractor Costs	0	900	923	0	466	2,289
Travel Costs	0	32	108	0	11	151
DRO Project	0	56	1,215	59	0	1,330
Contractor Costs	0	56	1,134	59	0	1,249
Travel Costs	0	0	81	0	0	81
Field Instruction & Facilitation Training	211	202	0	40	0	453
Contractor Costs	196	202	0	27	0	425
Travel Costs	15	0	0	13	0	28
IVT Broadcasts	30	32	27	22	23	133
Contractor Costs	0	0	0	0	0	0
Travel Costs	30	32	27	22	23	133
Interim Initiatives	19	1,458	1,394	1,437	1,480	5,789
Salary Costs	0	393	409	426	443	2,134
Contractor Costs	19	0	0	0	0	19
Travel Costs	0	947	972	997	1,023	4,844
Other	0	118	13	13	14	172
Program Management	0	393	409	426	443	1,672
Salary Costs	0	393	409	426	443	1,672
Contractor Costs	0	0	0	0	0	0
Travel Costs	0	0	0	0	0	0
Other	0	0	0	0	0	0
Update/Enhance Advisor	0	105	0	0	0	105
Contractor Costs	0	0	0	0	0	0
Travel Costs	0	0	0	0	0	0
Other	0	105	0	0	0	105

	FY98	FY99	FY00	FY01	FY02	Total
Training Intranet Web Site	19	0	0	0	0	19
Contractor Costs	19	0	0	0	0	19
Travel Costs	0	0	0	0	0	0
Other	0	0	0	0	0	0
IVT Broadcasts	0	39	40	41	42	162
Contractor Costs	0	0	0	0	0	0
Travel Costs	0	26	27	28	28	139
Other (Transmission Costs)	0	13	13	13	14	67
Additional Classes at Academy	0	921	945	970	995	3,831
Contractor Costs	0	0	0	0	0	0
Travel Costs	0	921	945	970	995	4,706
Other	0	0	0	0	0	0
Total Training Cost	2,100	4,486	6,203	2,832	2,071	17,692

Table D-1: Projected Total Training Cost

TRAINING TEAM REPORT

Estimated FY96 Regional Office C&P Training Costs

	Regional Office				Subtotals	National Estimate
	Montgomery	Portland	Providence	Salt Lake		
INSTRUCTOR TIME						
PREP COSTS=Salary Rate/hr x hours to prepare x # of instructors=	2,048.80	617.19	996.80	0.00	3,662.79	71,629
Salary Rate/hr=	\$19.70	\$29.39	\$24.92	\$0.00		
Hours to prep=	104	1.75	20	0		
# of instructors =	1	12	2	0		
DELIVERY COSTS=Salary Rate/hr x # class hours taught x # of instructors=	3,624.80	1,410.72	1,295.84	0.00	6,331.36	122,779
Salary Rate/hr=	\$19.70	\$29.39	\$24.92	\$0.00		
# class hrs taught=	184	4	26	0		
# of instructors =	1	12	2	0		
GUEST INSTRUCTORS=Total Dollars paid, Salary x # guest instructors=	0.00	0.00	0.00	0.00	0.00	0
Total Dollars paid, salary =	\$0	\$0	\$0	\$0		
# guest instructors=	0	0	0	0		
FULL TIME TRAINING EMR=Salary per annum x % time spent on C&P	47,951.00	0.00	0.00	0.00	47,951.00	929,873
VBC activities x # employees=	\$47,951	\$0	\$0	\$0		
Salary per Annum=	100%	0%	0%	0%		
% time spent on C&P/VBC activities	1	0	0	0		
# employees						
TOTAL INSTRUCTOR COSTS					57,945.15	1,123,681
VBA MENTOR TIME						
OJT/MENTOR=Salary Rate/hr x hours reviewing/discussing/assisting x # of trainees=	59,872.19	16,458.40	25,912.92	0.00	102,243.51	1,767,722
Salary Rate/hr=	\$21.09	\$29.39	\$17.58	\$0.00		
# hours review/prep/discuss=	123.43	35	134	0		
# trainees=	23	16	11	0		
TRAINEE TIME						
SALARY COST=Salary rate/hr x #hours spend in travel and in class x # of trainees (OT paid if appropriate)=	21,009.79	0.00	0.00	69,321.00	90,330.79	1,751,709
Salary rate/hr=	\$14.57	\$0.00	\$0.00	\$20.83		
# hours spent in travel and class=	131.09	0	0	?		
# of trainees=	11	0	0	21		
OJT=Salary rate/hr x hrs mentored x # of trainees=	56,530.22	29,730.96	26,443.56	0.00	112,704.74	2,185,008
Salary rate/hr=	\$13.89	\$24.29	\$17.94	\$0.00		
# hours mentored=	176.95	76.5	67	0		
# of trainees=	23	16	22	0		
TOTAL INDIRECT SALARY COSTS					305,279.04	5,920,619

Estimated FY96 Regional Office C&P Training Costs

CONTRACTORS

CONTRACTORS=Costs paid to contractors for a C&P/VBC training product

Total contractor cost=

\$0	\$0	\$0	\$1,961	
-----	-----	-----	---------	--

TOTAL CONTRACTOR COSTS 1,961.00

TRAVEL

GUEST PRESENTER=Expenses paid

Expenses paid=

\$0	\$0	\$0	\$2,401	2,401.00
-----	-----	-----	---------	----------

TRAINEE/INS=Travel expenses paid to go to central facility (Academy, Area facility, host regional office) x # trainees=

Expenses paid=

\$0	\$0	\$0	\$4,927	4,927.00
-----	-----	-----	---------	----------

CONSULTANT=Sum of travel cost paid to SME's and others hired to develop training

Travel costs paid=

\$0	\$0	\$0	\$0	0.00
-----	-----	-----	-----	------

TOTAL TRAVEL COSTS 7,328.00

SPACE COSTS

OFF-SITE=Total facility cost x % of time used for C&P/VBC training (rent+ins+utilities)=

Total facility cost=

0.00	0.00	0.00	0.00	0.00
\$0	\$0	\$0	\$0	

% time spent on C&P/VBC activities

0	0	0	0	
---	---	---	---	--

ON-SITE=Total training room space SLUC x % of time used for C&P/VBC training=

Total training room space SLUC=

2,258.40	5,880.90	0.00	1,789.00	9,928.30
\$11,292	\$19,603	\$0	\$1,789	

% time spent on C&P/VBC activities

20%	30%	0%	100%	
-----	-----	----	------	--

20T=Total facility cost x % of time used for C&P/VBC projects=

Total facility cost=

19,138.30	0.00	0.00	0.00	19,138.30
\$382,766	\$0	\$0	\$0	

% time spent on C&P/VBC projects=

5%	0%	0%	0%	
----	----	----	----	--

STUDIO/SATELLITE=Cost of space used for rehearsal/preparation=

Space cost for rehearsal/prep=

\$0	\$0	\$0	\$0	0.00
-----	-----	-----	-----	------

C&P SERVICE=Space cost (SLUC) for training activity=

Space cost for training activity=

\$0	\$0	\$0	\$0	0.00
-----	-----	-----	-----	------

TOTAL SPACE COSTS 29,066.60

Estimated FY96 Regional Office C&P Training Costs						
MATERIAL						
HARDWARE=Equipment purchased for training x % used for C&P/VBC=	1,250.00	8,573.60	0.00	0.00	9,823.60	190,501
Total equipment cost=	\$6,250	\$10,717	\$0	\$0		
% used on C&P/VBC training=	20%	80%	0%	0%		
SOFTWARE=Cost of programs purchased off shelf x % used for C&P/VBC training=						
	0.00	0.00	0.00	0.00	0.00	0
Total equipment cost=	\$0	\$0	\$0	\$0		
% used on C&P/VBC projects=	0	0	0	0		
BOOKS/MANUALS/SUPPLIES=Reproduction costs, purchase costs, incidentals=						
Total cost of reprod, purch etc=	\$1,590	\$210	\$0	\$0	1,800.00	34,806
TOTAL MATERIAL COSTS					11,623.60	225,407
SATELLITE						
BROADCAST=Cost to broadcast, all inclusive=						
Total cost to broadcast=	\$0	\$0	\$0	\$0	0.00	0
PROCTOR COST=						
Total proctor cost=	\$0	\$0	\$0	\$0	0.00	0
TOTAL SATELLITE COSTS					0.00	0
OTHER OVERHEAD						
OTHER OVERHEAD=Total of unusual or other costs associated with training=						
Total of other overhead costs=	\$1,560	\$0	\$0	\$0		
TOTAL OTHER OVERHEAD COSTS					1,560.00	30,252
TOTAL COST					414,763.39	8,043,357

Table D-2: Estimated FY96 Regional Office C&P Training Costs

Blueprint for Change

Tab 5

Rules and Pension Simplification Team Report



*Implementation Plan for
Reengineering Claims
Processing*

June 1997

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1. Introduction

The VBA's Business Process Reengineering (BPR) business plan incorporated pension simplification as part of its vision for claims processing. The Compensation and Pension (C&P) Service rules team was created to establish the implementation plan for pension simplification. This team was tasked with preparing a legislative proposal to simplify the current pension program. In addition, the rules team has been tasked with analyzing current regulations and their underlying statute to determine what changes are needed to achieve the claims processing vision outlined in VBA's report titled: *Reengineering Claims Processing: A Case for Change*.

To accomplish these tasks, two sub-teams were assembled. The pension sub-team was assigned the responsibility of preparing a fully defined pension simplification proposal. The rules sub-team was assigned the responsibility of identifying any legislative or regulatory changes required to implement the new claims processing vision and also to identify and prioritize any other legislative or regulatory changes needed to improve claims processing.

2. Pension Simplification Summary

2.1 Overview

Business Process Reengineering incorporated pension simplification as an essential part of VBA's new vision for the processing of compensation and pension claims. Pension simplification is seen as the means to provide our customers with predictable, certain, and understandable pension payments while reducing their reporting burdens, greatly reducing the potential for overpayment, reducing the incidence of cross-benefit adjustments which commonly occurs when pensioners are also entitled to other needs-based programs. Finally, we sought to make better use of diminishing VA resources dedicated to this program. Implementation of the pension simplification initiatives will foster an organization which *works better and costs less*.

The team dealt with sometimes conflicting goals of creating a system that is easy to administer and one that benefits veterans. Trying to create such a program without substantial changes to the rate of payment proved to be too difficult. A proposal to pay a flat rate or to use income brackets favor some pensioners at the expense of others. Using prior year income to eliminate dollar-for-dollar adjustments, on the surface, meets the goals but posed an administrative burden to compute the prior year rate for the initial two years after initial or reopened entitlement is established. Also, without the timely availability of income for other Federal agencies, VA could not timely compute the new prior year rate.

The focus of pension simplification moved to those areas in the current program that have built-in inequities. By eliminating these inequities, the pension program becomes easier to understand, more predictable and more certain to claimants. It also becomes a more cost effective program and is easier to administer. The pension simplification proposals outlined below will streamline the pension program while providing consistent and fair benefits to veterans and surviving spouse pensioners.

2.2 Specific Legislative Proposals

Section 306 and Old Law Pension

Proposal 1. Eliminate Income Limitations for Section 306 and Old Law Pension

Proposal 2. Discontinue Hospital Adjustments for Section 306 and Old Law Pension

Disability Determinations

Proposal 3. Presume Permanent and Total Disability at a Designated Age¹

Proposal 4. Presume Permanent and Total Disability for Nursing Home Patients

Proposal 5. Accept Social Security Disability Determinations

Income Determinations

Proposal 6. Build Medical Expense Coverage into Maximum Annual Pension Rate; Provide Medical Expense Exclusion only for Nursing Home Patients

Proposal 7. Build Dependency Allowance into Maximum Annual Pension Rate

Proposal 8. Allow End of the Year Adjustments for Nonrecurring Income Adjustments

Proposal 9. Eliminate the 45 Day Rule for Surviving Spouses

Specific Regulatory/Procedural Changes

Change 1. Allow Extra Scheduler Pension Ratings by Rating Decision-Maker

Change 2. Eliminate Eligibility Verification Reports (EVR) for Pensioners Receiving Federal Annuities and for Pensioners in Medicare Approved Nursing Home

Change 3. Allow Contemporaneous Notice for Information Received from Any Federal Agency or Federal Employee

¹ The age at which a veteran is presumed to be permanently and totally disabled is still under study.

2.3 Grandfathering

Previous pension legislation contained *grandfather* provisions for those on the rolls when new legislation passed. Consequently, we have three pension laws to administer. This pension simplification plan does not embrace a new pension program; only *changes* to the existing pension programs. Since pension entitlement is renewable each year, the revised program must be the only pension program VA administers. To grandfather any provisions of the current labor intensive pension program changed by this proposal will only exacerbate the administrative difficulties that exist now. Pension simplification proposals *must* apply to all recipients of Improved Pension.

2.4 Crucial Proposals

There are three crucial pension simplification initiatives presented in this report. Two require increasing the Maximum Annual Pension Rate: one to include a medical expense allowance and the other to include a dependency allowance for children. The amounts of the increases were calculated to keep the benefit costs of these proposals cost neutral. Pension benefits incorporating these two initiatives would cost the same as pension benefits under the current program. While there are no benefits costs associated with these proposals, there are significant savings in the administration of the pensions program. The third eliminates the current income limitations for all Section 306 and Old Law pension cases. Although there is a cost associated with this proposal, it is small considering the administrative costs associated with continuing to maintain these two pension programs. Without these initiatives, the savings required to support the basic elements of the BPR claims processing visions cannot be realized. The ability of VA to continue to effectively administer three pension programs with fewer resources is of serious concern.

2.5 Risks and Other Issues

Radical change to the current pension program is not necessary to achieving a simpler, more streamlined pension claims process. However, some adjustments are certainly needed to create a more equitable program for pensioners that also requires less maintenance by VA. The pension simplification proposals outlined in this report will help to streamline the program while providing consistent and fair benefits to veterans and surviving spouse pensioners. Without the adoption of the pension simplification proposals, however, more of our available workforce will be devoted to pension processing. As staffing levels decline, pending workloads will increase, affecting our ability to timely process claims for all veterans and beneficiaries.

2.5.1 Available Resources

The ability of VA to effectively administer a pension program with fewer resources is of serious concern. Even with the adoption of this pension simplification plan, it may not be enough given declining resources and new demands on existing personnel.

2.5.2 Medical Coverage by VA

VA provides an opportunity to veteran pensioners which is not readily available to many other people in this country, namely, medical treatment in the most extensive medical care network in the United States. The Veterans' Health Care Eligibility Reform Act of 1996 is moving VA in new and important directions for the future of health care. The concept of one VA should move us further down the path of providing health care to anyone entitled to VA benefits, including spouses and surviving spouses.

2.6 Acknowledgment

The C&P Rules Team would like to thank the staffs of the Cleveland, Columbia, Pittsburgh, and Portland Regional Offices for their assistance and support in the pension data collection effort as well as the Washington Regional Office staff for their help in testing the data collection program. Additionally, we would like to thank Rosemary Siu of the Philadelphia Regional Office for her participation in the special pension sub-team meeting. Finally, we would like to thank the employees at the Cleveland and Detroit Regional Offices who helped with the pension focus group sessions.

3. Rules Simplification Summary

3.1 Overview

The BPR business plan identified a new process for handling compensation and pension claims. Appropriate rules must be in place to support this claims process. Current rules and their underlying statutes were reviewed to determine rule changes needed to support the way VA will now process claims. Pension simplification was also identified as an important part of the new claims processing vision. In addition to legislative proposals to simplify pension presented in a separate section of this report, regulatory changes were identified which would streamline the pension process. The business case identified a need to review and clarify regulations that are vague and/or impede the claims process. Additional regulatory changes were identified based on items identified in the business case, input from field stations, and suggestions from the rule team members.

3.2 Goal of Rule Simplification

- Identify Regulatory Changes Needed to Support the New Claims Processing Vision
- Clarify Vague Regulations
- Identify Rule Changes that Simplify the Claims Process
- Write Regulations in Clear Language

3.3 Benefits of Rule Simplification

- Fair and Predictable Decisions
- Improved Quality of Decisions
- Consistency in Interpretation of VA Regulations
- Regulations that Can Be Understood By VA Employees, the Veteran Community, and Service Organizations
- Simplify Claims Processing

3.4 Rule Changes to Support BPR Vision

As we move to the BPR vision of claims processing, VA must establish or revise regulations to meet the requirements of the Administrative Procedures Act. While this team has outlined a list of rule changes required to support the new claims process, it is not intended as an all-inclusive list. We expect further regulatory changes to be identified as VBA transitions to this new way of doing business. The following list of *rule changes to support the vision* also includes pension regulations that need to be changed to support pension simplification.

Rule Changes to Support Vision

1. Allow Contemporaneous Notice for Information Received from any Federal Agency or Federal Employee
2. Allow Contemporaneous Notice for Self-Reporting via Telephone, Fax, or Other Electronic Means
3. Allow Decision Review Officer to Revise Decisions Based on the Same Evidence
4. Allow Extra-Schedular Pension Ratings by Rating Decision-Maker
5. Allow NSO to Certify DD214
6. Change Method to File Notice of Disagreement or Substantive Appeal
7. Change Method to Withdraw Appeal Issues
8. Eliminate EVRs for Pensioners Receiving Federal Annuities or Who are in a Medicare Approved Nursing Home
9. Eliminate Requirement to File Claim in Writing
10. Establish New Regulations for Post Decision Review Process to Include:
 - Authority of Decision Review Officer

- Request for Clarification or Expression of Dissatisfaction
- Informal Conference

11. Establish New Regulations for Veterans Service Representative

3.5 Rule Changes to Clarify or Simplify Claims Processing

Clarifying regulations identify those rule changes which will result in clarity of VA policy. *Rule changes to simplify the claims process* identify rules that can be revised or eliminated to improve the claims process.

Clarifying Regulations

1. Clarify Individual Unemployability Criteria
2. Clarify Regulation on Findings of Mental Unsoundness in Suicide Cases
3. Define Convalescence for Paragraph 30 Ratings
4. Clarify Regulations on Service Connection by Aggravation of Pre-Service Conditions

Statutory or Regulatory Changes to Simplify Claims Processing

1. Allow Basic Vocational Rehabilitation Eligibility Determination to be Made by VR&C
2. Allow Recognition of Court-Appointed Guardians
3. Establish Entitlement to Clothing Allowance Payment by Rating When Veterans Meet the Requirements of 38 C.F.R. 3.810 (a)(1)
4. In Claims for Apportionment of Compensation or DIC Benefits, Allow Only the Additional Payment for Dependents
5. Increase Estate Limitation in Incompetent Veteran Cases Subject to Reduction
6. Provide for NSC Burial Allowance Payment to Next of Kin (Estate of) When FNOD is Processed

4. Pension Simplification Report

4.1 BPR Business Case

The BPR business plan identified pension simplification as a key element to the success of the new claims processing vision. The business case identified the fact that a disproportionate share of resources are used in activities related to pension maintenance. Assumptions made in the business case revolved around legislative changes that would change the way income is computed

and how it is reported. The business case did not recommend a specific proposal but did outline a number of initiatives worthy of further consideration. They included: elimination of the dollar-for-dollar adjustment; use of prior year's income as the basis for payment; redefinition of the application of medical expenses; redefinition of exclusions to family income; establishment of presumptive entitlement based on age; acceptance of social security determinations for total disability; reliance on the income verification match as the primary program integrity tool; and discontinuance of income verification for section 306 and old law pension.

The BPR Implementation team was tasked with reviewing, in detail, these various proposals to determine which initiatives to include in a legislative proposal. Any *pension simplification* must meet the needs of our veterans and be less costly to administer. There must also be the realization that not every veteran will benefit from proposed changes to the program. This report will outline the results of this analysis. The business case made a major assumption about the availability of income information from links with other Federal agencies. This report will provide the results of additional research into this crucial assumption and the effect it has on the ultimate pension proposal.

5. Current Pension Laws

Pension is a benefit paid to a veteran because of permanent and total nonservice-connected disabilities or to a surviving spouse or child because of a veteran's nonservice-connected death. Basic eligibility is based on wartime service and recipients must meet specific income and net worth limitations.

VA currently administers three pension programs:

- Improved Pension (Public Law 95-588)
- Section 306 pension (Public Law 86-211)
- Old Law pension

5.1 Section 306 and Old Law Pension

The Section 306 and Old Law pension programs are *protected* programs. The last date eligibility could be established for Old Law pension was June 30, 1960, and for Section 306, December 31, 1978. Section 306 or Old Law pensioners receive a *protected* rate provided their income does not exceed the applicable income limit. While the rate of payment was frozen, the income limit is adjusted each year by a cost-of-living adjustment. As long as the beneficiary's income is below this income limitation, no changes are made in the *protected rate* unless there is a loss of a dependent.

As of September 1996, there were 750,000 VA pensioners. About 167,000 were in receipt of Section 306 pension and about 4,100 were in receipt of Old Law pension. The average age of these pensioners is 75. Each of the above laws has different income computation rules and

limits. Although no change can be made to the rate of payment under these program, each recipient must renew eligibility each year. Over 57,000 EVRs were sent to these elderly recipients in December, 1996. Moreover, over 100,000 reminder notices were sent to these recipients asking if there had been any significant changes in entitlement factors.

Under the provisions of 38 C.F.R. 3.551, veterans in receipt of pension benefits under Section 306 and Old Law who have neither a spouse nor dependent child(ren) are subject to reduction of their monthly pension benefits when they have been hospitalized at VA expense for two full calendar months. In 1990, this requirement was eliminated by regulation for Improved Pension veterans.

5.2 Improved Pension

Anyone who currently files a claim for pension must qualify under the Improved Pension program. When entitlement to Improved Pension is established, VA awards benefits which bring the pensioner's total income up to an established support level. A veteran must be unable to secure and follow substantially gainful employment because of a disability or disabilities which are likely to be of a permanent nature and not the result of his or her own willful misconduct. In addition, the veteran's annual income cannot exceed an established Maximum Annual Pension Rate (MAPR). Likewise, pension is not payable to those who have assets (e.g., the value of real estate not the claimant's single family dwelling, value of personal property, cash, stocks, bonds, bank accounts) that can be used to provide adequate maintenance.

Improved Death Pension is a needs-based benefit payable to surviving spouses and unmarried children of deceased veterans with wartime service. The survivor's annual income cannot exceed an established Maximum Annual Pension Rate (MAPR) and pension benefits are not payable to those who have assets that can be used to provide adequate maintenance. It should be noted that the maximum current pension payment for a surviving spouse is more than \$2,000 below the poverty level for a single person, currently designated as \$7,763.

5.3 Disability Determination

Under the Improved Pension program, a rating decision is required in every case to establish eligibility based on a permanent and total disability. This is true regardless of the veteran's age and disabilities. For example, although need for regular aid and attendance is conceded based on nursing home patient status, the basic decision as to permanent and total disability itself still is dependent on a rating decision. Medical evidence, often including an examination at a VA facility, is required in every case.

5.4 Income Determinations

The current pension program was designed to ensure claimants a minimum income level each year, referred to as the Maximum Annual Pension Rate (MAPR). Claimants whose income from all sources exceeds this MAPR are not entitled to pension. This pension program is based upon a theory that for each dollar of income there will be a corresponding reduction in the amount

of VA pension paid. Determination of the rate payable under the Improved Pension program involves two critical elements: (1) the Maximum Annual Pension Rate (MAPR) and (2) the Income for VA Purposes (IVAP). The rate payable for any given month is determined by subtracting IVAP from the MAPR and dividing by 12.

The MAPR varies with the claimant's status. There is a different MAPR if the veteran is rated housebound (HB) or in need of Aid & Attendance (A&A). The MAPR is increased for each established dependent and, in the case of veterans only, the MAPR is increased if the veteran had WWI or Mexican Border Period service. Surviving spouse MAPRs are increased for special monthly pension (HB and A&A) and for children.

The IVAP is determined by adding together all countable income and subtracting deductible expenses. Most income is countable under the Improved Pension program although there are certain types of income that are not included in a claimant's countable income, such as welfare or profits from sale of property. There are two general types of deductible expenses -- those that are deducted from specific income (e.g., business expenses which can only be deducted from business income) and the more common types of deductible expenses (medical expenses and expenses of last illness and burial) which can be offset against any type of income.

If there is a change in a claimant's countable income, the IVAP and the rate of VA pension payable is usually adjusted as of the first of the month after the change in income. However, if the type of income is subject to frequent fluctuation (such as interest or odd job income), the adjustment is normally made as of the beginning of the calendar year based on the total amount of income received from that source during the calendar year. If the claimant is receiving pension, receipt of additional income will result in an overpayment unless an immediate report of the income is provided to VA and VA immediately adjusts the pension award.

5.4.1 45 Day Rule

The current pension program provides an effective date for death pension benefits which is the first day of the month in which the veteran's death occurred, if the claim is received within 45 days after the date of death; otherwise the date of receipt of the claim. If a surviving spouse does not file a claim within the first 45 days, any income received during the period between the date of the veteran's death and the date the claim is received by VA is not used to compute the Income for VA Purposes (IVAP). As a result, those surviving spouses who are better informed regarding VA income computation requirements are able to "shelter" income (usually life insurance proceeds) by filing their claims after the 45-day period has elapsed.

5.4.2 Income for Dependents

The effect of dependents on a claimant's rate under the current pension program is often unpredictable. The addition of a dependent may cause the pension rate to increase or decrease, depending on the interplay of several variables. One of the more common examples of this phenomenon is where an estranged spouse is awarded an apportionment of a veteran's pension and subsequently gets a job or acquires income from some source in excess of the additional

MAPR for a spouse. Since this income must be used in determining the veteran's IVAP, the veteran's pension may be reduced or terminated due to circumstances over which the veteran has no control and of which the veteran probably has no knowledge. A claimant's dependency situation affects both of the major determinants of the rate payable—Maximum Annual Pension rate (MAPR) and Income for VA Purposes (IVAP).

Effect on MAPR

The number of established dependents is one of the status factors that determines the applicable MAPR. For example, the MAPR for a veteran without dependents is \$8,486. If the veteran has a spouse or child, the MAPR increases to \$11,115. The MAPR is increased for each additional child.

If a veteran and spouse live in the same household or if they live apart but are not estranged, the veteran's MAPR will be increased because of the spouse. If the veteran and spouse are estranged but the veteran nonetheless makes "reasonable support contributions" to the spouse, the veteran's MAPR will be increased because of the spouse. The only time the veteran's MAPR is not increased because of the existence of a spouse is when they are estranged and the veteran does not provide the estranged spouse with "reasonable support contributions." The regulations do not define what constitutes "estrangement" or what constitutes "reasonable support contributions."

A veteran's MAPR is increased for each established child in the veteran's legal custody and for each established child who is not in the veteran's legal custody if the veteran is "reasonably contributing" to the child's support. The regulations do not define what is considered "reasonably contributing" to the child's support. However, the regulations (38 C.F.R. 3.57(d)) do state that custody of a child shall be considered to rest with a veteran or surviving spouse "if that person has the legal right to exercise parental control and responsibility for the welfare and care of the child." Therefore, a veteran's MAPR will be increased for a child who is not in the veteran's actual custody and who receives no support from the veteran as long as there has been no legal action terminating the veteran's right to "exercise parental control and responsibility for the welfare and care of the child."

A spouse or child who is not living with a veteran and to whose support the veteran is not reasonably contributing may file for an apportionment of the veteran's pension. When this happens, Adjudication employees must write to both the veteran and the apportionment claimant requesting complete information about their income, assets, and living expenses. At the same time, a future withholding of the veteran's benefits is established for 60 days from the first of the month after the month during which the letters are released. When responses are received from both the veteran and apportionment claimant, an apportionment decision is made and both parties are notified of the decision. In the event of a favorable decision, an award is established for the apportionment claimant and the veteran's award is adjusted. If either party disagrees with the decision, contested claim procedures must be applied. The apportionment issue may be revived by either party whenever there is a change in either party's circumstances. Each revisitation of the

issue requires new development and a new appealable apportionment determination. Similar procedures apply where a child files for an apportionment of a surviving spouse's pension.

Effect on IVAP

The basic rule is that countable income of established dependents is included in the IVAP. Therefore, the addition of a dependent increases the rate only if the dependent's countable income is less than the amount by which the MAPR is increased because of that dependent. If the dependent's countable income exceeds the amount by which the MAPR is increased for the dependent, the addition of the dependent actually lowers the rate of pension.

If a veteran and spouse live in the same household or if they live apart but are not estranged, the spouse's income is included in determining the veteran's rate of pension. If the veteran and spouse are estranged but the veteran nonetheless makes "reasonable support contributions" to the spouse, the spouse's income is included in determining the veteran's rate of pension. The only time the spouse's income is not included in determining the veteran's rate of pension is when they are estranged and the veteran does not provide the estranged spouse with "reasonable support contributions."

Although the basic rule is that a dependent's countable income is included when determining income for payment purposes, the dependent's income can be offset by the deductible expenses such as family Unreimbursed Medical Expenses (UME) and expenses of last illness and burial. In addition, there are several income exclusions that are unique to children's income. One such exclusion removes from consideration the amount of a child's earned income that equals the amount of gross income for which a Federal income tax return must be filed by an individual who is not married, not a surviving spouse, and not a head of household. Another exclusion removes from consideration the amount of a child's earned income that equals the amount paid by the child for tuition, fees, books, and materials, if the child is pursuing a course of postsecondary education or vocational rehabilitation or training.

A third exclusion removes from consideration the amount of a child's income (earned or unearned) if VA determines that it would cause a "hardship" to count the child's income. The regulations state that hardship shall be held to exist when annual expenses necessary for reasonable family maintenance exceed the sum of countable annual family income plus any VA pension entitlement. In order to make this determination, VA claims examiners must develop for all of a family's expenses (e.g., rent, food, entertainment, clothing, etc.) and compare the amount of these expenses with countable income plus VA pension entitlement. The amount by which annual expenses necessary for reasonable family maintenance exceeds the sum of countable annual family income plus VA pension entitlement can then be deducted from children's income.

Finally, even if a child's income is not excludable under any of the provisions mentioned above, it still might not be counted in determining the veteran's or surviving spouse's IVAP if it is determined not to be "reasonably available" to or for the veteran or surviving spouse. VA regulations state that "a child's income shall be considered 'reasonably available' when it can be readily applied to meet the veteran's or surviving spouse's expenses necessary for reasonable

family maintenance." The regulations go on to state that "expenses necessary for reasonable family maintenance" include expenses for basic necessities (such as food, clothing, shelter, etc.) and other expenses, determined on a case-by-case basis, which are necessary to support a reasonable quality of life." This results in unequal treatment between pensioners with children living in the household and pensioners with children not living in the household.

5.5 Unreimbursed Medical Expenses (UME)

Under the provisions of the current pension law, veterans and surviving spouses are entitled to reimbursement of medical expenses which they have paid and have not been reimbursed from any source. Applications for reimbursement are generally filed by the claimants at the end of the calendar year in connection with the annual Eligibility Verification Reports (EVR). If claimants do not receive an EVR because they met one of the discretionary categories, they file a separate application. Receipts for these claimed expenses are not required in order to receive this reimbursement. However, based upon a recommendation by the Office of the Inspector General, periodic reviews of a randomly selected number of these claims are now required. If a claimant's record is selected for review, receipts are requested and reviewed with the amounts claimed. Therefore, receipts must be maintained by claimants, even though chances are that they will not be required. Even with the receipts, VA has no way of verifying whether or not the claimed expenses were reimbursed by another source such as a private health insurance plan. Further, if claimants do not receive an EVR because they met one of the discretionary categories, filing an application for Unreimbursed Medical Expense (UME) reimbursement results in a request for income verification, thus negating the savings of not sending EVRs in discretionary cases.

Claimed Unreimbursed Medical Expenses which exceed 5% of the MAPR are reimbursed by deducting them from the IVAP upon which benefits were paid for that calendar year. Claimants with no countable income cannot be reimbursed for medical expenses they paid during the year, as there is no IVAP from which to deduct the expenses. This results in an inequity in the payment of these benefits which hurts the most financially disadvantaged veterans. In addition, those claimants whose income exceeded the MAPR may apply for consideration of UME reimbursement in order to reduce their IVAP, thus entitling them to reimbursement of medical expenses. Again, the theory behind the current pension program is that all claimants are guaranteed a specific income level throughout the year. The dollar-for-dollar adjustments called for in the law help to make this possible. However, the way UMEs are currently considered reduces the equitability of this law.

The current pension program also provides a higher income level for the most seriously disabled pensioners; those who are housebound or are in need of aid and attendance. Each of these categories is established based upon an assumption that, due to their increased level of disability, their claimed monthly medical expenses will be higher. Additional benefits are already paid in these cases to insure an acceptable standard of living throughout the year. However, these pensioners can also request further benefits based on a claim for unreimbursed medical expenses.

5.6 Income Reporting

5.6.1 Eligibility Verification Report (EVR)

A beneficiary must notify VA of any change or expected change in his or her income or other circumstances which would affect their entitlement to pension or the rate of that benefit. Such notice must be furnished when the pensioner becomes aware that income will change or when marital or dependency status changes.

For the most part, VA relies on claimant self-reporting for the information needed to determine countable income and deductible expenses. Claimants are advised when they come on the pension rolls that they are required to notify VA of income and dependency changes and they are reminded of this obligation at least twice annually. In addition, certain beneficiaries receive an annual EVR.

VA uses the EVR to verify the continued entitlement of pension recipients. The Secretary has discretionary authority with regard to requiring annual EVRs. Currently, EVRs are required for Improved Pension cases in three instances:

- When the social security number of a beneficiary or his/her spouse has not been verified by the Social Security Administration
- When the beneficiary receives income other than Social Security
- When VA determines that submission of an EVR is necessary to preserve program integrity

5.6.2 Information from Other Federal Agencies

On a regular basis, VA receives information from several Federal agencies concerning the status of VA beneficiaries. Once a year VA receives the Social Security Administration (SSA) Social Security (SS) payment data for each pensioner. This is done concurrently with the cost-of-living adjustment (COLA) processing so that the SSA furnishes VA payment data that has been increased by the COLA percentage. VA also matches against Internal Revenue Service (IRS) unearned income records, which includes retirement income and Social Security Administration (SSA) earned income records. This match compares income reported to VA by pension recipients with IRS and SSA income records.

VA pension cases are also matched annually with Office of Personnel Management (OPM) records of persons receiving Civil Service Annuity (CSA) and Railroad Retirement Board (RRB) records of people receiving Railroad Retirement (RR) benefits. The information derived from these matches is used as a basis for adjusting VA benefit payments. COLAs for these benefits are received at a different time than VA and SSA COLAs.

Due to current due process requirements, VA must send a 60-day notification letter to pensioners receiving a Federal benefits advising them of the information that was received and

that it will result in a reduction in benefits. The pensioner must be allowed a 60-period to show why their benefits should not be reduced. At the end of the 60 days, benefits are reduced effective the first of the month after the increased Federal annuity is received, creating an overpayment.

5.7 Contemporaneous Notice

VA regulations require a 60-day pretermination/reduction notice when a pension benefit is subject to reduction or termination unless written, factual, unambiguous information as to income, net worth, dependency or marital status is submitted by the beneficiary. Since the exception requires that all communication be in writing, beneficiaries who call local offices to report an increase in income or reduction in dependency status are asked to submit written notification. This requires additional effort on the part of the beneficiary and delays adjustments which increases the amount of overpayment.

5.8 Example of Current System

Under the current system, there exists the possibility that there will be multiple adjustments to the monthly pension rate throughout the year. This renders the system neither understandable nor predictable. The following example illustrates this point.

- A veteran has a monthly annuity income from Civil Service (CSA), a small monthly private pension and yearly income from a small savings account. He pays monthly medical expenses, including a premium for health insurance.
- In April, the veteran's CSA is increased due to a annual cost-of-living adjustment. The Regional Office (RO) is notified of this increase through a matching program. Under due process requirements, a letter is sent to the veteran notifying him that VA has been informed of this change in income and that his VA pension will be adjusted downward effective May 1, to reflect this increase in income. The veteran is advised that he has 60 days from the date of the letter (April 15) to respond if the rates provided for the CSA are incorrect. Since no reply was received by June 15, the amount of VA pension is retroactively reduced effective May 1, thus resulting in at least a two-month overpayment. The cumulative overpayment is automatically deducted from the check the veteran receives in July.
- In August, the veteran notifies VA that he received a small inheritance in June. The amount is not large enough to terminate his eligibility to pension, but does require an adjustment in the pension rate effective the first day of the month following the month in which the income was received. In August, an adjustment is made to reduce the monthly rate of pension effective July 1, which results in an overpayment. The amount of the overpayment is automatically recouped in the September check. In September, the veteran applies for a waiver of the overpayment, stating that he can't afford to repay it. The Committee on Waivers determines that additional information is necessary and begins development on the waiver claim. Based upon information obtained from the veteran and because the showing of hardship is a criteria for granting relief, the veteran's claim for

waiver of the overpayment is granted. A check for the amount of benefits withheld in September is issued to the veteran.

- In January, the veteran's Eligibility Verification Report (EVR) is received. At this time he indicates an increase in the amount of interest income received during the past year and claims as his medical expenses the amount of the monthly health insurance premiums. The premiums are less than the 5% deductible for Unusual Medical Expenses. The veteran's benefits are adjusted to reflect the change in interest income resulting in an overpayment in the account which is recouped from the next monthly check. Several weeks later the veteran files a claim for reimbursement of medical expenses stating that his private insurer has not reimbursed him for these additional expenses during the preceding year. As the amount claimed now exceeds the 5% deductible, the veteran's benefits are adjusted again to reflect a lower Income for VA Purposes (IVAP) for the preceding year and a check for retroactive benefits equal to the countable medical expenses is issued.

The award adjustments required in this case include four different income computations and six different pension check amounts for a 13 month period. In addition, the veteran received two checks for retroactive benefits, neither of which he could rely upon, either as to amount or entitlement. Obviously, this veteran's pension benefits are neither predictable nor certain, and are very difficult to understand.

6. Pension Approach and Alternatives

6.1 Approach

The goals of Pension Simplification are:

- Ensure reliability/verifiability of payments
- Establish understandable rules of entitlement and eligibility
- Make the payment predictable
- Reduce administrative costs
- Reduce overpayments
- Reduce reporting burden for elderly/disabled beneficiaries

To gather perspective and data on the possible *reform* alternatives available, information from the following sources was gathered and analyzed:

- **Adjudication Commission Report** and its recommendations pertaining to pension reform
- **Business Process Reengineering--A Case for Change**

- Cost projections
- Data collected by four regional offices during a three-week period to obtain information about the award adjustments based on EVRs and UME claims
- Data runs from the BDN. Information included: continuing medical expenses, income sources and amounts, dependency information, and special monthly pension information
- Focus group results from veterans and widows receiving pension
- IG and GAO reports on overpayments
- Legislative history of VAs three pension programs
- Recommendations from previous task force on pension reform
- Statistical information on the number of beneficiaries, amount of pension benefits paid, and number of pension claims processed
- Subject matter experts from the C&P Service and from four Regional Offices

6.2 Alternatives Considered

6.2.1 Flat Rate

This proposal simply pays everyone who meets disability and income criteria the same basic rate. The basic rate payable could be augmented if the recipient is in need of Aid and Attendance or Housebound benefits. Medical expenses are not a factor. The program could be designed to save money, to be revenue neutral or to pay more in monthly benefits than VA is paying now. The only adjustment that would be required is when income from all sources exceeds the limit established by legislation. Income updates would merely consist of data entry with no award adjustments required. *A single and a married rate* would be set at a flat rate depending on marital status. This approach discounts varying degrees of need. Income can be verified as currently required.

This proposal was not adopted because different levels of income or resources are disregarded. The poorest would be paid the same amount as someone with other additional sources of income. Too many veterans would be disadvantaged using this approach.

6.2.2 Income Bracketing

This option provides for predictability of benefits and pays pension at the same rate established for the income bracket. This approach requires less maintenance work than the current system and does not penalize needy beneficiaries if some additional income is received, unless that income moves them to another bracket. Rates of payment presume that all pension

beneficiaries have medical expenses. Those who are more seriously disabled are paid at a higher rate. A separate rate could also be established for nursing home patients. The program could be designed so that income fluctuations that put a beneficiary into another bracket could be delayed to the first of the following year.

This proposal was not adopted for reasons similar to the flat rate proposal. The flat rate in each bracket can advantage some veterans at the expense of those in more need. Moreover, those close to the bracket limit would have their monthly rate substantially reduced if income changes force movement into the next income bracket.

6.2.3 Received Year

This option uses all income received and unreimbursed medical expenses incurred during the prior year as the basis for payment. Overpayments are substantially reduced because payments for the succeeding year are based on what was actually *received* the prior year. A monthly rate is therefore predictable for twelve months. Income changes reported on EVRs and IVM could still result in an overpayment, but the amount of the overpayment could be significantly less than under the current system. A VA Inspector General (IG) report showed that the average delay in reporting income changes is *five* months. This method doesn't require the prompt submission and prompt adjustment of slight income changes that frequently occur throughout the year. This option, unless special rules were adopted, also requires delaying Social Security COLA adjustments for one year. Also, if income falls during the year an increased rate of pension is delayed until the first of the following year.

Despite its many benefits, a major hurdle that this option could not overcome was the structuring of payments for those initially put on the rolls. Over two years of income history are required before payments can be reasonably structured on a *received* year basis. Moreover, reopened claims pose a similar problem before a true received year can be established for payment purposes. This proposal relies on the ability of VA to recompute in a timely manner the prior year income amount based on electronic information furnished by other Federal agencies. As this probability is remote, VA would still be required to recompute income based on existing methods.

In the end, this proposal was not adopted because of the administrative burden the establishment of the prior year income amount in original and reopened claims posed.

6.2.4 Have Social Security Administer Pension for VA

The Adjudication Commission recommended that the Social Security Administration (SSA) and VA explore means to standardize the definitions of total disability. The Commission recommended that Congress clearly define the purpose of the veterans pension programs so that the future role and administration of pension programs can be assessed across the landscape of social programs available to needy persons. This concept envisions a *kicker* to be added to the retirement, disability or Supplemental Security Income (SSI) benefits for a disabled veteran or needy surviving spouse. The *kicker* could be designed to be at less benefit cost than now, to be revenue neutral or to be more generous than currently authorized. This proposal could equalize

and standardize SSI and VA income requirements for need-based programs. SSI is not designed to require adjustment with each dollar income change but does offset certain amounts of income received from other government sources.

This proposal was not adopted because there did not appear to be a clear advantage to veterans to move VA pension processing to the Social Security Administration.

6.2.5 Conclusion

All of the above options are more understandable for claimants. Payments are more predictable. Overpayments are substantially reduced. Reporting burdens for the claimants are lessened. Administration of the program becomes easier and less labor intensive. However, the first two options do not provide equitable pension benefits to veterans based on actual financial need. Dollar-for-dollar adjustments are fair but very expensive to administer. Basing payments on expected income virtually guarantees overpayments. Experience over the years has shown that recipients don't report income changes in a timely manner. Hence, they are often overpaid because of tardy reporting. Also, because of the volume of other pending claims, adjustments are not always timely.

7. The New Program

The pension simplification proposal described in this section will result in a more streamlined pension program that will better serve our veterans and their dependents. The medical eligibility portion of pension entitlement will be eased with the acceptance of social security disability determination, presumptive permanent and total (P&T) disability at a designated age² and presumption (P&T) due to nursing home patient status. The Maximum Annual Pension Rate (MAPR) will be increased to provide additional benefits for medical expenses and dependents. This will provide each pensioner with more available income each month. Pension maintenance workload will be reduced by the elimination of unreimbursed medical expense adjustments and dependency adjustments. Income reporting burdens are reduced by eliminating eligibility verification reports to pensioners receiving civil service annuity, railroad retirement and those pensioners in Medicare nursing homes. Pension recipients under the Old Law and Section 306 programs will be allowed to receive their benefits without change until their death or the surviving spouse or child marries.

This proposal does not advocate creating a new pension program. It proposes certain revisions to the Improved Pension program which will simplify the program and eliminate many of its more burdensome features. The proposal contemplates that the provisions of the revised program would be effective for all Improved Pension recipients on the rolls as of the effective date of the change. Since some of the proposed changes require legislation and some require only regulatory changes, it is likely that different provisions of the initiative package will have different effective dates.

² The age at which a veteran is presumed to be permanently and totally disabled is still under study.

The proposed revisions do not require new computer systems nor do they require extensive reprogramming of existing systems. We estimate that all required systems and procedural changes could be made within six months of the date that the necessary legislative and regulatory changes are made.

7.1 Section 306 and Old Law Pension

Pension recipients under the Section 306 and Old Law programs will be allowed to receive their benefits without change until their death. The only exceptions will be that marriage would result in loss of entitlement for a surviving spouse or child and election of another VA benefit would result in loss of protection. Implementation of this change will mean that Eligibility Verification Reports (EVRs) for Section 306 and Old Law are eliminated and that these beneficiaries are excluded from all matching programs. Pensioners will have no obligation to report any changes in entitlement factors to VA except marriage for surviving spouse and child payees.

Benefits for Section 306 and Old Law pension will no longer be reduced based on hospitalization by VA. This will remove the inequity that exists in the law and make all veterans receiving pension subject to the same rules when hospitalized by VA. A legislative change is required to remove this inequity. This will provide Section 306 and Old Law pensioners with an equitable and consistent monthly benefit so that they can maintain their residences and other financial obligations during periods of hospitalization. This will also reduce VA's administrative costs associated with this activity.

7.2 Disability Determinations

Under the revised pension program, a veteran who reaches a designated³ age will not be required to submit medical evidence of disability or undergo physical examination. VA will assume such a veteran is entitled to pension as long as income is within applicable limits. VA will accept a Social Security Administration determination that a veteran is permanently and totally disabled and a veteran of any age who is a nursing home patient will be presumed to be permanently and totally disabled. All pension rating decisions will be the responsibility of the rating decision-maker. These changes will result in an easier application process for veterans filing for pension benefits, reduce their reporting needs and eliminate the need for VA examinations. These changes will ultimately expedite the payment of pension to our neediest veterans.

7.3 Unreimbursed Medical Expenses (UME)

A simpler, more equitable system for addressing medical expense needs of pensions is envisioned in this plan. No longer will pensioners be treated differently because of their income.

³ The age at which veterans are presumed to be permanently and totally disabled is still under study.

Today, pensioners with no countable income for VA purposes have no income to offset their expenses. On the other hand, pensioners with other sources of income are reimbursed for paid medical expenses. The current system provides for unequal treatment to the most disadvantaged.

The new plan recognizes that all pensioners have medical expenses but at the same time recognizes that VA has created a pension rate structure that accounts for our more disabled recipients. A higher income limit has been established for pensioners considered housebound or in need of regular aid and attendance. Equally as important is the fact that our veteran pensioners have access to the largest health care system in the country and can avail themselves of this medical care and prescription medication.

Under this plan, a one-time addition will be made to the Maximum Annual Pension Rates (MAPR) for veterans and surviving spouses. This increase is based on the amount of benefit VA currently makes for unreimbursed medical expenses. Thereafter, the annual cost-of-living adjustments (COLA) will account for necessary increases. This plan provides pensioners with more available money each month to handle their financial needs including medical expenses. It also encourages use of VA as the primary health care provider. It eliminates reporting burdens of submitting a separate claim each year for reimbursement. This new way of addressing medical expense needs eliminates one of the major defects of the current program; namely, VA's inability to verify whether the claimed medical expense was reimbursed by a private source.

The plan does recognize that our pensioners who are patients in nursing homes have exceptional expenses associated with that care. For this reason, pensioners in nursing homes due to disability will be eligible for a dollar-for-dollar reduction in their countable income based upon these nursing home expenses.

7.4 Income Determinations

The pension simplification plan will build a dependency allowance into the pension rate structure and eliminate the various Maximum Annual Pension Rates (MAPR) used for dependent children. Cost-of-living adjustments will ensure this dependency allowance keeps current with the economic environment of the country. This will result in a simpler rate structure and reduced reporting requirements for pensioners. No longer will pensioners be disadvantaged because a child has income nor awarded additional benefits for dependents for whom the pensioner does not provide support. The income of an estranged spouse will not longer be used against the veterans. Pension payments will only be affected by the income of veterans and that of their spouse or the income of a surviving spouse.

A veteran's basic Maximum Annual Pension Rate (MAPR) will be determined solely by the veteran's disability status and whether the veteran's spouse was established as a dependent. However, additional MAPR "add-ons" for World War I and Mexican Border Period veterans will continue, as will the special MAPR for veterans married to veterans. A surviving spouse's MAPR will be determined solely by his or her disability status.

Under the proposed reform, the only possible Improved Pension dependent would be a spouse who resides in the same household as the veteran or who is separated from the veteran solely because one of the spouses is institutionalized for medical reasons (e.g., a nursing home patient). VA would not increase the MAPR for out-of-household spouses or any children. Likewise, VA would not count the income of an out-of-household spouse or any child in determining the claimant's income for VA purposes. Pensioners would get increased benefits because of the increase to the MAPR. In addition, they would no longer have to report child income, dependency changes or school attendance information. Their pension payments would only be affected by their income and that of their spouse. The complex rules that govern current payments for dependents will be eliminated. VA will no longer require invasive information about the domestic situations of pensioners. We will simply request information to establish a spouse and any income of that spouse.

Under the proposed revision of the pension program, nonrecurring income will still be counted for a full 12 months but VA would defer counting this income until the first of the calendar year after the calendar year during which the income was received.

The "45 day rule" will be eliminated. A surviving spouse's effective date will always relate to the first of the month of the veteran's death if the original death pension claim was received within one year of the veteran's death.

The vast majority of pension overpayments result from pensioners' failure to promptly and accurately report changes in entitlement factors. A major focus of the new claims process vision is *partnership* between veterans, their representatives and VA. This partnership requires VA to provide our pensioners with a clear understanding of how the program works and what their responsibility is to that program. As our pensioners become better informed, understand their role in how pension benefits are paid, and have easier access to VA to report changes, the number of overpayments will decrease. Also, as VA continues to pursue more efficient ways to use electronic information from other Federal agencies, we will reduce the incidents of overpayments and improve our service to our pensioners.

7.5 Income Reporting

Public Law 103-271 gave the Secretary discretion in requiring annual EVRs. This discretionary authority will be extended to eliminate EVR's for VA pensioners whose only income is a matchable Federal benefit. In addition, pensioners in Medicare nursing homes will also be exempted from the EVR process.

Pensioners in receipt of Federal benefits matched with VA will have their VA pension rate adjusted automatically at the time of their annuity COLA adjustment. VA will give contemporaneous notice of pension reductions where the reduction was based on information furnished by the claimant, the claimant's representative, or where the information was furnished by a VA employee or another Federal agency. Pretermination/reduction notice will still be given prior to reduction in other situations. This will avoid overpayments to pensioners who are in receipt of Federal benefits.

The contemporaneous reduction exception in VA regulations should also be amended to eliminate the requirement that information regarding income change or dependency reduction received from the beneficiary or fiduciary be in writing. This will allow telephone notification of changes. The result will be less of a burden for the beneficiary and a reduced incidents of overpayment.

7.6 Long Term Strategy - Hybrid EVR/IVM

A goal of pension simplification is to eliminate the need for EVRs from the Improved Pension program and use the Income Verification Match (IVM) as the primary tool for monitoring program integrity. Unfortunately, VA needs unearned income information from IRS and earned income from SSA early in the calendar year, following the tax year the income was received.

Obstacle

SSA earned income information from employers is received on a piecemeal basis. Only approximately 50 percent of earned income information for the previous tax year is of record with SSA in July of the following year. By November of the calendar year following the tax year, 90 percent of the earned income information is of record.

IRS indicates that they start building their "Information Return File" from data provided by unearned income payers in February following the tax year. The database of unearned income information is NOT available until July and then it is only approximately 80 percent complete. IRS continues to build the database until December of the year following the tax year. At that time they consider the file complete.

Solution

IRS and SSA must have improved or upgraded information technology systems in order to allow VA to obtain information about unearned and earned income shortly after the tax year ends. Once this happens, VA can eliminate the EVR process and rely on the Income Verification Match (IVM) as the primary program integrity tool for the Improved Pension program.

7.7 Example of New System

Using the previous example in section 5.8:

- A veteran has a monthly annuity income from Civil Service (CSA), a small monthly private pension and yearly income from a small savings account. He pays monthly medical expenses, including a premium for health insurance.
- In April, the CSA is increased due to a yearly cost-of-living adjustment. Under the new pension provisions an adjustment has already been made in the veteran's pension benefits

and notification has been sent regarding the new monthly pension rate effective 5-1-97. No overpayment is created. The letter to the veteran has informed him that if the rate is incorrect the Regional Office should be notified immediately. The veteran is also informed of appellate rights.

- In August, the veteran notified VA that he received a small inheritance in June. The amount is not large enough to terminate his eligibility to pension. The veteran's award is adjusted effective January 1 of the following year to include this additional income. The veteran is notified of the adjustment in his pension rate for the following year. No overpayment is created.
- In January, the veteran's Eligibility Verification Report (EVR) is received. At this time he indicates an increase in the amount of interest income received during the past year. Benefits for the current year are adjusted to show this increase in interest income. A slight overpayment is created and the veteran is notified of his appellate rights.

Using this example, the veteran's award will reflect adjustments on January 1, May 1, and January 1, with monthly rate changes in those months only. Benefits are thus predictable and consistent, and the program is far easier to understand. In addition, pension benefits now have a built in amount for medical expenses to provide the veteran with extra income to use toward medical expenses as they occurred rather than waiting for reimbursement.

8. Rules Simplification Plan

8.1 Rule Change Categories

In connection with the establishment of the BPR claims processing vision, either at the lab sites or at any VA location where claims are processed, all procedures intended to apply are required to be promulgated in the Federal Register. This is mandated by the Administrative Procedures Act (5 U.S.C 551 et seq.). Although the rule changes listed in this report are required to support the new claims processing vision, it is not intended as an all-inclusive list. We expect further regulatory changes to be identified as VBA transitions to this new way of processing claims.

The rules simplification implementation plan separates rule changes into two categories. The first category identifies legislative or regulatory changes that need to be made to support the new claims processing vision. Pension simplification regulatory changes that do not require

legislative approval are included here. The second category includes legislative or regulatory changes that would clarify existing VA policy or enhance or simplify the claims process. Many of these issues were identified in the BPR business plan while others were identified by field station input.

8.2 Detailed List of Rule Changes to Support Vision

Criteria	Current Rule	Type Change	What change is needed
None	Decision Review Officer. There are no existing regulations that outline the authority of Decision Review Officer.	Regulatory	Write a regulation(s) outlining the authority of the Decision Review Officer to include (but not limited to) Difference of Opinion, and post decision hearing.
38 C.F.R. 3.277(c)	Eligibility Verification Report (EVR). The Secretary has discretionary authority with regard to requiring annual EVRs. Currently, EVRs are not required for pensioners with no income or who have only social security income.	Regulatory	On an annual basis, VA pension cases are also matched with OPM records of persons receiving CSA and Railroad Retirement Board (RRB) records of people receiving RR benefits. Expand the discretionary EVR authority to include these Federal annuities and pensioners in a Medicare nursing home.
38 C.F.R. 3.321(b)(2)	Extra-Schedular Pension. Currently, veterans who do not meet the basic disability requirements for pension may still establish basic entitlement if the evidence shows they are unemployable by reason of disability, age, occupational background and other related factors. Such ratings are prepared by the rating decisions maker but must be approved by the Adjudication Officer.	Regulatory	Allow extra-schedular pension decisions to be made by rating decision maker. This can be accomplished by amending 38 C.F.R. 3.321(b)(2) to delete reference to the Adjudication Officer and to expand the authority to rating personnel to approve extra-schedular permanent and total disability ratings.
38 C.F.R. 3.104 & 3.105(b)	Finality of Decision. Decision is final and binding and not subject to revision on the same factual basis except by duly constituted appellate authority or except as provided by 38 C.F.R. 3.105.	Regulatory	Change regulations to allow difference of opinion authority to certain field personnel. (Note: regulatory changes are in progress.)
None	Informal Conference. There are no existing regulations for an informal conference.	Regulatory	Write regulations to outline an informal conference process.
38 C.F.R. 3.103(b)(3)	Information Provided by Other Federal Agencies. Currently, in order to satisfy due process requirements contained in 38 C.F.R. 3.103(b)(2), VA must send out a 60-day pretermination/reduction notice to VA pensioners who are in receipt of Federal annuities for which VA has a matching program in order to advise them that the increase to their annuity will result in a reduction or termination of benefits.	Regulatory	VA regulations need to be revised to include additional exceptions which would allow contemporaneous notice and reduction where the source of the information is a Federal agency or Federal employee. Pretermination/reduction notices would only be required where the source of the information was a third party who was not a Federal employee.
38 C.F.R. 20.200, 20.201	Method to File a Notice of Disagreement. A notice of disagreement must be received in writing.	Regulatory	Liberalize regulation to allow a notice of disagreement to be received in writing, by telephone or by other electronic means.
38 C.F.R. 3.1(p)	Method to File Claim. Current regulations require a formal or informal communication in writing requesting a determination of entitlement or evidencing a belief in entitlement to a benefit.	Regulatory	Eliminate the requirement that the claimant file a claim in writing. This can be accomplished by deleting the last two sentences of the current regulation.

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Criteria	Current Rule	Type Change	What change is needed
38 C.F.R. 3.103	Pretermination/Reduction Notice. Currently, VA regulations provide that before contemporaneous notice can be used, the information must be written, factual and unambiguous.	Regulatory	Change the regulation to accept contemporaneous notice in any instance where the information is provided by the claimant. This can be accomplished by amending 38 C.F.R. 3.103(b)(3)(i) to remove the requirement that notice be provided to VA in writing. These changes will allow benefit adjustments to be made more timely, reducing the number of debts. It will eliminate confusion to claimants who are often bothered by the fact that information they have reported to VA has not been acted upon and require some other action on their part. Changing this requirement will lead to improved customer service.
38 C.F.R. 3.203	Proof of Service. A copy of an original document is acceptable if the copy was issued by the Service Department or if a copy is certified as a true copy by a public custodian of records.	Regulatory	Expand this to allow National Service Organizations and State and County Veterans Service Officers to certify copies of service documents.
None	Request for Clarification or Expression of Dissatisfaction. There are no existing regulations for a request for clarification or expression of dissatisfaction.	Regulatory	Write regulations to outline a request for clarification or expression of dissatisfaction process.
None	Veterans Service Representative. There are no existing regulations that outline the authority of the Veterans Service Representative.	Regulatory	Write a regulation(s) outlining the authority of the Veterans Service Representative.
38 C.F.R. 20.204	Withdrawal of Appeal Issue. Current regulations require the appellant to withdraw a notice of disagreement or any appeal issue in writing.	Regulatory	Change requirement that an appeal issue can only be withdrawn in writing. Liberalize regulation to allow a notice of disagreement to be withdrawn in writing, by telephone or by other electronic means.

Table 8-1: Outline of Rule Changes to Support Vision

8.3 Detailed List of Rule Changes that Clarify or Simplify the Claims Process

Citation	Current Rule	Type Change	What Change is Needed and Why
38 C.F.R. 3.306 Allen v. Brown (93-245)	Aggravation of NSC by SC. The regulation pertains to aggravation of a pre-serve disability. The Court has interpreted this regulation beyond the intent of Secretary by its interpretation that service connection can be provided for a condition established after service which is aggravated by a service connection condition.	Regulatory	Payment of compensation would be limited to conditions caused by service or conditions pre-existing service that were aggravated by service. Aggravation or incremental increases in disabilities not pre-existing service that are not service-connected which might be attributable to a service-connected disability cannot be considered service connected. This would clarify the regulatory guidance and ensure that compensation benefits are paid in accordance to existing statutory requirements.
38 C.F.R. 3.450-3.461	Apportionment. VA rules currently allow all or any part of a veteran's VA compensation to be apportioned on behalf of his/her spouse, children or dependent parents. VA rules also allow the apportionment of all or any part of a surviving spouses DIC benefits.	Regulatory	Discontinue special apportionment determination which allow payment beyond the additional amount attributed for the dependent. Special apportionment decision required development of financial resources, obligations and special needs of the parities. Allow apportionment of the precise additional allowable for the dependent only. This would promote consistency in decisions as well as predictability and equity. Processing time for these claims would be significantly shortened, improving customer service.
38 C.F.R. 3.3810	Clothing Allowance. VA pays an annual clothing payment to veterans with SC disabilities that require prosthetic or orthopedic devices or medications that wear out or damage clothing. Payment of this benefit is dependent on filing an application.	Regulatory	Presume entitlement to clothing allowance based on a rating decision finding of anatomical loss or loss of use of a hand or foot with use of a prosthetic or orthopedic device. Payment of the ACAP would be established based on the rating decision without need for an application by the veteran. An application would still be required for payment based on the other criteria established in the regulation.
38 C.F.R. 4.30	Convalescence for Par. 30 Increases. The current regulation provides that total ratings will be assigned for surgery necessitating at least one month of convalesce. The term "convalescence" is not defined here or elsewhere.	Regulatory	"Convalescence" should be precisely defined to indicate whether or not it means such things as confined to home, or requiring frequent, scheduled therapy sessions, or unable to return to full-time (or part-time?) work, etc. Since the meaning is not presently clear, it is subject to inconsistent application by rating specialists. Clarifying the regulation will lead to consistent application of the regulation.
38 U.S.C. 5502	Court Appointed Guardians. Court appointed guardians must be confirmed by VA. A field examiner reviews the case to determine if the court appointed guardian is best for the veteran.	Regulatory	Accept court appointed guardians without need for separate VA approval. This would improve timeliness and reduce workload. Although any benefit to the veteran would be transparent, VA could respond to these claims more quickly by accepting the Court appointed guardian.

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Citation	Current Rule	Type Change	What Change is Needed and Why
38 U.S.C. 5503	Estate Limit. VA suspends compensation and pension benefits when an incompetent veteran with no dependents is hospitalized by VA and the veteran's estate is \$1,500. The suspension lasts until the estate is reduced to \$ 500 or the veteran is released from the hospital.	Legislative	Increase limitations to higher levels. The \$1,500 dollar limit was established in 1933. No cost-of-living adjustment has ever been added to this amount. In today's environment, it does not represent a substantial sum of money. Raising the amount will provide a reasonable economic base to assist a veteran discharged from VA care but still be at a low level as an estate value.
38 C.F.R. 3.340, 3.343, 4.16, 4.18	Individual Unemployability. Payment at the 100 percent rate can be granted if the veteran is unable to secure or follow gainful employment due to a SC condition provided specific schedular levels are met or an extra schedular rating is approved by VACO.	Regulatory	The regulations should be revised to provide clear procedures and substantive standards for making this determination. (Note: regulations are in progress.)
38 C.F.R. 3.302	Mental Unsoundness in Suicide. In instances of suicidal death in service, a presumption of evidence of mental unsoundness which arises because of the suicide or suicide attempt negates a finding of willful misconduct. That presumption of mental unsoundness can be overcome by affirmative evidence showing a reasonable adequate motive.	Regulatory	Either make the presumption of mental unsoundness hold true in all suicides or attempted suicide cases, or more precisely define circumstances that could lead a rational person to self-destruction. Examples of this might be a terminal illness, financial difficulties, or death of a loved one.
38 C.F.R. 3.1600	NSC Burial Payment. Benefits are paid through an application process which involves determining the proper payee and developing supporting evidence including verifying the payment of burial expenses.	Regulatory	Change the rule to allow the one-time nonservice-connected burial benefit to be paid to the veteran's estate. Additional benefits for SC burial would require a claim. This would simplify the process and reduce the number of folders established and hand-offs. Payments would go out immediately when a FNOD was input. Simplify the process, eliminate the filing of burial applications and receipts from funeral homes; it would reduce the number of light-weight folders built, and result in overall savings nationwide for the storage of XC folders. This provides the VA burial benefit simply and quickly without the need for an application.
38 C.F.R. 21.50 (d)	Vocational Rehabilitation Eligibility. Current regulations provide that all determinations regarding basic entitlement and the beginning and ending dates of a veteran's basic 12-year period of eligibility be made by appropriate Adjudication staff.	Regulatory	Once a rating determination has been made, VR&C staff should be given authority to make any basic entitlement decisions for Chapter 31 benefits.

Table 8-2: Detailed List of Rule Changes that Clarify or Simplify the Claims Process

8.4 Revision to Rating Schedule

The business case identified a need for making the rating schedule more objective. VA has been involved in a comprehensive review of the rating schedule. One of the major objectives to this review is to make the rating criteria more objective whenever possible. The rating schedule is organized by body systems. Eight body systems have been revised and published as final rules. Four additional body systems have been published as proposed rules and the remaining four systems are in active development.

<i>Body System</i>	<i>Proposed Rule</i>	<i>Final Rule</i>
Genito-urinary	published 12/2/91	published 1/18/94
Oral/Dental	published 1/19/93	published 1/18/94
Hemic/Lymphatic	published 4/30/93	published 9/22/95
Gynecological and Breast	published 3/26/92	published 4/21/95
Endocrine	published 1/22/93	published 5/7/96
Systemic	published 4/30/93	published 7/31/96
Respiratory	published 1/19/93	published 9/5/96
Mental Disorders	published 10/26/95	published 10/8/96
Skin	published 1/19/93	under review by VA
Cardiovascular	published 1/19/93	under review by VA
Muscle Injuries	published 6/16/93	published 6/3/97
Ear & Other Sense Organs	published 4/12/94	under review by VA
Neurological	in development	
Eye	in development	
Digestive	in development	
Orthopedic	in development	

Table 8-3: Rating Schedule Changes - Status as of June 1997

9. Implementation Strategy

9.1 Statutory Change

The rule change dealing with the estate limit amount requires a change to the statute. The request for this rule changes should be made at the earliest opportunity.

- Increase estate limitation in incompetent veteran cases subject to reduction under 38 C.F.R. to an amount greater than \$1,500

9.2 Priority of Regulation Changes

By its very nature, the regulatory process is long and involved with much uncertainty along the way. In order to accomplish the regulatory changes outlined in this report, a staged release approach will be taken over the next five years. The regulatory changes have been divided into four groups. A fifth grouping includes those regulations that need to be further defined and have been deferred for lab site review (See section 9.2.). Rule changes dealing with the appeal process will need to be coordinated with the Board of Veterans' Appeals. Rule changes dealing with Vocational Rehabilitation will need to be coordinated with that Service.

First Group (Vision)

- Accept Information from the Claimant via Telephone, Fax, or Other Electronic Means
- Allow Contemporaneous Notice for Information Received from any Federal Agency or Federal Employee
- Allow Difference of Opinion Authority for Decision Review Officer
- Allow Extra-Schedular Pension Ratings by Rating Decision-Maker
- Allow NSO to Certify DD214
- Allow Information Received from Claimants via Telephone, Fax or Other Electronic Means to be Used as a Basis to Reduce or Terminate Benefits
- Eliminate EVRs for Other Federal Annuitants or Medicare Approved Nursing Home Patients
- Eliminate Requirement to File Claim in Writing

Second Group

- Allow Basic Vocational Rehabilitation Eligibility Determinations to be Made by VR&C
- Allow NSC Burial Payment to Next-of-Kin Without Need for an Application
- Allow Recognition of Court Appointed Guardians
- Clarify Regulations on Service Connection by Aggravation of Pre-Service Conditions

Third Group

- In Claims for Apportionment of Compensation or DIC Benefits, Allow Only the Additional Payment for Dependents

- Change Method to Withdraw Appeal Issues
- Clarify Individual Unemployability Criteria

Fourth Group

- Clarify Regulation on Findings of Mental Unsoundness in Suicide Cases
- Define Convalescence
- Establish Entitlement to Clothing Allowance Payment by Rating When Veterans Meet Requirements of 38 C.F.R. 3.810 (a)(1)

9.3 Lab Site Involvement in Rule Changes

Lab sites have been established to test various concepts outlined in the claims processing vision. The lab sites will provide valuable information about how new rules and procedures should be formulated or existing rules and procedures changed to create the claims processing environment envisioned in FY 2002. A change mechanism must be developed to support this concept.

New regulations for the post decision review process are critical to the success of the new claims process vision. In addition, new regulations are needed to address the authority of the Veterans Service Representative. The detailed description of the new claims process provided in the Work Design Implementation Plan will form the foundation on which the new regulations will be formulated. The implementation planning schedule assumes a six-month period to clarify the post-decision review process and gather information prior to formulation of the necessary regulations. Representatives from the lab sites will work with the individuals tasked with drafting the actual regulations. This should be a very interactive process.

Although the rule team did not identify a need to change the regulations dealing with duty to assist or well grounded claims, procedures involving these concepts are still confusing to many field stations. In fact, the Court is still working out the concept of well grounded claims. Because the Court is interpreting the statute, VA is bound by the interpretation unless a change to the statute is made. The lab sites can help formulate new procedures in these areas that fit the new claims processing vision while ensuring compliance with the intent of the law.

The list below identifies potential rule changes that will benefit from the experience and input on the lab sites. In addition, the collection of data at the lab sites may be beneficial to the formulation of some of the suggested rule changes.

Deferred for Lab Site Input

- Change Method to File Notice of Disagreement or Substantive Appeal
- Establish New Regulations for the Veterans Service Representative

- Establish New Regulations for Post Decision Review Process to Include:
 - Authority of Decision Review Officer
 - Request for Clarification or Expression of Dissatisfaction
 - Informal Conference

9.4 Designated BPR Regulation Team

A critical success factor to accomplish these regulatory revisions is allocation of sufficient resources to accomplish the changes outlined in this report plus any additional changes identified by the lab sites. The current Compensation and Pension (C&P) Service structure does not have adequate resources to accomplish the amount of additional work required within the BPR time frame. A separate BPR regulation staff should be established in the Compensation and Pension Service to draft proposed regulations, review existing Adjudication Procedures manuals for rules, coordinate with General Counsel, analyze public comments and finalize the regulation. The BPR regulation staff will focus only on regulatory changes outlined in this report as well as any other required regulatory changes identified by the lab sites. Regulations will be required for any legislative proposal related to BPR that is subsequently enacted. The most notable is the pension simplification initiatives. This staff will be responsible for those regulations as well as the ones outlined in this report.

The creation of a separate BPR staff will allow the current regulation staff members to continue their very important work of revising the rating schedule and other regulatory issues not part of BPR. It also recognizes the fact the Compensation and Pension Service has numerous priorities relating to regulations that are not BPR-related. Coordination between the two groups is essential to producing consistent regulatory guidance and identify overlapping issues. The implementation schedule assumes four full-time employees assigned to this staff. The plan also assumes a three month time frame to assemble and train the staff.

Essential to the success of this endeavor is a close working relationship with the Office of General Counsel (OGC). A joint commitment to the success of BPR will result in clear, understandable regulations produced in a timely fashion. In addition, we can be sure that we meet the legal requirements of the Administrative Procedures Act. Ideally, designated staff members from General Counsel should be assigned to any BPR related regulatory change. In addition, VBA and OGC must commit to an aggressive timetable for review and concurrence for these regulatory changes.

A number of suggested changes involve regulations not controlled by the Compensation and Pension Service. Negotiations with the Board of Veterans Appeal and the Vocational Rehabilitation and Counseling Service would be needed to address those suggested regulatory changes under their control.

9.5 Risks

There is considerable uncertainty and unknown factors involved within the legislative and regulatory process. The current regulatory process involves many different players, both internal and external to VA. Each will have different priorities and responsibilities. Proposed legislative or regulatory changes may not be accomplished within the time frames projected by the team. A real possibility exists that some proposals might never be adopted. This could have significant consequences to the successful implementation of the BPR vision by FY 2002. Commitment to implementing the BPR vision must include all elements within VA who participate in the rule making process.

Without adequate resources assigned to the task of accomplishing the legislative and regulatory changes outlined in this report, milestones for accomplishing these tasks will not be met. This has the potential of impacting other activities or milestones of interdependent activities.

10. Items for Consideration by the Compensation and Pension Service

10.1 Potential Legislative Changes.

The team identified a number of potential legislative initiatives that were beyond the scope of the team charter. The items discussed below are referred for review and subsequent action deemed appropriate by the Compensation and Pension Service.

- **Effective dates. (38 U.S.C. 3010, 5110, 5111, 5112)** Under existing regulations, we have a plethora of possibilities of beginning dates of benefits and ending dates of benefits or dates of reduction further complicated by mandatory payment dates as opposed to effective dates.

What Change is Needed and Why. Effective dates should be simplified so that they are uncomplicated and predictable. Such simplification would promote consistency and accuracy and would mean fewer delays in delivering services to our customers.

- **Schoolchildren. (38 U.S.C. 101 (4))** VA benefits can be paid for children between the ages of 18 and 23 while they are pursuing a course of instruction at an approved educational institution.

What Change is Needed and Why. VA should consider whether to redefine a child at age 18 as an adult. VA payments for children would be paid for children up to age 18, or 19 if in high school. (This suggestion does not pertain to DEA benefits under Chapter 35). This would be consistent with the approach used by SSA. VA's obligation to provide additional benefits for dependents would end when a child is legally considered an adult unless the high school is not completed.

- **Special Monthly Compensation. (38 U.S.C. 1114)** There are numerous possible levels of special monthly compensation - so many, in fact that 54 possible SMC rates and codes are listed, with 38 of those having both a basic rate and a hospitalized rate.

What Change is Needed and Why. SMC should be stratified into far fewer levels such as a three tiers approach. Determining entitlement to SMC has become far too complex. This would need a special effort to develop the simplification model and subsequent legislative proposal.

10.2 Dissemination of Information

One of the primary responsibilities of the Compensation and Pension Service is to provide information to claims processors. This information must be complete, timely and relevant. The C&P Service should have direct control over the means of information delivery as well as its production. Although the current ARMS system does provide the most current versions of procedural and regulatory information, it does not have universal appeal to the user. Electronic distribution of All Station letters is faster but the process is essentially the same as when the letters were sent by mail. As our electronic environment grows and improves, we need to take

advantage of that technology. Exploring possibilities for improved communication via VA's Intranet access can be done now. The team recommends that further study be conducted on the dissemination of information from the Compensation and Pension Service to the field.

11. Rules Reviewed Pertaining to the Vision

The following chart outlines the new claims processing vision and identifies rule changes needed to support that vision.

Proposed Rule Changes to Support Vision	38 U.S.C.	38 C.F.R.	Change Needed
Initial Application		3.151(a)	Clarify "Form Prescribed"
Methods of Application		3.1(p), 3.155	Eliminate "in writing"
Informal Claim		3.155(a)	No change required
Date of Claim		3.155, 3.400	No change required
Content of Application		3.150-3.160	No change required
Proof of Service		3.203(a)	Add NSOs Certify "true copy" for DD214s
Specificity		3.155(a)	No change required
Date of Receipt Rule		3.155(a), 3.1(r)	No change required
Place of Receipt		3.1(r), 3.155	No change required
Role of VSR and RVSR		No Existing Regulations	Need New Regulations
Delegations of Authority for VSR, RVSR		3.100, 3.105(b)	No change required
Required interaction/documentation between claimant & VSR, RVSR		3.103(d)	No change required
Initial duty to assist		3.159(a)	No change required
Time Limits to Produce Requested Evidence	5103(a)	3.109	No change required
Duty to Inform - Consequences		3.159	No change required
Well-Grounded		3.159	No change required
New and Material Evidence		3.156	No change required
Evidentiary Rules		3.103(d), 3.105(d) & (e)	No change required
Telephone, Fax, Internet Evidence		3.103(d)	Allow Reduction/Termination Action based on Telephone Call from Claimant
Responsibilities/obligations of claimants and their representatives		3.103, 3.159	No change required

RULES AND PENSION SIMPLIFICATION TEAM REPORT

Proposed Rule Changes to Support Vision	38 U.S.C.	38 C.F.R.	Change Needed
Right of claimant to Produce Evidence		3.103(d)	No change required
Right of Claimant to Hearing		3.103(c)	No change required
Benefit of the Doubt		3.102	No change required
Finality of Decision	7105(b)(1)&(c)	3.104 & 3.105(b)	No change required
Notification Requirements (including those covering the new review process)		3.103(b), 19.25	No change required
Post-Decision Review		No Existing Regulation	Need New Regulations, to include Outline Process.
Request for Clarification or Expression of Dissatisfaction		No Existing Regulation	Need New Regulation
Notice of Disagreement (specificity)	7105	19.26, 20.200, 20.201	Eliminate the Requirement "in writing"
Time Limit to File NOD	7105	20.302, 20.303	No change required
Method to File NOD	7105	20.2.00, 20.201	No change required
Withdrawal of NOD		19.26, 20.204	No change required
Role of Decision Review Officer		No Existing Regulation	Need New Regulation
Delegation of Authority		3.100, 3.105(b)	No change required
Right of Claimant to Produce Evidence		3.103, 3.156	No change required
Informal Conference		No Existing Regulation	Need New Regulation
Evidentiary Rules		3.103(b)(2), & 3.105(d) & (e), 19.26, 19.31, 19.37, 19.38, 20.304	No change required
Difference of Opinion		3.105(b)	Change Rules Governing Difference of Opinion Authority

Proposed Rule Changes to Support Vision	38 U.S.C.	38 C.F.R.	Change Needed
Initial Review Officer Decision		No Existing Regulation	No change required
Hearings Issues		3.103	No change required
Right of Claimant to Produce any Other evidence		3.103	No change required
Evidentiary rules		3.103(d), 3.105(d) & (e), 19.26, 19.31, 19.37, 19.38, 20.304	No change required
Review Officer Hearing Decision		No Existing Regulation	Need New Regulation
SOC including Form 9		19.29, 19.30, 20.202, 20.203	No change required
Substantive Appeal		19.33, 20.202, 20.203, 20.204	No change required
Statement by VSO (646)		20.600	No change required
Withdrawal of NOD or Substantive Appeal		20.204	Eliminate the Requirement "in writing"
Grant Benefit or Certification to BVA		19.35, 19.36	No change required

Table 11-1: Rules Reviewed Pertaining to the Vision

Appendix A. List of Participants

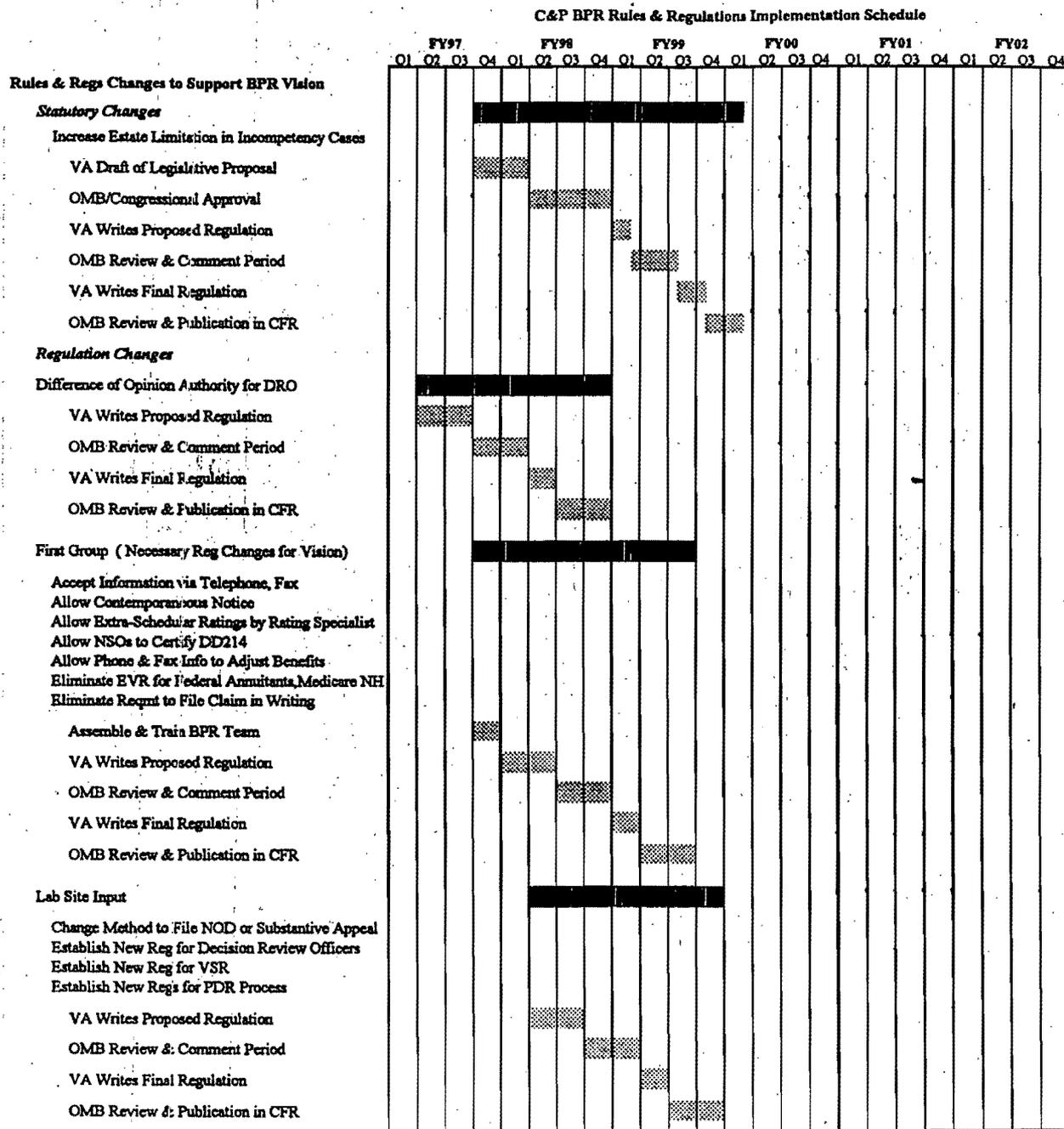
C&P Service Pension Sub-Team Members

<i>Team Member</i>	<i>Office</i>
Steve Cunbea	VARO Louisville
Cheryl Deegan	VACO, C&P Service (Team Leader)
Joyce Greaving	VACO, C&P Service
Kathleen Hamilton	VACO, Budget
Harriet Heywood	VACO, OGC
Carolyn Hunt	VARO Hartford
Paul Trowbridge	VACO, C&P Service
Doug Wallin	VARO Milwaukee
Cathy Schwedes	SRA

C&P Service Rule Sub-Team Members

<i>Team Member</i>	<i>Office</i>
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Cheryl Deegan	VACO, C&P Service (Team Leader)
Donald England	VACO, C&P Service
Thomas Gessel	VACO, OGC
Ursula Henderson	VARO, Newark
Sue Ann Ihrke	VARO, Sioux Falls
John McNeill	VFW
Carl Ray	VARO, Huntington
Philip Zellner	SRA

Appendix B. Implementation Timelines and Milestone Charts



*(C&P BPR Rules & Regulations Implementation Schedule continued on next page)

Figure B-1: C&P BPR Rules & Regulations Implementation Schedule

C&P BPR Rules & Regulations Implementation Schedule

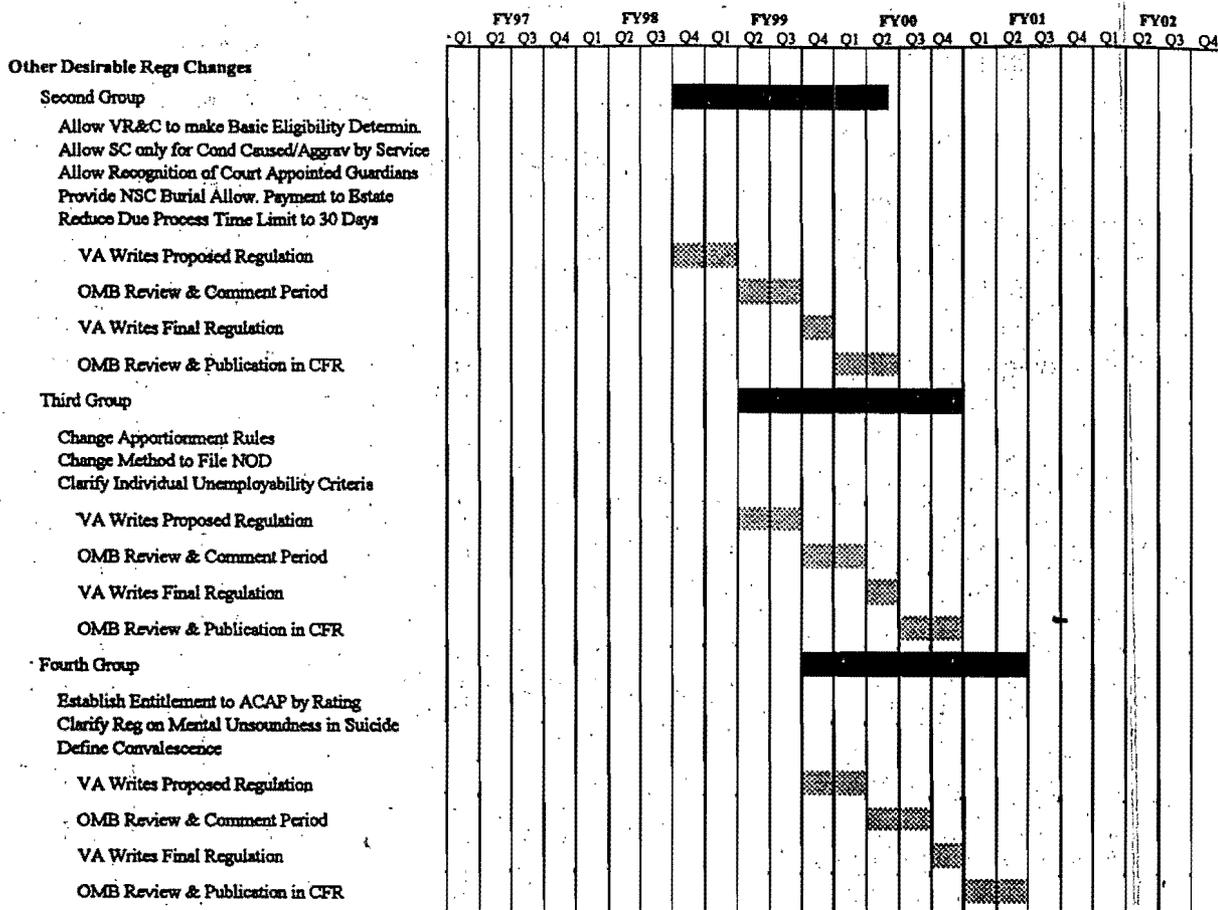


Figure B-1: C&P BPR Rules & Regulations Implementation Schedule (continued)

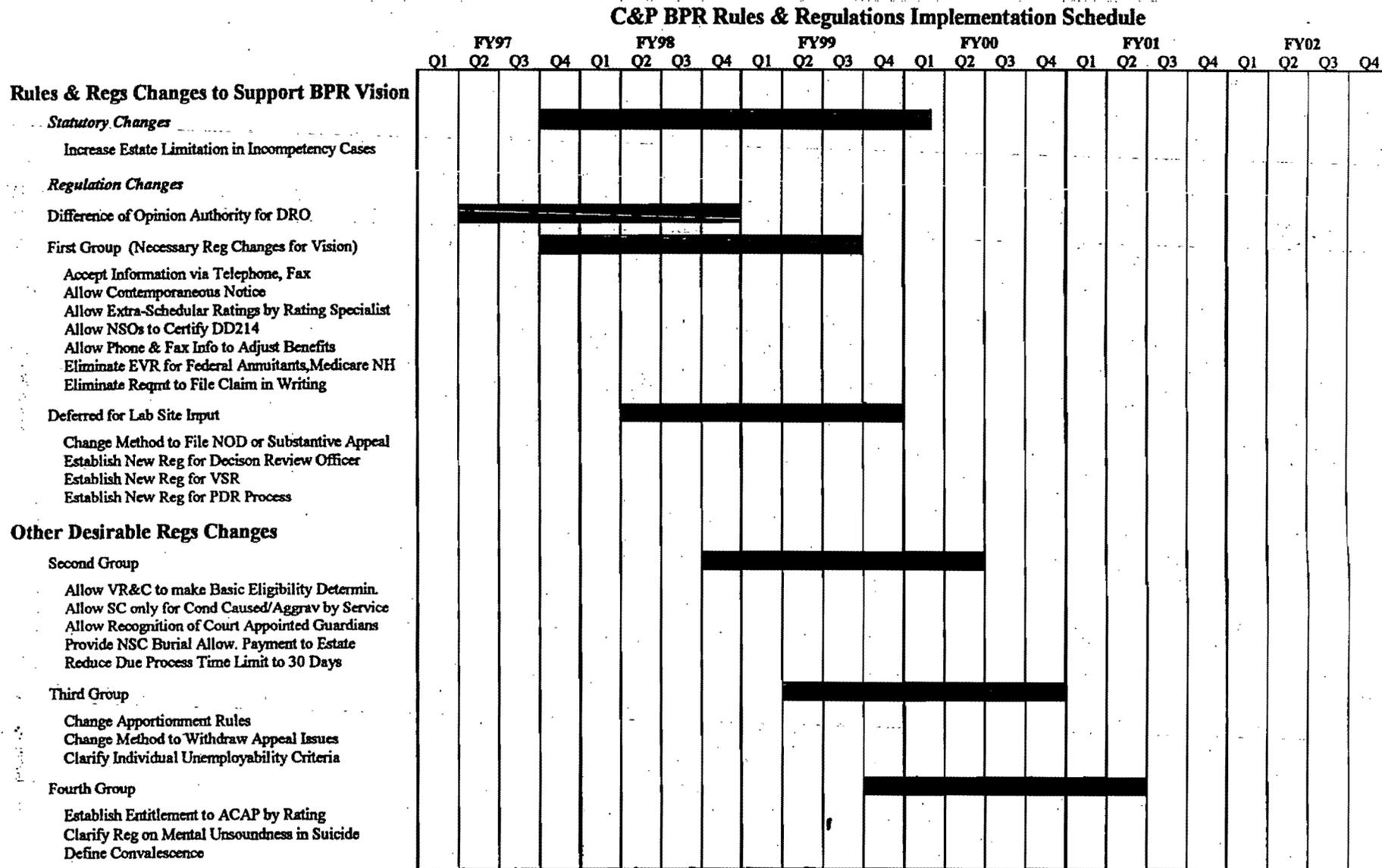


Figure B-2: C&P BPR Rules & Regulations Implementation Schedule

APPENDIX C. PENSION SIMPLIFICATION INITIATIVES

The following nine pension simplification proposals are required to change the current pension program to a simpler and more cost-effective program that better serves our veteran community, as well as the taxpayers. The changes outlined here can only be accomplished through amendments to Title 38 U.S.C. These proposals do not create a new pension program, only change the existing pension program. Since pension entitlement is renewable each year, the revised program must be the only pension program VA administers. To grandfather any provisions of the current labor-intensive program changed by these proposals will only exacerbate the administrative straitjacket that exists now. We propose that these changes go into effect January 1, of the calendar year following enactment.

Proposal 1. Eliminating Income Limitations for Section 306 and Old Law Pension Recipients

Statement of the Issue

This proposal would eliminate annual reporting requirements for Old Law and Section 306 pension recipients.

Background

Section 306 or Old Law pension beneficiaries receive a protected rate provided the beneficiary's income does not exceed the applicable income limit. The monthly rates of these benefits have been frozen nearly 20 years. As long as the beneficiary's income is below the income limitation, no changes are made to the protected rate unless there is a loss of a dependent.

The current Improved Law pension program became effective in 1978. It superseded the Section 306 pension program, in effect from 1960 to 1978. Prior to 1960, the Old Law pension program was in effect. Each of these laws has different income computation rules and limits and with the passage of succeeding pension programs, recipients were not required to convert to the new law.

Of VA's approximately 750,000 pensioners, about 171,000 are in the Section 306 or Old Law pension programs. The average age of pension recipients under either one of these two laws is 75. These are elderly people who have received Section 306 or Old Law pension for over 20 years without a significant change in income or dependency status.

In December, over 57,000 Eligibility Verification Reports (EVR's) were sent to these elderly pension recipients. Over 100,000 "reminders" were released asking about changes in entitlement factors even though the average percent of beneficiaries terminated due to income changes in a given year has been less than five percent over the past ten years.

Goals of Reform

- Eliminate the reporting burden for elderly pension recipients who have had a static income for many years.
- Simplify administration of the Old Law and Section 306 pension programs.

Benefits of Reform

- Removal of an administrative burden from elderly, disabled beneficiaries.
- Administrative costs will be reduced.
- The number of EVRs will be reduced by nearly 33% (57,132 of 174,369) with minimal program integrity risk, resulting in 57,000 fewer entitlement decisions.

Specific Legislative Proposal

Legislative action would be required to eliminate income limits for Section 306 and Old Law pension recipients, net worth limitations for Section 306 pensioner, and EVR requirements for Section 306 pensioners. Elimination of the requirement for EVR submission for Old Law pensioners may be accomplished by amendment of 38 C.F.R. 3.256 and 3.661(b). Elimination of income limits for Section 306 and Old Law pension and net worth limitations for Section 306 pension would require conforming regulatory amendments to 38 C.F.R. 3.3(a)(2)(vi) and (b)(3)(iv), 3.26, 3.28, 3.29(a), 3.660, and 3.661(b).

Cost Estimate

Shown below is the estimated caseload and benefit cost of this proposal, assuming an effective date of January, 1, 2000.

<u>FY</u>	<u>Veteran Caseload</u>	<u>Survivor Caseload</u>	<u>Estimated Benefit Cost (\$millions)</u>
2000	570	1,080	1.9
2001	1,000	2,000	3.5
2002	1,300	2,750	4.8
2003	1,510	2,750	5.7
Total			\$ 15.9

Figure C-1: Estimated Caseload and Benefit Cost of Proposal 1

The average number of terminations due to income for both Old Law and Section 306 veterans and survivors was calculated over the past ten years. Data was taken from the monthly

COIN CP-103 reports. Information concerning terminations due to a change in dependency status was not available for Section 306 beneficiaries. However, because the average age of Section 306 veterans is 74, there will be few terminations due to changes in dependency status. The ratio of terminations to caseload was computed and a ten year average calculated. As expected, the average percent of terminations due to income was low, less than 2.4 percent for veteran Prior Law cases and 1.3 percent for Prior Law survivors. These percents were applied to the projected caseload shown in the 1998 President's budget, to estimate the number of terminations due to income through year 2003. The number of projected annual terminations was accumulated and then decreased each year to account for mortality among this population. Veteran's age-specific Department of Defense mortality tables were provided by OMB. Survivor's age-specific mortality statistics were taken from the Office of Resource Management contingent liability model. The number of terminations take out who would qualify for pension at a later date. Because this figure is unknown, this estimate may be overstated. The estimated caseload was multiplied by the projected average benefit payments shown in the 1998 President's budget. This provided the estimated number and amount of terminations which would be avoided through implementation of this provision.

Proposal 2. Discontinue Hospital Adjustments For Section 306 and Old Law Pension

Statement of the Issue

This proposal would remove the requirement for pension reduction for Old Law and Section 306 pensioners who have been hospitalized for two full calendar months. Removing this requirement would make their benefits equitable with Improved Law pensioners.

Under the provisions of 38 C.F.R. 3.551, veterans in receipt of pension benefits under prior pension laws who have neither a spouse nor dependent child are subject to reduction of their monthly pension benefits when they have been hospitalized at VA expense for two full calendar months.

As of September 1996, there were 17,377 veterans with no dependents in receipt of Section 306 pension and 336 veterans with no dependents in receipt of Old Law pension benefits (compared to 247,731 Improved Law veterans with no dependents). In order to prevent possible overpayments in these claims, VA hospitals are required to notify the regional office (RO) when a veteran receiving pension under one of these programs is admitted. Then, controls are established and hospitalization status is monitored carefully. VA Medical Center (VAMC) personnel also notify the RO when the veteran is discharged. In most instances, an adjustment is not necessary because the veteran is not hospitalized for the requisite length of time. VAMCs are moving toward providing outpatient care and are not hospitalizing veterans for the long periods of time as seen in the past. Therefore, we are spending scarce resources at both the VAMCs and ROs to control for reductions which, in most cases, will not be necessary.

When veterans in receipt of pension under one of these two programs, but not in receipt of A&A or Housebound benefits, are hospitalized for more than two full calendar months, in most cases, their outside expenses continue. These expenses include rent or mortgage payments, utilities, insurance premiums, car payments etc. Veteran's in receipt of pension are, by definition, not possessed of large estates from which they can draw in order to meet these on-going expenses. To reduce the monthly pension payment places these veterans in danger of losing their homes, or at "best", results in cut-off of utilities or the need to apply to town or state agencies for the funds to keep them in their homes. When Improved Law pension was enacted, the hospital reduction requirement was excluded from the law. This has resulted in an inequity in the way benefits for Old Law, Section 306 and Improved Law claims are handled. Old Law and Section 306 veterans are no less needy than Improved Law veterans, nor should their on-going expenses be considered less important.

Goals of Reform

- Provide equity in the treatment of hospitalization between Old Law and Section 306 pension beneficiaries and Improved Law pension beneficiaries.

- Provide consistent monthly benefits to veterans so that they can maintain their residences and dignity during a period of hospitalization.

Benefits of Reform

- Veterans will receive a consistent income during periods of hospitalization to meet the ongoing expenses of maintaining a residence.
- Administrative costs will be reduced.

Specific Legislative Proposal

Legislation would be required to discontinue hospital adjustments for the Section 306 and Old Law pension programs. Conforming amendments to VA regulations at 38 C.F.R. 3.501(I), 3.551(b), (c), and (f), 3.552(e) and (j), and 3.556 would also have to be made.

Cost Estimate

The benefit cost of this proposal is insignificant because few veterans are hospitalized for the requisite length of time.

Proposal 3. Presumed Permanent and Total Disability at Age 65⁴

Statement of the Issue

This proposal would restore the statute whereby a veteran is eligible for pension on the basis of having attained age 65, without need for medical evidence demonstrating permanent and total (P&T) disability.

As a result of OBRA 1990, the presumption of permanent and total disability at age 65 was eliminated. Even veterans who may be presumed to be entitled to aid and attendance due to nursing home patient status must first be rated permanently and totally disabled. As a result, thousands of man-hours are expended each year rating disability pension claims with a grant rate that is over 90%. Experience has shown that the majority of veteran pension applicants who meet the income and net worth requirements but are not totally disabled will meet the occupational background and other criteria necessary to qualify for disability pension.

Goals of Reform

- Expedite the payment of pension to veterans who, virtually without exception, will be found entitled after the rating procedure.
- Provide a more efficient and effective claims process by eliminating a non-value added rating activity.

Benefits of Reform

- The burden on veterans in obtaining medical evidence will be removed.
- Cost savings will be realized through reductions in the number of VA examinations required.
- Improves customer service by reducing the time required to process disability pension cases.

Specific Legislative Proposal

This initiative would require an amendment to 38 U.S.C. 1502(a) to include a presumption of permanent and total disability at age 65. Following this change, 38 C.F.R. 3.340(b) and 4.17 would have to be amended.

⁴ The age at which veterans are presumed to be permanently and totally disabled is still under study. The costing for this proposal is based on age 65. Both the presumptive age and associated costing will be revised at the conclusion of a special data collection effort.

Cost Estimate

Shown below is the estimated caseload and benefit cost of this proposal, assuming a January 1, 2000 effective date.

<u>FY</u>	<u>Veteran Caseload</u>	<u>Estimated Benefit Cost (\$millions)</u>
2000	10,000	54.3
2001	10,500	77.7
2002	11,000	83.0
2003	11,400	87.5
Total		\$ 302.5

Figure C-2: Estimated Caseload and Benefit Cost of Proposal 3

This estimate assumes that the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990) provision which requires disability determinations for veterans over the age of 65 did not have an impact on the number of veterans over the age of 65 who apply for the pension program. This assumption implies that veterans over the age of 65, who meet the Improved Law pension income requirements, currently apply for pension benefits, regardless of medical status. The number of pension denials due to the 1990 OBRA provision was reported by each regional office from 1991 through 1994. The annual number of denials was compared to the number of pension accessions for those over the age of 65 for years 1991 through 1994. The number of accessions, by age, was taken from the quarterly COIN CP-104 report. This comparison provides a ratio of the number of denials to grants for pension applications proceeding through the medical rating process. The average ratio for years 1993 and 1994 was applied to the number of over age 65 veteran pension accessions to estimate the number of past denied cases which would become eligible under this provision. To estimate the number of future claims which would be granted, an historical average of over age 65 pension accessions was multiplied by the 1993 and 1994 average ratio of denials to accessions. This estimate does not factor in those pension denials who would later become eligible for benefits, thus the projected caseload may be overstated. The estimated population is decreased each year to account for mortality, using veteran age-specific mortality tables. The average age of veterans who are over the age of 65 in receipt of Improved Law pension is almost 74 years. The average age of those veterans who are not eligible due to the disability determination requirement is assumed to be 74 years. The projected caseload was multiplied by the Improved Law average benefit payments shown in the 1998 President's budget to estimate the cost of this provision.

**Proposal 4. Presume Permanent and Total Disability for
Nursing Home Patients**

Statement of the Issue

This proposal would eliminate the need for a rating decision to determine basic pension eligibility for those veterans who are in a nursing home.

38 U.S.C. 1502 sets forth the criteria for pension determinations with respect to disability. The statute limits pension entitlement to a person who is considered to be permanently and totally disabled if such person is unemployed as a result of disability reasonably certain to continue throughout the life of the disabled person or is suffering from any disability which is sufficient to render it impossible for the average person to follow a substantially gainful occupation but only if it is reasonably certain that such disability will continue throughout the life of the disabled person; or any disease or disorder determined by the Secretary to be of such a nature or extent as to justify a determination that such person suffering therefrom is permanently and totally disabled. However, this statute also provides that a person shall be considered to be in need of regular aid and attendance if such a person is a patient in a nursing home.

The proposed amendment would not seriously threaten program integrity. An individual who is a nursing home patient would almost certainly qualify as permanently and totally disabled. There is little likelihood that such an individual would eventually leave the nursing home. However, procedures are already in place for reevaluating entitlement when notice of discharge from a nursing home is received for a veteran whose aid and attendance is based on nursing home status.

Goal of Reform

Correct an inequity that exists in the statute which requires a rating determination to establish basic pension entitlement but does not require a rating determination when the higher level of pension is payable based on nursing home patient status.

Benefits of Reform

- Customer service to needy, disabled veterans would be improved by eliminating the need for a rating decision.
- Claims processing time would be reduced because it would no longer be necessary to develop medical evidence or prepare a rating decision.

Specific Legislative Proposal

This initiative would require an amendment to 38 U.S.C. 1502 to include receipt of nursing-home care as a criterion for permanent and total disability. Conforming changes to 38 C.F.R. 3.340(b) and 4.17 would also be needed.

Cost Estimate

No additional benefit cost or savings are associated with this proposal.

Proposal 5. Accept Social Security Disability Determination

Statement of the Issue

This proposal would accept a Social Security Administration (SSA) determination of eligibility to disability benefits, on its face, as entitlement to disability pension benefits administered by the VA.

Under the provisions of 38 C.F.R. 3.314, pension eligibility requires that veterans provide us with medical evidence showing that they have a disability which is of such severity as to preclude gainful employment. If veterans do not have this evidence, or they cannot afford the expense of a private medical examination, they are examined at a VA facility. This is a requirement, even if the veteran has already been found eligible for Social Security Disability benefits, often on the basis of VHA reports.

This proposal would eliminate the need to obtain medical examinations, resulting in faster claims processing. SSA recently discontinued the award of disability benefits based upon drug or alcohol abuse, bringing award eligibility in line with current VA requirements. SSA also requires a level of "permanency" of the disability in order to grant SSA disability benefits. There is a five-month waiting period required by SSA prior to granting this benefit and after the benefit is granted, SSA carefully monitors the claimants' earnings reports to ensure that employability has not been regained. In addition, SSA periodically reviews their claimants records to ensure continued medical eligibility to disability benefits. In some cases, they review the records within six months, while other claimants may not undergo medical review until seven years have elapsed. Through the use of Income Verification Matches (IVM) and SSA matches, the Department is aware of changes in earnings, as well as SSA disability benefits. These matches provide the basis for pension program integrity.

Goals of Reform

- Make the eligibility determination easier for veterans to understand by making it consistent with the Social Security Disability program.
- Provide the veteran with a determination at the earliest possible date with the least possible evidence gathering requirement imposed upon the veteran.

Benefits of Reform

- The veteran's evidence gathering burden will be reduced.
- Benefits will be received in a more timely manner.

- It will subject the veteran to fewer medical examinations.
- The number of employees required to administer the program will be reduced.
- There will be consistency between the VA programs and the Social Security Disability Program.

Specific Legislative Proposal

This initiative can be accomplished by adding a provision to 38 U.S.C. 1502 that, for VA pension purposes, a person may be considered to be permanently and totally disabled if the Social Security Administration has determined that such person is eligible for Social Security disability benefits as a result of a permanent and total disability. Conforming changes to regulations at 38 C.F.R. 3.340(b) and 4.17 would also be needed.

Cost Estimate

No additional benefit cost or savings are associated with this proposal.

Proposal 6. Build Medical Expense Coverage into Maximum Annual Pension Rate and Allow Medical Expense Exclusion only for Continuing Nursing Home Patient Costs

Statement of the Issue

This proposal would eliminate retroactive adjustments for Unreimbursed Medical Expenses (UME) with the exception of nursing home care costs.

The current system requires pensioners to file an application each year for reimbursement of UMEs. These applications are filed, whether or not the pensioner is required to file an Eligibility Verification Report (EVR). Before the UME process can be completed, full income information for the year in question must be provided, which requires most beneficiaries to file an EVR, negating the savings envisioned by decreasing the number of EVRs filed each year. Currently pensioners with little or no income are already receiving the full pension rate allowable and do not receive the benefit of medical expense reimbursement. However, in the case of a veteran with income, medical expenses are used to reduce their amount of countable income, providing an increased pension rate. This creates an inequity between veterans with and without income.

Claimants are not usually required to provide receipts with UME claims, which raises the question of program integrity. As a result of an Inspector General (IG) report, VA is now required to request receipts from a sample of claimants each month. However, even when receipts are requested, based upon the "provider proof" requirements set up after the IG report, there is still no assurance that these expenses are truly unreimbursed by a medical insurance provider. Further, because VA is *reimbursing* the claimant, there is an implied hardship throughout the year for receipt of medical care.

Under this proposal, the Maximum Annual Pension Rates (MAPR) for veterans, surviving spouses and dependent children will be increased by a standard add-on (or built-in) rate. Thereafter, the MAPR will be adjusted based on annual cost-of-living adjustments (COLA), as is currently done. Claimants in nursing homes due to disability will be eligible for a dollar-for-dollar reduction in their countable income based upon these nursing home expenses. This will create a simpler, more equitable system for addressing medical expense needs of pensions and eliminate the inequities present in the current reimbursement system. This proposal recognizes that all pensioners have medical expenses but at the same time recognizes that VA has created a pension rate structure that accounts for our more disabled recipients. A higher income limit has been established for pensioners considered housebound or in need of regular aid and attendance. Equally as important is the fact that our veteran pensioners have access to the largest health care system in the country and can avail themselves of this medical care and prescription medication. This plan provides pensioners with more available money each month to handle their financial

needs including medical expenses. It also encourages use of VA as the primary health care provider. It eliminates reporting burdens of submitting a separate claim each year for reimbursement. This new way of addressing medical expense needs eliminates one of the major defects of the current program; namely, VA's inability to verify whether the claimed medical expense was reimbursed by a private source.

Goals of Reform

- Provide pensioners with additional funds on a monthly basis to pay for medications and medical care.
- Provide an equitable method of recognizing medical expense needs.
- Simplify the medical expense reimbursement process and make it easier for veterans, surviving spouses and dependent children to understand.
- Create a system that ensures program integrity.

Benefits of Reform

- VA Medical Center use will be encouraged.
- Dollar-for-dollar medical adjustments will no longer be necessary in most cases.
- Program integrity will be improved by eliminating the need to verify claimed medical expenses.
- All pension beneficiaries will be provided with additional pension benefits for medical expenses.
- Evidence and reporting requirements will be reduced for beneficiaries.
- Additional monetary assistance will be provided for those pensioners with excessive medical expenses due to nursing home expenses.
- The MAPR for surviving spouses will be closer to the poverty level.
- Administrative costs of the program will be reduced.

Specific Legislative Proposal

This initiative would require a legislative change to 38 U.S.C. 1503(a)(8) which provides for exclusion from income for improved pension purposes of amounts equal to amounts paid by a veteran, veteran's spouse, or surviving spouse, or a surviving spouse or by or on behalf of a

veteran's child for unreimbursed medical expenses, to the extent that such amounts exceed five percent of the maximum annual rate of pension. It would also require amendment to 38 U.S.C 1521, 1541, and 1542 to incorporate a medical-expense allowance in the maximum annual pension rate. VA regulations at 38 C.F.R. 3.272(g) would have to conform to elimination of the statutory income-exclusion for unreimbursed medical expenses.

Cost Estimate

In order to remain cost neutral, a medical expense add-on of \$881⁵ per year was established. This addition to the pension MAPRs would provide the same total amount of medical benefit to the entire Improved Law pension population as provided under the current reimbursement system, excluding nursing home care costs.

To calculate the medical expense addition, nursing home costs were excluded from the base population because nursing home costs would continue to be reimbursed using the current methods. A sample of 5,000 veterans and spouses with recurring medical expenses was taken from the Hines DMC. Using the Hines sample, the following criteria was used to estimate the number in a nursing home:

1. Veterans with dependents (independent of SMP code) with claimed medical expenses > \$10,000 (153 cases);
2. Veterans with no dependents with A&A with claimed medical expenses > \$10,000 (540 cases); and
3. Surviving spouses, independent of dependency code with A&A with claimed medical expenses > \$10,000 (477 cases).

These cases (1,170) were marked and analyzed. The average medical benefit paid due to nursing home care was computed by taking the annual rate paid with medical expenses and subtracting the annual rate paid without medical expenses. The average paid due to nursing home care was applied to the estimated nursing home population (693 veterans paid an average of \$10,234 and 477 surviving spouses paid an average of \$7,680). The sample showed that 23.4% of veterans and survivors receiving recurring medical expenses are in a nursing home. This percentage was applied to the number of Improved Law pension cases on the rolls as of September 1996 to estimate 16,890 veterans and 12,010 surviving spouses are in a nursing home (28,900 total).

Nursing home cases were deleted from the sample to focus on those beneficiaries who will not receive the nursing home reimbursement. There were a total of 3,831 cases not in a nursing home who received a total medical benefit of almost \$9.1 million, an average of \$2,364 per sample case (\$1,645 for veterans and \$3,617 for surviving spouses). From the Improved Law pension population, an estimated 59,320 veterans and 35,160 surviving spouses received

⁵ This add-on rate is based upon reported 1996 medical expense information.

recurring medical expenses payments and were not in a nursing home. The average recurring medical benefit was multiplied by the estimated population to calculate a total of over \$226.6 million paid in recurring medical expenses to those not in nursing homes (\$98.3 million for veterans and \$128.3 million for spouses).

An Electronic Data Collection Instrument (EDCI) collected a sample of 1,091 cases (736 veterans and 355 spouses) with medical expenses, both recurring and one-time. Of those, 561 cases had strictly one-time medical expenses (51.4%). From this information, a ratio of one-time expenses to recurring medical expenses was assumed. Because the population of beneficiaries receiving recurring expenses was known, the ratio of one-time to recurring medical expenses can be applied to estimate 129,710 one-time payments in the Improved Law pension population (86,370 veterans and 43,340 spouses).

From an EDCI sample of 561 cases (391 veterans and 170 spouses) with one-time medical costs, the average amount paid was computed as \$1,573 for veterans and \$1,352 for surviving spouses. This amount was computed as follows:

If the claimed amount was greater than the MAPR, then the paid amount was equivalent to the IVAP before the adjustment.

If the claimed amount was less than the MAPR, then the paid amount was equivalent to the claimed amount less the five percent medical deductible.

The average medical amount paid due to one-time expenses was multiplied by the estimated number of claimants to estimate the total amount paid out in one-time medical expenses as \$194.4 million (\$135.8 million for veterans and \$58.6 million for spouses).

The EDCI sample was used to examine the difference between medical expenses claimed in 1996 by pensioners with recurring medical expenses and expenses expected for 1997. The data showed that 51 percent of those with recurring medical expenses also claimed one-time expenses. The 51 percent was applied to the projected number of pensioners with recurring medical expenses in the Improved Law pension program to calculate the estimated additional cost of one-time medical expenses (\$60.1 million for veterans and \$23.8 million for survivors).

At this point in time, the estimated total annual cost of medical reimbursements for Improved Law pension beneficiaries is \$769.9 million, \$504.9 million for those not in a nursing home and \$265.0 million for those that are in a nursing home. The total annual cost of medical reimbursement for those pensioners who are not in a nursing home was divided by the total number of Improved Law pension beneficiaries who were on the rolls as of September 1996 (572,817). This calculation yielded a cost neutral medical increase in the MAPR of \$881.

If the medical increase in the MAPR was \$1,000, the first year cost of this proposal is over \$67.9 million. If the MAPR increase was set at \$1,200, the first year cost of this proposal would be almost \$182.5 million. These estimates were calculated by multiplying the \$1,000 and \$1,200

MAPR increase amounts by the September 1996 caseload and subtracting the current total annual cost of medical expenses for those not in a nursing home.

Proposal 7. Build Dependency Allowance into Maximum Annual Pension Rate**Statement of the Issue**

This proposal would build a dependency allowance into the pension rate structure and eliminate the various Maximum Annual Pension Rates (MAPR) used for dependent children.

The effect a dependent has on a claimant's rate of Improved Pension depends on a large number of complicated variables. Those variables include whether the veteran and spouse live in the same household or if they live apart but are not estranged, whether the veteran makes "reasonable support contributions" to the spouse, whether the a child is in the veteran's legal custody or not in legal custody and whether the veteran is "reasonably contributing" to the child's support. A veteran's MAPR may be increased for a child who is not in the veteran's actual custody and who receives no support from the veteran as long as there has been no legal action terminating the veteran's right to exercise parental control and responsibility for the welfare and care of the child.

Countable income of established dependents is included in the pensioner's IVAP. The addition of a dependent increases the pensioner's rate only if the dependent's countable income is less than the amount by which the MAPR is increased because of that dependent. If the dependent's countable income exceeds the amount by which the MAPR is increased for the dependent, the addition of the dependent actually lowers the claimant's rate of pension. The current rules consider the income of the spouse if there is no estrangement and even if there is an estrangement providing the veteran makes reasonable support contributions" to the spouse. The only time the spouse's income is not included in determining the veteran's rate of pension is when they are estranged and the veteran does not provide the estranged spouse with "reasonable support contributions."

Although the basic rule is that a dependent's countable income is included in the claimant's, the dependent's income can be offset by the claimant's deductible expenses such as family unreimbursed medical expenses and expenses of last illness and burial. There are also three exclusions that can offset a dependent's income: (1) the amount of a child's earned income that equals the amount of gross income for which a Federal income tax return must be filed, (2) the amount of a child's earned income that equals the amount paid by the child for tuition, fees, books, and materials, if the child is pursuing a course of postsecondary education or vocational rehabilitation or training, and (3) the amount of a child's income (earned or unearned) that it would cause a "hardship" if counted. Finally, even if a child's income is not excludable under any of the provisions mentioned above, it still might not be counted in determining the veteran's or surviving spouse's IVAP if it is determined not to be "reasonably available" to or for the veteran or surviving spouse.

Under this proposal, a dependency allowance will be built into the pension rate structure and eliminate the various Maximum Annual Pension Rates (MAPR) used for dependent children. Cost-of-living adjustments will ensure this dependency allowance keeps current with the economic environment of the country. The only possible Improved Pension dependent would be a spouse who resides in the same household as the veteran or who is separated from the veteran solely because one of the spouses is institutionalized for medical reasons (e.g., a nursing home patient). VA would not count the income of an out-of-household spouse or any child in determining the claimant's income for VA purposes.

This will result in a simpler rate structure and reduced reporting requirements for pensioners. Pensioners would no longer have to report child income, dependency changes or school attendance information. No longer will pensioners be disadvantaged because a child has income nor award additional benefits for dependents for whom the pensioner does not provide support. The income of an estranged spouse will not longer be used against the veterans. Pension payments will only be affected by the income of veterans and that of their spouse or the income of a surviving spouse. The complex rules that govern current payments for dependents will be eliminated. VA will no longer require invasive information about the domestic situations of pensioners. We will simply request information to establish a spouse and any income of that spouse.

Goals of Reform

- Simplify the system to make it more predictable and understandable for claimants.
- Make it possible for claimants to receive all the benefits to which they are legally entitled without the assistance of an experienced advocate and without responding to a battery of intrusive questions about family relationships and finances.
- Provide for more equal treatment of similarly situated claimants by reducing the number of adjudicative determinations that are based on highly subjective criteria and on legal standards that vary from state to state.
- Expedite the claims process by reducing the number of complicated determinations based on extensive development.

Benefits of Reform

- Claimants will be better able to understand the system.
- Claimants will be able to predict their pension rates with a greater degree of certainty. Additional benefits for children will be built into the basic pension rate structure.
- There will be fewer rate changes.

- Claimants will no longer be required to report status change and income information for dependents (unless the dependent is a spouse living with the veteran).
- Claimants will no longer be required to report on the extent to which they provide support for their dependents.
- Claimants will no longer be required to report expenses they pay for "reasonable family maintenance" and to report the extent to which their children's income is "reasonably available" to them.
- Veterans will no longer have their pension rates affected by the income of an estranged spouse
- Pension rate determinations will no longer be determined by state laws regarding who has "legal custody" of a child.

Cost Estimate⁶

This proposal will be cost neutral.

Specific Legislative Proposal

This initiative would require an amendment to 38 U.S.C. 1503(10) to eliminate certain income exclusions relating to children, 38 U.S.C. 1521 to modify laws governing pension rates for veterans having a spouse and/or children, possibly 38 U.S.C. 1522 to remove references to the income of a veteran's children, 38 U.S.C. 1541 to modify laws governing pension rates for surviving spouses with children, possibly 38 U.S.C. 1543(a) to delete reference to the income of a surviving spouse's children, and 38 U.S.C. 1505(b), 5307, and 5503(a)(2) to eliminate authority for apportionment to spouses and children not residing with the veteran or surviving spouse. Among the conforming regulatory changes which would be required are amendments to 38 C.F.R. 3.272, possibly 3.274, 3.450, 3.451, 3.452, 3.454, 3.458, and 3.460.

⁶ The amount of the dependency add-on rate is under development.

Proposal 8. Deferred Counting of One-Time Nonrecurring Income

Statement of the Issue

This proposal would defer counting of nonrecurring income until the first of the calendar year following receipt.

Under the current pension program, one-time, nonrecurring income (e.g., inheritance, lottery winnings, etc.) is counted on the VA pension award for 12 months from the first of the month after the month during which it is received by the claimant. If the claimant has a running pension award, receipt of nonrecurring income will result in an overpayment unless the claimant reports the income and VA makes an adjustment to the pension award immediately.

Under the proposed revision of the pension program, nonrecurring income would still be counted for a full 12 months, but VA would defer counting this income until the first of the calendar year after the calendar year during which the income was received. If the nonrecurring income is received in December, it will be counted exactly the same under the revised program as under current law. However, if it is received in any other month, counting of the income on the award will be deferred for between one and 11 months and the likelihood of an overpayment resulting from the adjustment will be diminished.

This change would have the additional salutary effect of simplifying pension awards and reducing the number of pension award lines in the computer. Currently all irregular income (e.g., interest income, odd job income) is counted from the beginning of the calendar year and it would further simplify the system to also count all nonrecurring income from the first of the calendar year.

Goals of Reform

- Provide a more predictable pension benefit payment.
- Simplify the method of accounting for nonrecurring income in determining pension awards.
- Reduce the amount and occurrence of pension benefit overpayments.

Benefits of Reform

- Number and amount of pension overpayments will be reduced.
- The amount of pension award lines in the VA system will be reduced.

Specific Legislative Proposal

This initiative would require amendment to 38 U.S.C. 5112(b)(4)(A) and 38 C.F.R. 3.271(a)(3) and 3.273(c).

Cost Estimate

This proposal may result in an increase in benefit costs because beneficiaries with excess income would not be terminated from the pension rolls until the first of the following year. Because the number and amount of income adjustments due to one-time nonrecurring income is not available, the benefit cost of this provision can not be estimated.

However, by changing the method of accounting for nonrecurring income, the number of pension overpayments would be reduced, resulting in a decrease in the amount of pension debt which is waived. The occurrence of overpayments would be reduced by delaying the effective date of award reductions until the first of the following calendar year.

Proposal 9. Eliminate the 45 Day Rule for Surviving Spouses

Statement of the Issue

This proposal would change the effective date for death pension benefits to the first day of the month in which the veteran dies if the claim is received within one year after the date of death.

Currently, 38 C.F.R. 3.400(c)(3)(ii) provides the effective date of death pension benefits as the first day of the month in which the veteran's death occurred if the claim is received within 45 days after the date of death; otherwise, the effective date is the date of receipt of the claim. This regulation resulted from the Deficit Reduction Act of 1984, the stated purpose of which was to limit retroactively of pension awards. It was later determined, however, that should a surviving spouse choose not to file a claim during the 45-day period, income received during that same period would be disregarded in determining entitlement. As a result, better informed surviving spouses are able to "shelter" such income, usually life insurance proceeds, by filing their claims after the 45-day period has elapsed.

Goal of Reform

Treat income received by all surviving spouses equally by eliminating this unintentional loophole.

Benefits of Reform

- Claimants in similar circumstances will receive similar benefits. Their income, rather than their knowledge of the C.F.R.'s, will determine their entitlement to pension.
- Income received during the first year of entitlement will be countable, thereby eliminating entitlement of those whose income would otherwise bar the same.

Specific Legislative Proposal

This initiative would require an amendment to 38 U.S.C. 5110 (d) (2) and a subsequent conforming regulatory change to 38 C.F.R. 3.400(c)(3)(ii).

Cost Estimate

Information on the number of survivors who file for death pension benefits at least 45 days after the date of the veteran's death is unavailable. Also, the amount of income changes during this 45-day period which may result in reduced benefit levels is unknown. Therefore, the benefit cost of this provision can not be estimated.

Appendix D. Pension Simplification Assumptions

The key assumptions used in the pension simplification proposal are outlined below. They address the GOE cost and timeliness gains associated with the vision of processing pension claims. The assumptions fall into two categories; workload and flow probability/processing time.

D.1 Workload Assumptions

- 1. The workload for EP 150 (Income, Estate, and Election Issues) will be reduced by 70+ percent.**

This assumption was the subject matter experts' (SMEs) estimate of the impact of eliminating retroactive adjustments for unreimbursed medical expenses (UME) and adjustments due to dependency issues. In the vision, the MAPR for veterans and surviving spouses will be increased by a standard add-on (or built-in) for medical expenses, and nursing home fees will be the only allowable continuing medical expense. In addition, a dependency allowance factor will be built into the MAPR to account for eliminating the consideration of dependents when computing a pensioners' rate. Thereafter, the MAPR will be adjusted based on annual cost-of-living adjustments (COLA).

- 2. The workload for EP 050 (EVR) and EP 155 (EVR Referrals) will be reduced by 29.4 percent and 52.5 percent respectively.**

This assumption is based on three pension simplification initiatives: discontinuing income verification for Section 306 and Old Law, eliminating EVRs for pensioners in receipt of Civil Service Annuity, Rail-Road Retirement Benefits, and in Medicare nursing homes, and eliminating retroactive adjustments for UMEs. During December 1996, from approximately 743,760 Old Law, Section 306, and Improved Law Pension beneficiary records, 174,369 cases were selected for release of EVRs. EVRs for Old Law and Section 306 pensioners (57,132) represented 32.7 percent of the EVRs released. Assuming that 90 percent of the EVRs released for Old Law and Section 306 pensioners are cleared under EP 050 and 10 percent are completed under EP 155, the workload for EP 050 and EP 155 will be reduced by 29.4 percent and 3.3 percent respectively. The data collected from a special run at the Hines Data Processing Center shows that the only sources of income for 6.2 percent of the pensioners currently receiving an EVR are Civil Service Annuity and Rail-Road Retirement Benefits. As a result, SMEs expect a 6 percent reduction in EP 155s due to eliminating these EVRs. Moreover, the data collected from the electronic data collection instrument showed that 43 percent of EP 155s were referred due to medical expenses. Since pensioners will no longer be required to file medical expenses in the future, the number of EP 155s was further reduced by 43 percent.

- 3. The workload for EP 154 (Income Verification Match) will be reduced by 23.8 percent.**

This assumption is based on the initiative to discontinue income verification for Section 306 and Old Law. Section 306 and Old Law pensioners represent 23.8 percent of the total pension population. SMEs assumed that this caseload proportion is consistent with the proportion of IVM discrepancies for Section 306 and Old Law pensions to the total number of income discrepancies.

- 4. The workload for EP 600 (Predetermined Notice Cases) will be reduced by 85 percent.**

This assumption is based on the pension simplification initiative to eliminate contemporaneous notice for reduction or termination. Based on SMEs' experience that the majority of EP 600s are due to pension cases versus compensation cases, a conservative estimate that 85 percent of the cases will be eliminated was projected.

D.2 Flow Probability/Processing Time Assumptions

- 1. The probability that a rating is required for EP 180 (Original Disability Pension) will be reduced by 57 percent.**

This assumption represents a combined reduction based on three pension simplification initiatives: presuming P&T at age 65, accepting social security determinations, and granting pension based on nursing home status. Recognizing that the number of denials is not accounted for, SMEs used the ratio of the number of pension accessions for those other the age 65 to the total number of disability pension accessions (50 percent) to compute the percent reduction due to P&T at age 65. Given that the number of pensioners, under age 62, who file for Social Security before applying for VA benefits is unknown, SMEs assumed a conservative estimate of 5 percent. Thirdly, because the number of pension applicants who are already in a nursing home when filing an original pension claim is unknown, a cautious 2 percent estimate was projected. Although the probability that a rating is required for EP 120 (Reopened Pension) will also be affected, SMEs were unable to quantify the reduction.

- 2. The development processing time for EP 180 will be reduced by 30 percent for 50 percent of the cases.**

This assumption is based on presuming P&T at age 65. As stated above, SMEs assumed a 50 percent reduction in the number of ratings required for EP 180. Similarly, the time required to develop evidence for these cases will also be affected. A 30 percent reduction was forecasted based on SMEs' experience on the percentage of total development processing time devoted to requesting medical evidence. Although the development processing time required for EP 120 (Reopened Pension) will also be affected, SMEs were unable to quantify the reduction. These calculations will be redone

following the analysis of the special pension data collection project to determine the best presumptive age.

Appendix E. Pension Focus Group Summaries

The Customer/Employee Satisfaction Team was chartered to solicit the views of both veterans and surviving spouses regarding the VA Pension Program. Two focus groups for each demographic were held in two cities, Cleveland and Detroit. They were held on March 31 and April 1, 1997. The groups ranged from eight to twelve participants all familiar with the program. A standard series of questions were asked to each group. The questions were derived from the members of the BPR Pension Team, and Customer/Employee Satisfaction Team.

E.1 Synopsis of the two veterans' focus group sessions.

1. What aspects of the pension program are satisfactory?

The overwhelming response was satisfaction with the program. A few of the participants expressed that the program had supported them when no one else would help them financially, i.e. welfare. One veteran remarked on how he was unable to get another job, and this was all he had to live on. The facilitator asked if the pension program was a necessity to their survival, their response was a unanimous "yes."

2. What aspects of the pension program need improvement?

The participants communicated they would like to see the pension program improved by basing the income on need. They stated that they try to stay on top of their expenses but more money is necessary. Another improvement indicated by the veterans was more information about the program and other benefits offered by VA.

3. What is your opinion of the information gathering process?

The majority of the veterans said they seek assistance with the forms they need to complete. They expressed that the assistance they had received either at the VA or at a VSO, was very helpful. The participants also stated that although, they are required to provide quite a bit of paperwork, they are used to it.

4. Given the potential of having your rate changed several times throughout the year, would you prefer a single pension rate for 12 months based on your prior year's income?

The majority of the participants expressed the preference for a single pension rate for the 12 months. They felt that changing it throughout the year is hard for them to budget and would allow extra time for them to prepare. However, one veteran did say, "take it all at once."

5. Do you believe your surviving spouse should receive the same benefit rate?

The overwhelming response was to pay the same benefit and medical to their surviving spouses. A few of the veterans also felt more money should be allotted if children were involved as dependents. However, one gentleman stated that she should probably only receive half of the amount since he wouldn't be around any longer.

6. What is your understanding of why medical expenses are claimed?

The veterans expressed different understandings of why medical expenses were claimed. Some thought they were reimbursed dollar-for-dollar, others stated if they receive the maximum amount that they don't get reimbursed. One gentleman asked, "why should we have to pay for medical? If we served, we should get it free."

(Note: A question and answer period was held at the end of each focus group to help inform the veteran of the medical benefits.)

7. Would you prefer a fixed rate to off set your medical expenses or to report your actual medical expenses? Why?

Overall, the participants felt they would prefer to report actual medical expenses. They stated that at their particular age, it would be hard to determine what an appropriate fixed rate would be. Some veterans stated they are very healthy, while others use the medical system often.

8. Would your opinion change if the fixed rate was based on age or health?

The veterans stated their opinion didn't change if the fixed rate was based on age or health. However, if the rate was to become fixed, they believed it should be based on health.

9. What is your understanding of the reporting responsibilities of change of income?

One veteran stated that he was aware of the reporting responsibility once he had a problem. However, the unanimous statement was that the VA shouldn't "nickel and dime" them. Also, remarks were made in regard to raising the limit allowed for other income sources.

Participants that were familiar with the changes said they just submit the appropriate forms. When asked if the forms were easy to understand and complete, the answer was once again "yes" because they seek assistance from the VA.

10. **Would you prefer to report your income to VA each year or have your income reported to VA by an outside source?**

Some veterans felt that they wouldn't mind reporting it themselves. Others said they would like it reported so they don't have to deal with it.

11. **What was the impact on your ability to pay your expenses if your benefits were reduced due to VA hospitalization?**

The majority of veterans stated the only source of income was their VA pension. Thus, one veteran stated that just because they are in the hospital doesn't mean that the bills stop. The example he proclaimed was, "rent and utilities are still due." They expressed concern that they wouldn't have any income if the benefit was reduced while hospitalized.

12. **Have you ever had an overpayment and why? What is your understanding of the waiver process in overpayment cases?**

The participants who had experienced the overpayment process stated they were "devastated when it happened." They stated that there was no warning of an overpayment, -- just informed and subtracted dollar-for-dollar. One veteran stated, "I need to eat, so I can't afford to have them take more money from me." A few of the veterans had been involved with the waiver process but only after they had inquired about the overpayment from the VA office. However, a veteran informed the group that a payment plans could be arranged and it made the repayment process easier for him.

E.2 Synopsis of the two surviving spouses' focus group sessions

1. **What aspects of the pension program are satisfactory?**

The surviving spouses felt that the Pension Program was essential to their everyday existence. For most of the widows, they stated that this was their only income. They expressed that it wasn't much money, but they appreciated what they received. A few of the surviving spouses stated that once they applied, the processes of receiving their check was very timely. However, some of the widows had stated that they were not aware of the specific benefit until a friend had informed them they might be eligible. One woman who wept, stated that her husband had been dead for four years, and she just began the program last year. She stated that she didn't even know it existed until someone told her that she might be eligible. She told the group that she wasn't entitled to any back pay, and her children had to support her for the three prior years.

2. **What aspects of the pension program need improvement?**

When asked what the VA could do to make the program better, many expressed that they were very happy. However, some improvements to the program that were

suggested include: communication on benefits to the widows immediately after the death of their spouse, and more money each month. One woman stated that she can't pay her bills with the \$191 a month that the VA pays her.

3. What is your opinion of the information gathering process?

The widows stated that the information gathering process was quite easy. Most of the ladies expressed that once they receive a form in the mail, they visit the VA or a VSO Representative for assistance. They said that the assistance they had received from VA had always been very good. However, a few of the surviving spouses stated that some of the information requested like previous marriages, and discharge papers were hard to address, because these issues were never discussed with their husbands.

4. Given the potential of having your rate changed several times throughout the year, would you prefer a single pension rate for 12 months based on your prior year's income?

Although this question was hard to understand, the participants felt that they would prefer a single pension rate for the 12 months with it being adjusted the following year. They stated that they didn't have much variation in their income because they were too old to work. However, one participant stated that she had received an overpayment due to a change in income, and the VA took the money back then alerted her. Her account had become overdrawn due to the fact she thought she had the money but it had already been withdrawn.

5. What is your understanding of why medical expenses are claimed?

Many of the participants expressed a lack of knowledge of the medical expense process. A few had stated that they were told to inquire at another agency, like SSA. The widows that did claim medical expenses said they just send the receipts and aren't sure what happens after that. The surviving spouses asked many questions about medical expenses that were followed up at the end of each session.

6. Would you prefer a fixed rate to off set your medical expenses or to report your actual medical expenses?

The widows stated they would prefer the actual, dollar-for-dollar reporting. They felt that it was too hard to estimate what potential costs may be incurred, and it would be easier for them to send in receipts.

7. Would your opinion change if the fixed rate was based on age or health?

The overwhelming response from the participants was that this should be based on health not age. Their opinion didn't change regarding the fixed rate at all. They felt that the actual cost should be claimed.

8. **What is your understanding of the reporting responsibilities of change of income?**

Many of the participants stated they didn't have changes in their income which resulted in copying the forms from year to year. Others stated that the understanding was simple, if they had a change, let the VA know immediately. However, one woman expressed that if she received money from her children, she would not report it.

9. **Would you prefer to report your income to VA each year or have your income reported to VA by an outside source?**

A majority of the participants stated they would rather report the income themselves. They expressed that by doing it themselves, they would know exactly what was going on and would know it was done correctly. However, two of the participants expressed they wouldn't mind someone else doing it, and they understand that they get the information from an outside source to compare anyway.

10. **Have you ever had an overpayment and why? What is your understanding of the waiver process in overpayment cases?**

The widows that had overpayments stated that once the mistake was made, the VA just asked for the money back, or in the case of direct deposit, withdrew the money without notification. One participant stated the VA made her feel "like a criminal" when they asked for the money back. They didn't realize that a waiver was possible and would have preferred that the VA split the re-payment process over a period of time.

Other comments and suggestions:

In conclusion, the surviving spouses felt more information was needed to be provided to them regarding their benefits. Suggestions that the participants recommended for the ease of dissemination were: funeral homes or undertakers should have knowledge of benefits, newsletters, information packets, and/or an 800 number would be helpful to understand what is available. Another issue that was expressed was the fact that the pension program is essential to their survival.

Appendix F. Glossary

F.1 List of Abbreviations

A&A	Aid and Attendance
ACAP	Annual Clothing Allowance Payment
ARMS	Automated Reference and Manual System
BDN	Benefits Delivery Network
BPR	Business Process Reengineering
BVA	Board of Veterans' Appeals
C&P	Compensation and Pension
C.F.R.	Code of Federal Regulations
The Court	Court of Veterans Appeals
COLA	Cost-of-living Adjustment
CSA	Civil Service Annuity
DEA	Dependents' Educational Assistance
DIC	Dependency and Indemnity Compensation
EDCI	Electronic Data Collection Instrument
EP	End Product
EVR	Eligibility Verification Report
FNOD	First Notice of Death
FY	Fiscal Year
GAO	General Accounting Office
GOE	General Operating Expense
HB	Housebound
IRS	Internal Revenue Service
IG	Inspector General
IVM	Income Verification Match
IRS	Internal Revenue Service
IU	Individual Unemployability
NOD	Notice of Disagreement
NSC	Nonsevice connected
NSO	National Service Officer
OBRA	Omnibus Budget Reconciliation Act
OGC	VA's Office of General Counsel
OMB	Office of Management and Budget
RO	Regional Office
RR	Railroad Retirement
RRB	Railroad Retirement Board
SRA	Systems Research and Applications, International
SC	Service connection or service connected
SME	Subject Matter Expert
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

RULES AND PENSION SIMPLIFICATION TEAM REPORT

UME	Unreimbursed Medical Expense
VA	Department of Veterans Affairs
VAMC	Veterans Affairs Medical Center
VARO	Veterans Affairs Regional Office
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration
VR&C	Vocational Rehabilitation and Counseling
VSO	Veteran Service Organization
VSR	Veterans Service Representative
WWI	World War I

F.2 Definition of Terms

45 Day Rule

This refers to the current requirement which only applies to surviving spouses applying of death pension. It requires that a claim be filed within 45 days of the veterans death in order to receive benefits from the first day of the month in which the veteran's death occurred. Any claim received more than 45 after the veteran's date of death will be payable only from date of claim.

588 Pension

Another name for the Improved Pension Program which was enacted by Public Law 95-588.

Adjudication Commission Report

The Report prepared by the Veterans' Claims Adjudication Commission. This Commission was established pursuant to Public Law 103-446. The Commission was charged with studying the VA system for adjudication of claims for veterans benefits.

Aid and Attendance

Increased pension is payable to veteran and surviving spouse determined to be in need of the aid and attendance of another person. Increased compensation is also payable to a veteran or his/her spouse who meets this criteria. Increased DIC is payable to a surviving spouse in need of aid and attendance. A person is considered to be in need of regular aid and attendance if such person is a patient in a nursing home or helpless or blind, or so nearly helpless or blind as to need or require the regular aid and attendance of another person.

Apportionment

All or any part of pension or compensation benefits may specially apportioned between the veteran and dependents or the surviving spouse and dependents based on the facts in the individual case as long as it does not cause undue hardship.

ARMS

Automated Reference and Manual System. The current electronic storehouse of VA directives.

BDN

Benefits Delivery Network. The current payment system used by VA to process benefit payments.

RULES AND PENSION SIMPLIFICATION TEAM REPORT

Board of Veterans' Appeals	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 Reengineering -- A Case for Change	Title of the report that details the new claims processing vision for compensation and pension claims that resulted from VA's reengineering project.
C&P Service	The Compensation and Pension Service is the Veterans Benefits Administration organization responsible for administering the compensation and pension programs.
Committee on Waivers	Each regional offices has a Committee on Waivers and Compromises. This Committee is responsible for making decisions on any waiver or compromise requests received from a beneficiary.
Contemporaneous Notice	Contemporaneous notice is considered to have been received when the beneficiary provides VA with a written, factual, unambiguous information as to income, net worth, dependency or marital status.
DD214	The form number of a veterans discharge documents for the military.
Dollar-for-dollar adjustment	Under the Improved Pension program, the pension rate is reduced by one dollar for every dollar that is considered countable income by VA.
Eligibility Verification Report	The method used by pensioners report their income and net worth information annual to VA.
Extra Schedular Pension	Veterans who do not meet the basic disability requirements for pension may still establish entitlement if the evidence shows that they are unemployable by reason of disability, age, occupational background an other related factors.
Federal Register	The Code of Federal Regulations is a codification of the general and permanent rules published in the Federal Register by the Executive departments and agencies of the Federal Government.

Housebound

Increased compensation or pension is payable to a veteran or surviving spouse who is considered housebound due to disability. The requirement of "permanently housebound" will be considered to have been met when the veteran is substantially confined to such veteran's house (ward or clinical areas, if institutionalized) or immediate premises due to a disability or disabilities which it is reasonably certain will remain throughout such veteran's lifetime.

Improved Pension

The pension program that was enacted by Public Law 95-588. This program was designed to ensure a minimum income level each year. This program is based on the principle that for every dollar of income, there will be a corresponding reduction in the amount of VA pension paid.

Income for VA Purposes

That amount of an individual's income that is used to determine the monthly rate of pension benefits under the Improved Pension program.

Income Verification Match

The Internal Revenue Service (IRS) maintains unearned income records including retirement income and the Social Security Administration (SSA) maintains earned income records. This Income Verification Match compares income reported to VA by pension and parents' dependency and indemnity compensation (DIC) recipients with IRS and SSA income records. Spouses of live pension beneficiaries are included in this income verification match. Children are excluded. The match also provides earned income of veterans in receipt of compensation based on individual unemployability (IU).

Individual Unemployability

Total disability ratings for compensation may be assigned when the schedular rating is less than 100% when the disabled veteran is unable to secure or follow a substantially gainful occupation as a result of service-connected disabilities.

Income for VA Purposes

In Improved Pension cases, the level of countable income determines the rate of VA benefits that can be paid. The higher the claimant's countable income, the lower the rate of VA benefits payable.

Maximum Annual Pension Rate	The Maximum Annual Pension Rate (MAPR) for any given claimant is determined by type of payee (veteran, surviving spouse or child), number of established dependents, entitlement to A&A or housebound benefits and entitlement to the Mexican border period/World War I supplement. A change in any of the above factors changes the MAPR and, consequently, the amount of pension payable.
Medical Expense Exclusion	Unreimbursed medical expenses which exceed 5 percent of reported annual income can be deducted from the countable VA income.
Nonrecurring Income	Income received or anticipated on a one-time basis during a 12-month period.
Old Law Pension	The pension program in effect prior to the enactment of the Section 306 pension program. The last date eligibility could be established for this program was June 30, 1960.
Paragraph 30	This refers to 38 C.F.R. 4.30 which provides that total ratings will be assigned for surgery necessitating at least one months of convalescence.
Permanent and Total Disability (for pension)	A veteran is considered to be permanently and totally disabled if he/she is unemployable as a result of disability reasonably certain to continue throughout the life of the disabled person, or is suffering from any disability which is sufficient to render it impossible for the average person to follow a substantially gainful occupation, but only if it is reasonably certain that such disability will continue throughout the life of the disabled person.
Pretermination/reduction notice	Current regulations require written notice to be sent to a beneficiary prior to any reduction or termination of benefits. The beneficiary has 60 days to respond before the VA makes the adjustment.
Protected Programs	Rates payable under Section 306 and Old Law pension were frozen as of December 31, 1978 with the enactment of Improved Pension. Although the rates are frozen, the income limits are increase by the cost-of-living adjustment. As long as the pensioners income stays within this limit, the frozen rate is paid.

Rating Schedule

The rating schedule is primarily a guide in the evaluation of disability resulting from all types of diseases and injuries encountered as a result of or incident to military service. The percentage ratings represent as far as can practicably be determined the average impairment in earning capacity resulting from such diseases and injuries and their residual conditions in civil occupations. Generally, the degrees of disability specified are considered adequate to compensate for considerable loss of working time from exacerbations or illnesses proportionate to the severity of the several grades of disability.

Reasonably available

This refers to the amount of a child's income that is readily applied to meet the veteran's or surviving spouse's family expenses.

Section 306

The pension program in effect prior to the enactment of PL 95-588. The last date eligibility could be established for this program was December 31, 1978. This program became protected as of January 1, 1979.

Unreimbursed Medical Expense

A pensioners countable income can be reduced by the amount of medical expenses paid by the pensioner for which no reimbursement has been made. The amount claimed must be in excessive 5 percent of the pensioners maximum annual pension amount.

VA Medical Center

Part of the Veterans Health Administration system where veterans can receive health care on an inpatient or outpatient basis.

Blueprint for Change

Tab 6

Customer and Employee Satisfaction Team Report



Implementation Plan for Reengineering Claims Processing

June 1997

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EXECUTIVE SUMMARY

Customer and employee satisfaction are two core elements in the design and implementation of the new claims process. Our success in changing the focus of our claims processing system from business driven to customer driven will depend in large part on our ability to capture and integrate the needs and expectations of these two groups with our business needs. In recognition of the need to integrate these two groups into the process, the Customer and Employee Satisfaction Team was formed as one of the Business Process Reengineering (BPR) implementation teams.

1. Customer and Employee Satisfaction Team Charter

The Customer and Employee Satisfaction team consisted of representatives from VA Central Office, VARO, a representative from a National Service Organization, a National Labor Union representative and contractor support from SRA, International. This team was chartered to:

- Conduct focus groups with employees on Division Merging
- Conduct focus groups with customers
- Administer survey instruments as requested by other BPR teams
- Develop a customer satisfaction index
- Develop an employee satisfaction index

In addition to these tasks, this team was also tangentially involved with the nationwide survey entitled "Veterans' Satisfaction with C&P Claims Process" and the "ONE VA Employee Survey". This team administered a nationwide survey of all hearing officers, select Senior Rating Specialists and representatives from the Disabled American Veterans (DAV) and Veterans of Foreign Wars (VFW) on the concept of *de novo* review by Decision Review Officers (DRO). This team also conducted focus groups with pension recipients and surviving spouses receiving death pension.

2. National Customer and Employee Surveys

The "Veterans' Satisfaction with C&P Claims Process" survey was conducted in the fall of 1996. Individual reports by stations were completed by the end of May, 1997 and a consolidated report for the nation should be completed by the end of July, 1997. This survey will be conducted in the fall of every year. While it will not be possible to directly link the results of this survey to specific elements of the new claims process, it is our belief that as the new system is implemented, there should be some measure of improvement in the overall satisfaction veterans have with the process. This survey will, however, be instrumental in guiding or directing the

development of additional focus groups and local surveys which may help in further linking any improvements in satisfaction to the new claims process.

The "ONE VA Employee Survey" commissioned by the Secretary of Veterans Affairs was scheduled to be completed by April 16, 1997. Reports are scheduled to be completed by the end of June, 1997. This survey is scheduled for readministration every two years in the fall. Since this survey is very global in its focus and reports on employee perceptions, it may not be possible to directly link employee satisfaction to the new claims process using this instrument. However, we can review overall levels of employee satisfaction in the Adjudication/Veterans Services Divisions and as with the veterans survey, we would hope to see indications of improvement as BPR is implemented.

The *de novo* survey was developed and conducted to assist in the evaluation of the DRO position and the post decision review authority that would be granted as part of the new claims process. This new authority is currently being tested at nine Regional Offices. A written survey was sent to Hearing Officers and select Senior Rating Specialists at all VA Regional Offices, including the test sites. This survey instrument was also sent to each field office of the Disabled American Veterans (DAV) and the Veterans of Foreign Wars (VFW). We recorded a 100% return rate from VA employees involved in this survey and a 75% return rate from the veterans service organizations. Most respondents, particularly those from the test sites and from the service organizations, thought this new process would be favorable to veterans and that veterans would perceive it as such. They felt that the new process would give veterans "one more bite of the apple" and would therefore be to the veterans benefit to participate in this process. Since the DRO would have the ability to change a rating based on the same evidence the original Rating Specialist used, there was some indication that this would cause friction between these two positions. There also was a similar indication that there would be a need for more DROs with this process than VBA currently has now in the form of Hearing Officers. A copy of the survey questions and responses are located in Appendix A.

3. Local Surveys and Focus Groups

Focus groups were conducted at four sites concerning the issue of merging the Adjudication (ADJ) and Veterans Services Divisions (VSD). Merging of these divisions is the basic organizational design of the new claims process. The focus groups were conducted at three non-merged sites and one merged site. At the merged site, employees were not satisfied with the new organization and attributed their dissatisfaction to the perception they had that there was no effective leadership in merging the divisions. Employees were also not satisfied with the skills training they received in preparation for the merger. While they understood the concept of merging, focus group participants did not feel that the concept was the reality at their station.

In the three non-merged sites, employees echoed three major themes. First, they felt that there was a lack of communication and a lack of awareness by employees of exactly what the merging meant. It was not clear to these employees that there was an overall plan for merging the divisions nor was it clear that the goals were realistic. Secondly, employees were concerned about the amount and quality of training they would receive in preparation for the merging of the

divisions. Employees were not sure they would receive the tools and skill training they needed to perform in these new divisions. In addition, they were not sure that management would support them through the merging transition. Thirdly, employees were concerned about their personal safety. Since many had not had much face-to-face contact with veterans, they were concerned that these clients, who they would now have to see in the new process, would be unhappy with some of their decisions and could be potentially dangerous. Details about each of these four focus groups can be found in Appendix B.

Four focus groups were conducted at the request of the Pension Simplification team with veterans receiving death pension and surviving spouses receiving pension benefits. Both groups stated that pension was essential to their every day existence and each group relied on VA, VSO or NSO assistance in completing the required forms. None of the groups felt that the current reporting requirements were burdensome. Additional details about these focus groups can be found in Appendix E of Tab 5, Rules and Pension Simplification Report.

4. Customer Satisfaction Index

In the new claims process, customer satisfaction is a key measure of success. Instead of measuring success based on our own internal procedures, the new claims process and the new Government Performance and Results Act (GPRA) both mandate that we develop ways to measure how satisfied our customers are with the way claims are handled.

The development of a customer satisfaction index requires identification of the variables involved in defining and measuring customer satisfaction. Since we are in the early stages of this process of defining the variables that make up "satisfaction" it will not be possible at this point to develop a customer satisfaction index, particularly one that we could specifically and directly link to the new claims process. In looking at the preliminary reports from the nationwide "Veterans Satisfaction with C&P Claims Process" survey, there were certain indicators that when taken together were highly predictive of overall satisfaction with handling of the claim. It is clear from these preliminary reports that the index could not include the variable "results of the outcome of the claim" since whether or not a claim was granted or denied seemed to carry the most weight in determining satisfaction. Since there is no appropriate, identifiable way to influence the outcome of a claim separate from the merits of the case, this variable should not be included in the index. As the reports are developed from this survey and as the survey is administered over the next few years, we may be able to get a better idea of how we can satisfy our customers and how we measure their satisfaction. It will still be difficult however to directly link any improvements to particular elements of the new claims process.

5. Employee Satisfaction Index

Developing an employee satisfaction index, like the customer satisfaction index will require that we first develop an instrument with the appropriate variables that can definitively determine employee satisfaction. The "ONE VA Employee Survey" was developed using an Office of Personnel Management (OPM) Organizational Assessment Survey (OAS) as its basis. The OAS itself was developed to collect employee perceptions on 18 different dimensions. It also

assesses dimensions included in two reputable private sector surveys. Since the OAS was developed with considerable theoretical and empirical support for its dimensions, use of these dimensions should be considered in the development of an employee satisfaction index. Since the employee survey is currently planned to be administered every other year it may also be helpful in designing focus groups, further employee or climate oriented surveys, and other specific survey instruments to gauge overall satisfaction. However, statistically valid data needed to develop an employee satisfaction index are not available at this time.

6. Recommendations

It is clear that as the new claims process is implemented over the next five years, customer and employee participation must be vigorously pursued as each new "product" is rolled out. With this goal in mind, we make the following recommendations:

- The Compensation and Pension (C&P) Service must "own" both customer and employee surveys and focus groups as they relate to claims processing. C&P must develop a program for measuring and monitoring customer and employee satisfaction with the goal of integrating these results into the design and implementation of the new claims process. C&P Service will provide the structure, time lines, objectives and budget for the surveys, focus groups and other methods of data collection.
- The responsibility for developing and conducting the surveys and focus groups will reside with the Office of Resource Management (ORM) since this office has the resident expertise for developing these instruments. ORM should be supported by field and other CO personnel in development and administration of these instruments.
- The nationwide customer surveys should continue to be conducted in the fall of each year.
- The VBA portion of the "ONE VA Employee Survey" should be conducted every two years in the fall of each year, regardless as to whether it is readministered VA-wide with similar frequency.
- Focus groups should be conducted at the lab sites annually and the data gathered should be compared to the baseline data.
- Before each initiative for the new claims process is implemented, a base line survey should be conducted and a follow-up survey should be completed within six(6) months of full implementation of that initiative. The survey may be either written or telephonic and may have focus groups conducted in concert with their administration.
- As the data from the nationwide C&P veterans survey are compiled and the reports developed, the design of a customer satisfaction index will be pursued using the information in that survey as a guideline for developing the appropriate variables.

- As the data from the "ONE VA Employee Survey" becomes available, the design for the employee satisfaction index will be pursued.

APPENDIX A. CUSTOMER/EMPLOYEE SATISFACTION

DE NOVO SURVEY

A.1 Background

The *de novo* survey was developed by the Business Process Reengineering - Customer Employee Satisfaction Team to assist in evaluating the concept of the DRO position proposed as a part of the "Reengineering Claims Processing" report of December, 1996. Copies of the survey, along with a brief explanation of the post decision review process, were submitted to each of the four Area Office's for distribution to all RO's within their jurisdiction. Hearing Officers and two Senior Rating Specialists from each RO were asked to respond to the survey questions during the period March 17 - 21, 1997. Copies of this instrument were also provided to the Disabled American Veterans and Veterans of Foreign Wars Service Organizations to submit to their Service Officers for completion during the same time frame.

According to statistics provided by each Area Office representative, we should have received 197 responses from Regional Offices. 198 completed surveys were returned and tabulated (we were not able to determine where the extra survey came from). Therefore, we are showing a 100% response rate.

Of the 119 surveys sent to the various Service Officers, 89 were completed and tabulated for a 75% response rate.

The following 9 offices were recently selected to serve as lab sites for this "difference of opinion" or "*de novo*" concept and these offices results while included in the overall Regional Office (RO) survey results, have also been listed separately for informational purposes: Fargo, Houston, Huntington, Indianapolis, Philadelphia, Saint Paul, Saint Petersburg, San Diego and Seattle.

A.2 Survey Results

The following is a detailed analysis of each question with the number of responses per question and percentage rate. Remarks from survey participants are attached at the conclusion of all of the survey questions.

1. There will be fewer notices of disagreement:

All Regional Offices:

Strongly Disagree or Disagree	96	51.6%
Agreed or Strongly Agreed	75	40.3
Neutral	15	8.0
Don't Know	10	
Did not complete	2	

Lab Sites:

Strongly Disagree or Disagree	11	28.9
Agreed or Strongly Agreed	19	50.0
Neutral	8	21.0
Don't Know	1	
Did not complete	2	

Service Organizations:

Strongly Disagree or Disagree	37	42.5
Agreed or Strongly Agreed	40	46.0
Neutral	10	11.5
Don't Know	2	
Did not complete	0	

2. There will be fewer appeals:

All Regional Offices:

Strongly Disagree or Disagree	52	27.3
Agreed or Strongly Agreed	121	63.6
Neutral	17	8.9
Don't Know	7	
Did not complete	1	

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Lab Sites:

Strongly Disagree or Disagree	8	21.0
Agreed or Strongly Agreed	27	71.0
Neutral	3	7.8
Don't Know	3	
Did not complete	0	

Service Organizations:

Strongly Disagree or Disagree	21	24.4
Agreed or Strongly Agreed	56	65.1
Neutral	9	10.4
Don't Know	3	
Did not complete	0	

3. There will be fewer hearings:

All Regional Offices:

Strongly Disagree or Disagree	52	28.5
Agreed or Strongly Agreed	106	58.2
Neutral	24	13.1
Don't Know	12	
Did not complete	4	

Lab Sites:

Strongly Disagree or Disagree	7	18.9
Agreed or Strongly Agreed	19	51.3
Neutral	11	29.7
Don't Know	3	
Did not complete	1	

Service Organizations:

Strongly Disagree or Disagree	23	27.0
Agreed or Strongly Agreed	49	57.6
Neutral	13	15.2
Don't Know	3	
Did not complete	1	

4. Claimants will like this process:

All Regional Offices:

Strongly Disagree or Disagree	7	3.7
Agreed or Strongly Agreed	168	89.4
Neutral	13	6.9
Don't Know	10	
Did not complete	0	

Lab Sites:

Strongly Disagree or Disagree	0	0
Agreed or Strongly Agreed	36	92.3
Neutral	3	7.7
Don't Know	2	
Did not complete	0	

Service Organizations:

Strongly Disagree or Disagree	3	3.5
Agreed or Strongly Agreed	66	76.6
Neutral	16	18.8
Don't Know	3	
Did not complete	1	

5. Claimants will believe that their claims are more fairly evaluated:

All Regional Offices:

Strongly Disagree or Disagree	25	13.5
Agreed or Strongly Agreed	122	65.9
Neutral	38	20.5
Don't Know	12	
Did not complete	1	

Lab Sites:

Strongly Disagree or Disagree	5	13.2
Agreed or Strongly Agreed	23	60.5
Neutral	10	26.3
Don't Know	3	
Did not complete	0	

Service Organizations:

Strongly Disagree or Disagree	8	9.3
Agreed or Strongly Agreed	57	66.3
Neutral	21	24.4
Don't Know	3	
Did not complete	0	

6. This will make decision making at the regional offices less adversarial between the claimant and the V.A.:

All Regional Offices:

Strongly Disagree or Disagree	54	29.3
Agreed or Strongly Agreed	87	46.5
Neutral	43	23.3
Don't Know	14	
Did not complete	0	

Lab Sites:

Strongly Disagree or Disagree	10	27
Agreed or Strongly Agreed	19	51
Neutral	8	21.6
Don't Know	4	
Did not complete	0	

Service Organizations:

Strongly Disagree or Disagree	22	27.8
Agreed or Strongly Agreed	40	50.6
Neutral	17	21.5
Don't Know	10	
Did not complete	0	

7. Decision Review Officers will grant benefits more often than at present:

All Regional Offices:

Strongly Disagree or Disagree	35	19.3
Agreed or Strongly Agreed	122	67.4
Neutral	24	13.2
Don't Know	15	
Did not complete	2	

Lab Sites:

Strongly Disagree or Disagree	4	12.5
Agreed or Strongly Agreed	23	71.8
Neutral	5	15.6
Don't Know	9	
Did not complete	0	

Service Organizations:

Strongly Disagree or Disagree	16	22.2
Agreed or Strongly Agreed	34	47.2
Neutral	22	30.5
Don't Know	17	
Did not complete	0	

8. Final regional office decisions will more closely resemble "BVA thinking" on issues:

All Regional Offices:

Strongly Disagree or Disagree	58	35.1
Agreed or Strongly Agreed	69	41.8
Neutral	38	23.0
Don't Know	30	
Did not complete	3	

Lab Sites:

Strongly Disagree or Disagree	13	37.1
Agreed or Strongly Agreed	16	45.7
Neutral	6	17.1
Don't Know	6	
Did not complete	0	

Service Organizations:

Strongly Disagree or Disagree	25	33.3
Agreed or Strongly Agreed	28	37.3
Neutral	22	29.3
Don't Know	12	
Did not complete	2	

9. There will be fewer remands from BVA:

All Regional Offices:

Strongly Disagree or Disagree	63	34.4
Agreed or Strongly Agreed	96	52.4
Neutral	24	13.1
Don't Know	13	
Did not complete	2	

Lab Sites:

Strongly Disagree or Disagree	11	31.4
Agreed or Strongly Agreed	19	54.2
Neutral	5	14.2
Don't Know	5	
Did not complete	1	

Service Organizations:

Strongly Disagree or Disagree	11	13.2
Agreed or Strongly Agreed	62	74.6
Neutral	10	12.0
Don't Know	5	
Did not complete	1	

10. There will be a decrease in the average length of time for a claim to proceed from the initial application to the final BVA decision.

All Regional Offices:

Strongly Disagree or Disagree	57	32.4
Agreed or Strongly Agreed	84	47.7
Neutral	35	19.9
Don't Know	18	
Did not complete	4	

Lab Sites:

Strongly Disagree or Disagree	10	29.4
Agreed or Strongly Agreed	17	50
Neutral	7	20.6
Don't Know	4	
Did not complete	3	

Service Organizations:

Strongly Disagree or Disagree	26	32.1
Agreed or Strongly Agreed	41	50.6
Neutral	14	17.3
Don't Know	7	
Did not complete	1	

11. Fewer Decision Review Officers will be needed:

All Regional Offices:

Strongly Disagree or Disagree	129	80.1
Agreed or Strongly Agreed	7	4.3
Neutral	25	15.5
Don't Know	34	
Did not complete	3	

Lab Sites:

Strongly Disagree or Disagree	31	91.2
Agreed or Strongly Agreed	0	0
Neutral	3	8.8
Don't Know	7	
Did not complete	0	

Service Organizations:

Strongly Disagree or Disagree	44	71.0
Agreed or Strongly Agreed	2	3.2
Neutral	16	25.8
Don't Know	24	
Did not complete	3	

12. The relationship will improve between Decision Review Officer and the Rating Specialist:

All Regional Offices:

Strongly Disagree or Disagree	101	62.0
Agreed or Strongly Agreed	13	8.0
Neutral	49	30.1
Don't Know	31	
Did not complete	4	

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Lab Sites:

Strongly Disagree or Disagree	15	46.9
Agreed or Strongly Agreed	3	9.4
Neutral	14	43.8
Don't Know	8	
Did not complete	1	

Service Organizations:

Strongly Disagree or Disagree	27	39.1
Agreed or Strongly Agreed	13	18.8
Neutral	29	42.0
Don't Know	13	
Did not complete	7	

Using this concept, what percentage of notices of disagreement will result in granted claims solely on the basis of "difference of opinion" _____%

All Regional Offices: Average - 22%

Lab Sites: Average - 13%

Services Organizations: Average - 20%

APPENDIX B. DIVISION MERGING FOCUS GROUPS

**Houston, Texas
March 10-11, 1997**

The Customer/Employee Satisfaction Team was chartered to solicit the views of employees regarding the merging of the Adjudication Division and the Veterans Services Division. The Houston RO was selected as a non-merged station. A standard series of 12 questions were presented to the employees. The questions were derived from the members of the Customer/Employee Satisfaction Team, the HR Team and the Training Team. Each employee group consisted of 10 employees. The employment background of these employees were Veterans Benefits Counselors, Veterans Claims Examiners, Rating Specialists and mail & file clerks. The grades ranged from GS-3 to GS-12. There were four sessions, each one and a half to two hours in length and held during a two day period. This report is a compilation of the feedback received from all four sessions.

The focus groups were conducted by a team consisting of Stephanie Kron, SRA, Facilitator, Jack Frost, and Tricia Moore, both of VA Central Office, Scribe. The following are the questions that were asked and a synopsis of the feedback.

1. What is your level of satisfaction with the current divisional organization?

The overwhelming response from employees expressed dissatisfaction with the current divisional organization. The employees felt that goals were unclear, the stress level was very high, change that was occurring led to confusion and low morale with an increased expectation level of pressure to produce. The employees felt inadequate due to poor training and an overall fear of the unknown. They felt that currently the structure was poor, buck passing, with a heavy workload and not conducive to veterans.

However, those who were currently satisfied were some of the newer employees who were open to change. Some were comfortable in their jobs and, if they were to continue, they would be pleased. Some thought that the specialization was better because they could focus and master the tasks. Although one stated that specialization does not allow for a well rounded employee. Another employee stated, "too many layers, and it is time for change."

2. What is your understanding of the Adjudication/Veterans Services Division Merger?

Overall, the participants felt the merge was unclear, with no real definition, lack of clarity, with doubts of work assignments, and that management needed a more open line of communication. However, those that did have an understanding thought that they

would be a jack of all trades. Some employees were concerned that it would not be an actual merge, "just movement of bodies." Most employees had little knowledge of the merge and were not clear what would be expected of them.

3. What potential positive results are there in merging?

The employees felt that they would all be striving for a common goal, and there would be an increase in customer satisfaction with greater personal satisfaction. The merge would add variety to the workplace with a potential for promotion. They would be learning and sharing knowledge which might ease the frustration of the two divisions, as well as, the collective training that could result in an enhanced self-worth. They felt it would decrease the claims processing time, thus improving service to veterans. The merge might also ease the historical tensions between the two divisions and would greatly increase their understanding of each others responsibilities.

4. What potential negative results are there in merging?

The employees anticipate an increase in interruptions, and that the resulting stress to accomplish many tasks at one time, may have an overall negative impact on claims processing. This could impact on both the timeliness and quality of their decisions. They also felt that the training process must allow time for acclimation. They stated that peoples resistance to change could be an inhibitor.

For the adjudicators, speaking to the veteran may inhibit their ability to work cases. Because they anticipate more distractions and less "quiet time," they would not be able to work cases as thoroughly and quickly. They also stated some sense of apprehension at the potential of being threatened having to actually interact with veterans.

5. What positive results are there in merging for customers?

The employees felt that the overwhelming positive result for customers will be direct and improved communication, and interaction between the customer and the employee. More direct and consistent communication may reduce customer frustration. Further, the customer may experience expedited claims processing, and may understand the decisions better with fewer hand-offs.

6. What negative results are there in merging for customers?

The employees thought there may be a decrease in quality due to employee training. The customers may expect too much and feel they are due more. They also thought the customers that contact the VA more often will receive higher priority than those who are more patient, thus the level of service will decrease for the latter.

7. In your opinion, what would hinder the merge?

The views expressed by the employees include lack of: management support, equipment, funds, adequate training, knowledge of the merger, and information dissemination. In addition, they also indicated a further hindrance would be employee resistance to change and not having a fully communicated detailed plan.

8. In your opinion, what would help the merge?

The employees suggestions in response to this question include: clearly defined roles, proper and consistent information, communicate a clear vision for the future, consistent training, and a definite timeline. They believe that before the merging process begins a detailed plan must be developed, training should be administered, equipment procured and installed, and open communications must occur.

9. What type of training is necessary for merging?

The employees felt a need for standard, timely, continual, quality training. Specifically, they mentioned: one-on-one, mentoring, role-playing, hands on, and team training. They feel training should be available to all employees and not discriminately offered.

In the opinion of the VBCs, they indicated a need for claims development and processing training to include the very basics. From the VCE perspective, they indicated a need for cross-training on all other business lines and refining their soft skills to assist in dealing with the public.

They also felt that once the training program had been implemented, there should be a way to evaluate and validate the training. In addition, they indicated needing adequate absorption time to ensure a thorough understanding of the material.

10. What type of training will you need?

The employees felt that the formal academy training is essential. A training manual and on the job training was also indicated. They stated a need for more complete and thorough training, beginning with the basics. In addition, they suggested training on communication, public relations, soft skills and all the various VBA business lines. They strongly voiced the need for a mentoring program to share experiences. There was also discussion on what not to do; specifically the example highlighted was the reader focused writing project having been initiated with great fanfare, but later ignored with little follow-through.

11. What would you consider an acceptable or an appropriate method to determine skill level once the two positions (VBC/VCE) have been combined?

The debate that followed this question indicated some fairly strong opinions which were in opposition to one another; i.e., team and/or peer reviews, testing, role playing interviews, performance quotas, self-evaluations, SQC, random sampling and customer satisfaction. However, there was unanimity that any evaluation system needed to be totally fair, well defined and able to adequately test ones skill, knowledge and ability.

12. What one recommendation would you suggest to facilitate merging?

The facilitator phrased the question, " If you were able to speak to the Under Secretary for Benefits, what one suggestion would you give to facilitate the merger?" The following is a list of the answers received:

- Proper, quick and complete communication;
- People need to be well trained;
- Have the necessary equipment ready;
- Develop a timeline, plan and goals;
- Attempt to ensure minimal disruption of on-going work processes
- Treat employees with respect and have patience with the human condition; and
- Just do it.

**Seattle, Washington
March 12-13, 1997**

The Customer/Employee Satisfaction Team was chartered to solicit the views of employees regarding the merging of the Adjudication Division and the Veterans Services Division. The Seattle RO was selected as a merged station. A standard series of questions were presented to the employees. The questions were derived from the members of the Customer/Employee Satisfaction Team, the HR Team and the Training Team. Each employee group consisted of 10 employees. The employment background of these employees were Rating Specialists, Veterans Customer Representatives and Veterans Benefits Counselors. The grades ranged from GS-5 to GS-12. There were four sessions, each two to two and one half hours in length and held during a two day period. This report is a compilation of the feedback received from all four sessions.

The focus groups were conducted by a team consisting of Stephanie Kron, SRA, Facilitator, Jack Frost, and Tricia Moore, both of VA Central Office, Scribe. The following are the questions that were asked and a synopsis of the feedback.

1. What is your level of satisfaction with the current divisional organization?

The universal feeling of the employees was dissatisfaction with the current work structure. The employees that had merged felt the concept was realistic in that there was no other way to achieve customer satisfaction. However, the implementation lacked overall planning, i.e., equipment, goals, leadership and work environment. Thus the employees felt frustrated, stressed, overwhelmed and distracted. Also, the loss of top management and an inconstant direction has left the employees feeling abandoned.

2. What is your understanding of the Adjudication/Veterans Services Division Merger?

The employees understand the service center concept which they were informed of, but it is not currently a reality. The understanding was that they would be a "jack of all trades," but now they are confused as to the intent. They felt that there is a lack of consistent service to veterans. The employees felt the work process was not well thought out. They also expressed the merge would provide better service to veterans, however the tools and equipment were not available, thus impeding the merge.

3. What positive results are there in merging?

The overall positive result of the merged divisions is the respect employees have for each others jobs and improved employee interaction. Some of the teams members stated they are able to exchange more information and enjoy working in a variety of areas. Another positive aspect was employee empowerment and possible promotion.

4. What negative results are there in merging?

There were numerous negative results expressed by the employees. Specific examples noted were increased noise level, increased interruptions and overall chaos among the teams. The former VCEs indicated a difficult time adjusting to the increased noise level. The employees expressed a large amount of frustration with the lack of equipment and overall leadership during the merge. Many employees indicated that management did not allow an adequate amount of training or allot enough time for such training.

5. What positive results are there in merging for customers?

The employees standard response was the ability to speak directly to the veteran and explain the decisions that were made. They also felt that this would allow for more effort to "do it right the first time," and the veteran could give and get positive feedback.

They also had a sense the customers were pleased to get an answer quickly and the employees felt they were making a difference.

6. What negative results are there in merging for customers?

The unanimous response was the lack of training provided to the employees, which would ultimately produce inaccurate and poor information to the veteran. Another perceived negative result was that the veterans who make frequent contact receive preferential treatment over those who are patient. The overall sentiment by the groups was "the squeaky wheel gets the grease."

7. In your opinion, what hindered the merge?

The employees felt the number one issue that had hindered the merge was lack of training. Other predominate themes included inadequate tools, unrealistic goals--all production oriented, and no support from management.

8. In your opinion, what helped the merge?

The responses provided did not address the issue of what had helped in their merge, rather what would help in future merging. Among the suggestions provided were an employee mentoring program. As described, this would allow accessible, one-on-one training between peers throughout the day. However, management must modify the production goals during the transition period. Another suggestion from the group, was for management to, "sell the vision then sell the program."

9. What type of training is necessary for merging?

The need for training was stressed throughout the sessions. However, some specific examples of training necessary for merging include a combination of formal classroom, mentoring, computer and on-the-job training. They stated the formal classroom training should not be limited to just "book" training but also include hands-on computer training utilizing case simulation. The employees also expressed a need for a formal VSR training syllabus to be developed to assist with the necessary development of a well rounded VSR. They also felt any training program that is administered needs to have an evaluation to ensure its quality.

As stated above more one-on-one training seems to be the most beneficial to the employees. They also expressed that some of the mandated training was not very effective because at times the employees knew more than the trainers. They also seem to think that getting back to the basics is a necessity.

10. What would you consider an acceptable or an appropriate method to determine skill level once the two positions (VBC/VCE) have been combined?

The participants felt they should not solely rely on a test situation, but that other factors must be taken into account. For example: peer reviews, subject matter experts reviewing cases, meetings with the coaches/supervisors and monitoring telephone calls. They also expressed that whichever type of certification would be determined, make sure structured guidelines are in place to ensure continuity and have subject matter experts from both areas write up a list of guidelines that would equate to proficiency with the programs.

11. What one recommendation would you suggest to facilitate merging?

The facilitator phrased the question, " If you were able to speak to the Under Secretary for Benefits, what one suggestion would you give to facilitate the merger?" The following is a list of the answers received:

- Be prepared with equipment and money;
- Do a lot of thinking before doing. Plan;
- Train the people first;
- Show serious side and commitment by management;
- Standardization of training;
- Give us back unit chiefs and take away the coaches;
- Provide stress management; and
- Embrace.

**Waco, Texas
March 13-14, 1997**

The Customer/Employee Satisfaction Team was chartered to solicit the views of employees regarding the merging of the Adjudication Division and the Veterans Services Division. The Waco RO was selected as a non-merged station. A standard series of questions were presented to the employees and were derived from the members of the Customer/Employee Satisfaction Team, the HR Team and the Training Team. Each group consisted of 10-12 individuals who are employed as Veterans Benefits Counselors, Veterans Claims Examiners, Rating Specialists, Clerical support or File Clerks. The grades ranged from GS-3 to GS-12.

There were four sessions, each 2 hours in length and held during a two day period. This report is a compilation of the feedback received from all four sessions.

The focus groups were conducted by Ms. Janis Wood, Facilitator, from the Phoenix VARO and Ms. Barbara Sheridan, Scribe, from the Waco VARO. The participants were given a brief introduction of how a focus group is conducted, ground rules and the purpose of the sessions. The following are the questions that were asked and a synopsis of the feedback.

1. What is your level of satisfaction with your current divisional organization?

Overall, employees were fairly satisfied with their current organizational structure. However, most felt that there was still a great deal of room for improvement. Concerns centered around morale issues due to lack of communication, excessive workload, inadequate training, insufficient employee recognition and continuous changes in processing procedures by management. The majority of employees who commented on the recently initiated team concept felt that it would be/is a positive change and of benefit to our customers.

2. What is your understanding of Adjudication/Veterans Services Division merger?

Most participants felt that the merger was combining the Adjudication and Veterans Services Division into one unit that would work together as a whole and provide "one-stop-shop" or case management service for the veteran. Employees expressed concerns that the idea was not completely thought out and questioned how backlogs would be handled, lack of personnel to provide the one-on-one service while still meeting production and inadequate technology. Most employees felt they had been given little information about the whole concept but that the intent was to provide better, faster service to the veteran.

3. What potential positive results are there in merging:

- for yourself
- for employees
- concerns/fears?

Employees stated that the additional training and responsibility the merger will entail will lead to greater job satisfaction, opportunity to deal one-on-one with the veteran and a possible increase in grade. In addition to the items employees mentioned as positives for themselves; for other employees, they anticipated a more well-rounded knowledge of the VA and the entire claims process, enhanced communication between employees and an overall increase in morale. Concerns and fears expressed included talking on the telephone and dealing with the clientele directly, additional stress, insufficient training, being reorganized out of a job, personal safety and the fear that the merge will not last.

4. What potential negative results are there in merging:

- for yourself
- for employees
- concerns/fears?

A common thread throughout all of the focus groups were, concerns expressed regarding job retention, increases in backlogs and stress and personal safety. Overall feeling that if necessary training and enhanced technology are not provided during merger, claims processing will be delayed and information provided to our customers will be inaccurate. Participants expressed doubts that management will provide the time needed for the merge to be successful or that if the merge does not prove successful that changes will be allowed.

5. What positive results are there in merging for customers?

Employees consistently stated that the positive results for customers could be an increase in timeliness and the ability to deal directly with a VA employee who can handle their claim/questions, which will keep the veteran better informed. They also felt that the VA would be able to obtain more direct, accurate information from the veteran, on a more timely basis.

6. What negative results are there in merging for customers?

The negative aspects expressed for the customer were: initial decrease in timeliness due to employee learning curve, erroneous or incomplete information given, inconsistent handling of cases and concerns that customers who continually contact the office will receive preferential treatment. There was also some discussion that the veterans may incur costs to obtain material needed to expedite their cases, such as medical evidence, which did not occur in the past.

7. In your opinion what will hinder the merge?

Participants stated the biggest obstacles would be lack of training, poor or insufficient planning, employee's resistance to change, unrealistic goals/expectations by management, inadequate equipment (especially telephone), computer technology and physical space.

8. In your opinion what will help the merge?

Employees consistently noted the need for in-depth training, proper planning for the merge and adequate time to assess the success or failure of the merger. They also suggested that a suspension or reduction in production requirements would be needed while employees go through the initial phases of this process. Simplification of the rules and regulations surrounding compensation and pension would be required to successfully merge the two divisions without hiring additional personnel. Increased and consistent

communication from Central Office/management was also needed for employees to retain a positive attitude.

9. What type of training is necessary for merging?

Adequate, consistent and in-depth training was stressed by the participants in response to not only this but nearly all of the questions during these focus group sessions. Specific training desired was: cross-training in all aspects of the VA but mainly the Adjudication/Veterans Services Division functions, communication/personal interview techniques, basic and advanced computer skills, stress management, crisis intervention, basic customer service, typing and VA jargon.

The participants also felt that the training should be delivered through a variety of methods including on-the-job, video, computer, reference manuals or handbooks and that sufficient time must be given for employees to receive this training.

10. What would you consider an acceptable/appropriate method to determine skill level once the two positions (VBC/VCE) have been combined?

Employees indicated that there were a variety of methods they could recommend to assess achievement levels including evaluation against performance standards, quality assurance, supervisory observation, customer feedback, peer review, attendance at training or some combination of these. Although no one of these had unanimous approval, the most often mentioned was supervisory review of quality and overall production. There were concerns expressed that whoever the evaluator might be, that there are assurances they have adequate subject matter knowledge

11. What would you recommend to facilitate merging?

Participants felt that effective planning, communication, training and time were the most important elements to ensure a successful merger. Other recommendations included:

- Establishment of a master computer program.
- Adequate telephone equipment.
- Buddy or mentoring program.
- Designated trainers.
- Involve Service Organizations.
- Inform our customers of the merger.
- Patience.

**Oakland, CA
March 17-18, 1997**

The Customer/Employee Satisfaction Team was chartered to solicit the views of employees regarding the merging of the Adjudication Division and the Veterans Services Division. The Oakland RO was selected as the second non-merged station. A standard series of 12 questions were presented to the employees. The questions were derived from the members of the Customer/Employee Satisfaction Team, the HR Team and the Training Team. Each employee group consisted of eight to ten employees. The employment background of these employees were a File Clerk, Program Support Clerk, Veterans Claims Examiner, Rating Specialists, and Contact Representatives. The grades ranged from GS-3 to GS-12. There were four sessions, each two hours in length and held during a two day period. This report is a compilation of the feedback received from all four sessions.

The focus groups were conducted by a team consisting of Stephanie Kron, SRA, Facilitator; and Tricia Moore, of VA Central Office, Scribe. The following are the questions that were asked and a synopsis of the feedback.

1. What is your level of satisfaction with the current divisional organization?

The overall response from the employees was satisfaction with the current organizational structure. A new employee stated that they liked everything about their job. Many felt the current organization allowed them to enhance their specialization, which in turn allowed them to serve their customers well.

A few employees stated some dissatisfaction due to pressure to produce which led to additional stress. And, some of the frustration expressed was attributed to the drawn out process of waiting for additional information required to process the claim, which could be rectified by speaking directly to the veteran.

2. What is your understanding of the Adjudication/Veterans Services Division Merger?

The overwhelming response from the employees was lack of understanding. They had a very vague idea but did not know any details and very little information had been provided. Some of the lower grades expressed that they were hearing it for the first time. Others stated they had seen the video, but didn't understand what the two positions will be doing once merged. The employees mentioned that they had tried the concept previously and it failed miserably. They hoped this merger would have a definite, well thought out plan and would not be a repeat of the previous.

3. What potential positive results are there in merging?

The potential positive results employees stated were potential grade increase, better understanding of each others position, and potential of eliminating duplication of efforts and steps in the process. Another potential positive aspect that was expressed was the ability to work a case from beginning to end, which would lead to better satisfaction for themselves and the customer.

4. What potential negative results are there in merging?

Overall, the participants thought the potential negative impact for themselves would be additional pressure and stress to produce while going through the transition period.

They also expressed concern with the hiring freeze and that the decrease in resources would lead to more work for themselves, with no alteration of the production numbers. Also, they expressed concern that the appropriate tools would not be provided.

Some of the adjudicators stated they would prefer not to be on the phone. They also thought that if they were to speak to the veterans directly, they may lose time rating cases, which would impact their level of production. Constant interruptions would negatively impact the quality of the cases as well as cause delays in processing.

5. What potential positive results are there in merging for customers?

The overwhelming response from the participants was that the service to veterans would greatly improve by reducing processing time, allow for one stop shopping, and the customer would have direct contact with the decision makers.

6. What potential negative results are there in merging for customers?

The employees expressed the increase in telephone calls would diminish production, which would result in additional backlog of customer cases. In the opinion of the employees, the customers that repeatedly call and visit the office would receive preferential treatment, and those who were patient would suffer.

7. In your opinion, what would hinder the merge?

The employees felt that some of the hindrances would be lack of: management support, equipment, training, and communication. They also stated the understanding of human nature's resistance to change, which they felt would be a large hindrance to the merger.

8. In your opinion, what would help the merge?

The responses to this question included, a strong commitment from management in reference to communication, training, equipment, and support. In regard to communication, they expressed the need for explicit details, an adjustable timeline and patience. Specifically for training, they suggested it should be proper, complete and consistently taught to all employees prior to the merge.

9. What type of training is necessary for merging?

The employees felt a need for committed, standard and recurring training. They felt that a mentor program would be quite beneficial to adjust to the merge. However, training is only as good as the mentor. Training that is administered, should be basic, consistent, and current. Also, while training is implemented the production goals need to be adjusted accordingly.

The specific types of training that they felt they would need included: software (TARGET, COVERS, CATS, etc.), COVA, and all VBA business lines. They expressed a need for reference materials readily available and easy to comprehend.

10. What would you consider an acceptable or an appropriate method to determine skill level once the two positions (VBC/VCE) have been combined?

The responses received were for testing, peer review, quality assurance and customer satisfaction. However, the participants expressed both positive and negatives for each method and consensus was difficult to obtain. The negatives expressed about testing were that not all people test well, tests can be manipulated and tests may not represent the reality of an employees knowledge. A positive sentiment was if the testing instrument was subjective and reasonable it may be able to accurately determine skill level. Nevertheless, the majority stated that one method would not appropriately determine their knowledge and skill level.

11. What one recommendation would you suggest to facilitate merging?

The following are in response to the hypothetical question, " If you could suggest one item to the Undersecretary of Benefits, --to help in a merging situation, what would it be?"

- Total commitment from management.
- Open communication and provide details.
- Have a definite timeline, and include changes when needed.
- Guarantee proper training.

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- Take pressure off while in training.
- Employees are customers also. Get involved with the employees.
- Don't just look at numbers, look and listen to the employees.
- Just go for it.

APPENDIX C. CUSTOMER AND EMPLOYEE SATISFACTION TEAM

Team Member	Office
Jack Ross, Team Leader	VARO Cleveland
Sandy Epps	VARO Albuquerque
Jack Frost	VACO, VSPS
Lynn Heltman	VACO, CFO staff
Tricia Moore	VACO HRM
Barabar Sheridan	Union Rep, VARO Waco
Mark Winn	DAV
Janis Wood	VARO Phoenix
Stephanie Kron	SRA