

**STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND
MEMORIAL AFFAIRS
HOUSE COMMITTEE ON VETERANS' AFFAIRS**

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Mr. Chairman and members of the subcommittee, it is my pleasure to be here today to discuss the Department of Veterans Affairs (VA) fiscal year (FY) 2007 budget request for the compensation and pension (C&P) programs.

The Veterans Benefits Administration (VBA) is responsible for administering a wide range of benefits and services for veterans, their families, and their survivors. At the heart of our mission are the disability compensation and pension programs. VBA provides benefits and services to over 3.5 million veterans and other beneficiaries currently receiving compensation and pension benefits, as well as to hundreds of thousands more who apply for VA disability and survivor benefits each year. Our goal is to provide these benefits in a responsive, timely, and compassionate manner in recognition of veterans' service to our Nation.

Since 2000, VBA has experienced an unyielding increase in workload – in claims receipts, claims complexity, and more direct contact with increasing numbers of service members and veterans. Disability claims from veterans, those returning from war as well as those from earlier periods, increased by 36 percent from 2000 to 2005. This past year alone VA added more than 250,000 new beneficiaries to the disability compensation rolls. Our pending claims inventory has continued to rise since reaching a low of 253,000 in September 2003.

VBA remains absolutely committed to delivering benefits and services to eligible claimants in a timely, accurate, and compassionate manner. The President's 2007 Budget requests nearly \$1.2 billion in discretionary budget authority for VBA – a 10.8 percent increase over FY 2006 and over 60 percent more than the FY 2001 budget in

effect when the President took office. I plan to direct \$1.02 billion of the FY 2007 discretionary funds to the C&P program for staffing resources (9,445 full-time employees (FTE)) and associated expenses as well as program and VBA-wide initiatives (\$10 million). The requested level of FTE is essential to provide the level of service expected by our Nation for those who have sacrificed so much in defense of our freedom. With a workforce that is sufficiently supported and correctly balanced, VBA can successfully meet the needs of our veterans, while also ensuring stewardship of taxpayer funds.

The table below identifies VBA's workload and FTE projections for FY 2007 based on FY 2005 actuals and FY 2006 projections. A more detailed discussion of the projected workload and FTE requirements follows.

Projected Workload and FTE Requirements	2005	2006 w/Special Outreach	2006 w/o Special Outreach	2007 w/Special Outreach	2007 w/o Special Outreach
VBA Total FTE	12,579	12,931	12,931	13,104	13,104
C&P Direct Labor FTE	7,547	7,911	7,911	7,863	7,863
Projected Increase in Receipts (Over Previous FY)	2%	3% + 12% = 15%	3%	2%	2%
Receipts	788,298	*910,126	811,947	828,186	828,186
Year-end Inventory	346,292	417,852	319,673	396,834	298,655
Output per FTE **	101	106	106	108	108
Production	763,464	838,566	838,566	849,204	849,204
Timeliness (Days)	167	185	165	182	151
Compensation Pending (Days)	122	150	122	141	114

* Projected 2006 receipts include an additional 98,179 claims projected to be received as a result of special outreach required by the conference report accompanying the 2006 Appropriations Act

** Note:: All direct FTE (including clerical, public contact, non-rating claim processors, etc.) are used in this calculation.

2007 FTE Requirement

VBA is requesting 7,863 direct C&P FTE in FY 2007, which includes 151 FTE for burial benefits. The request is based on an assumed 2 percent increase in claims receipts over 2006. This FTE level will allow VBA to focus on improvements in the

quality and timeliness of claims processing, and reduce the inventory of pending claims. Although processing disability claims constitutes our most visible workload activity, management of the C&P workload includes several other major but less visible activities. The C&P program's other major workload consists of appeals, account maintenance activities for beneficiaries already receiving benefits, outreach, telephone and personal interview activity, and guardianship duties. These workloads increase as disability claim receipts and the number of beneficiaries on our rolls increase, resulting in additional resource requirements.

Performance Projections

Based on a staffing level of 7,863 direct FTE, projected performance for 2007 is as follows:

- 849,204 rating decisions (108 ratings per direct FTE)
- Over 2 million award actions of all types
- 6.8 million phone calls
- More than 1 million personal interviews
- Over 300,000 non-claim related pieces of correspondence
- Approximately 75,000 fiduciary-related actions including field examinations and account audits
- 350,000 anticipated service persons addressed in 8,400 briefings
- 73,000 hours of outreach (military, homeless, minority, POW, etc.)
- End-of-year pending inventory of 396,834 claims
(2007 beginning-of-year inventory 417,852, plus projected claims of 828,186, less projected completed claims of 849,204)

The projected increase in the volume and complexity of the workload, coupled with the impact of the special outreach required by section 228 of the Military Quality of Life and Veterans Affairs Appropriations Act, 2006, will have a significant impact on program performance in FY 2006 and 2007. The average days to process compensation and pension claims is expected to increase from 167 days in 2005 to 185 days in 2006 and then decrease slightly to 182 days in 2007. Likewise, the pending

inventory of disability claims is expected to rise from 346,292 at the end of 2005 to 417,852 in 2006 and fall to 396,834 by the end of 2007.

Outreach and Transition Services

VBA will continue the Seamless Transition program for service members who are medically separated or retired. In this program, VBA works with individual active duty personnel at the start of the military Medical Evaluation Board and/or Physical Evaluation Board processes through personal interviews at military treatment facilities and/or outpatient facilities. We provide claims assistance, vocational rehabilitation, and employment evaluations, and discuss eligibility for health care. As you are aware, VA has created a joint VBA/Veterans Health Administration (VHA) Seamless Transition Coordination Office to monitor and coordinate VA efforts with respect to healthcare and benefits, with a focus on the successful reintegration of seriously injured service persons into civilian society.

VBA is committed to increasing our outreach efforts. We will continue briefing separating and retiring service members about VA benefits and services through military services programs including the formal Transition Assistance Program co-sponsored by the Departments of Defense (DoD) and Labor. Outreach efforts are also targeted to meet the needs of returning National Guard members and reservists. Last year we conducted almost 8,200 transition assistance briefings to over 326,000 separating service members and returning Reserve and National Guard members. These outreach efforts continue to result in significantly higher claims rates. In 2004, the greatest increase in rating receipts was in original claims – an increase of 17 percent. The 2005 increase in original claims was an additional 8 percent over the prior year's high rate, which combines to a 25 percent increase over the last 2 years.

Separating military personnel also receive enhanced services through the Benefits Delivery at Discharge (BDD) Program. On either a permanent or itinerant basis, VBA staff members are stationed at 140 military discharge points around the

Nation and in Korea and Germany. Additionally, VBA employees conduct transition assistance briefings in Italy, England, Japan, Okinawa, and Spain.

Under the VA/DoD Joint Strategic Plan, a Memorandum of Agreement (MOA) was signed on November 17, 2004, to create a Cooperative Separation Process/Examination. This MOA allows service members to begin the VA disability application process up to 180 days prior to separation from service. If the military service requires an examination prior to separation the service member receives a single examination using VA's protocols. This MOA supports VA efforts to facilitate the transition for separating service members.

Mandated Special Outreach

Section 228 of the Military Quality of Life and Veterans Affairs Appropriations Act, 2006, states "the Department of Veterans Affairs shall conduct an information campaign in States with an average annual disability compensation payment of less than \$7,300 (according to the report issued by the Department of Veterans Affairs Office of Inspector General on May 19, 2005), to inform all veterans receiving disability compensation, by direct mail, of the history of below average disability compensation payments to veterans in such States, and to provide all veterans in each such State, through broadcast or print advertising, with the aforementioned historical information and instructions for submitting new claims and requesting review of past disability claims and ratings." The states meeting the statutory criterion are Connecticut, Illinois, Indiana, Michigan, New Jersey, and Ohio.

Based on our experience with prior targeted outreach endeavors, we project VA will receive about 98,000 more claims directly related to this outreach. In addition, we believe the number of appeals will increase considerably based on requests to review past disability claims, as well as veterans' "rising expectations" for increased benefits and retroactive effective dates. Telephone inquiries from and personal interviews with veterans seeking additional information and clarification regarding the outreach will also increase significantly. VBA Customer Satisfaction Surveys have shown an average of three phone calls are generated during the course of claims processing which would

possibly result in almost 300,000 additional telephone interviews due to the special outreach effort mandated by statute.

As a result of VA's public information campaigns and efforts to brief service organizations, state directors of veterans affairs, and county veterans service officers in the affected states, we believe that veterans in other states will learn of this outreach effort through the news media, veterans service organization publications, and family and friends. We, therefore, anticipate that claims activity in the balance of the country will increase as well.

Growth of Disability Claims Workload

The number of veterans filing initial disability compensation claims and claims for increased benefits has increased substantially every year since FY 2000. Disability claims from veterans who served in Afghanistan and Iraq as well as from veterans of earlier periods of service increased from 578,773 claims in FY 2000 to 788,298 claims in FY 2005. This represents an increase of more than 209,000 claims in FY 2005, or 36 percent, over the claims received in FY 2000. It is expected that these increases will continue over the next five years.

The most important factors leading to the sustained high levels of claims activity are: Operations Iraqi and Enduring Freedom; an increasing number of beneficiaries on the rolls, with resulting additional claims for increased benefits; improved and expanded outreach to active duty service members, guard and reserve personnel, survivors, and veterans of earlier conflicts; and implementation of Combat Related Special Compensation (CRSC) and Concurrent Disability and Retired Pay (CDRP) programs by DoD.

Studies by VA indicate that historically the most significant indicator of new claims activity is the size of the active force. Over 1.2 million active duty service members, members of the National Guard, and reservists have thus far been deployed to Afghanistan and Iraq. Over 400,000 have returned and been discharged. Veterans of the Gulf War Era, which includes veterans who served in Afghanistan and Iraq,

currently comprise the second largest population receiving compensation and pension benefits after Vietnam Era veterans.

The number of veterans receiving disability compensation has increased by almost 300,000 since 2000 – in that year just over 2.3 million veterans were receiving disability compensation compared to 2.6 million on our rolls in 2005. Many compensation recipients suffer from chronic progressive disabilities such as diabetes, mental illness, and cardiovascular disabilities. As they age and their conditions deteriorate, these claimants will continue to generate more claims for increased benefits in the coming years. Reopened disability compensation claims comprise nearly 60 percent of VBA's disability claims receipts and increase 2 to 3 percent each year.

CRSC, a benefit available from DoD for certain military retirees with qualifying combat-related disabilities, became effective July 1, 2003, and was later expanded effective January 1, 2004. Today more than 43,000 military retirees receive this benefit. This benefit and CDRP, another DoD program that permits partial to total restoration of retired pay previously waived to receive VA compensation, further contributes to increased claims activity for VBA.

Complexity of Claims Processing Workload

The increase in "claims received" is not the only change impacting the claims processing environment. The average veteran reports more disabilities on each claim than was the case a decade ago. The increasing complexity of the disabilities being claimed, and changes in law and procedures, concomitant with the training required for our workforce, pose challenges to the claims processing workload and the timing of the various steps in an increasingly complicated process. The trend toward increasingly complex and difficult-to-rate claims is expected to continue for the foreseeable future.

The increase in complexity grows as the number of directly claimed conditions increases. A number of variables, a primary one being the need for multiple medical examinations, must be considered and addressed. Multiple regulations, multiple sources of evidence, multiple potential effective dates and presumptive periods, and

preparation of adequate Veterans Claims Assistance Act (VCAA) notice and rating decisions, all increase proportionately and sometimes exponentially as the number of claimed conditions increases. Additionally, as the number of claimed conditions increases, the potential for secondary, aggravated, and inferred issues increases as well. Since veterans are able to appeal decisions on specific disabilities to the Board of Veterans' Appeals (BVA) and the Court of Appeals for Veterans Claims (Court), the increasing number of claimed conditions significantly increases the potential for appeal.

VA's experience since 2000 demonstrates that the trend of increasing numbers of conditions claimed is system-wide, not just at special intake locations such as BDD sites. The number of cases with eight or more disabilities claimed increased from 21,814 in FY 2000 to 43,655 in FY 2005, a 100 percent increase over the 2000 base year and a 20 percent increase over FY 2004.

Deployment of U.S. forces to combat zones and under-developed regions of the world has resulted in new and complex disability claims based on environmental and infectious risks, traumatic brain injuries, complex combat injuries involving multiple body systems, concerns about vaccinations, and other complicating factors. In addition, the aging of the veteran population that is already service connected for diabetes adds to the complexity of claimed disabilities. As veterans with diabetes reach and move past the 10-year point since initial diagnosis, additional secondary conditions tend to become manifest. VA is already seeing increasingly complex medical cases involving neuropathies, vision problems, cardio-vascular problems, and issues directly related to diabetes. The increased complexity of the disabilities adds to the growing complexity of our workload and increases the resources needed to process it.

The number of veterans submitting claims for post-traumatic stress disorder (PTSD) has grown at a greater rate than expected over the last several years and contributes to the increased complexity in claims processing. From FY 1999 through FY 2005, the number of veterans receiving compensation for PTSD has increased from 120,000 to nearly 245,000. These cases present unique processing complexities

because of the evidentiary requirements to substantiate the event causing the stress disorder.

The VCAA has significantly increased both the time and individual steps required for claims development. VA's notification and development duties increased as a result of the VCAA, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim. We are also now required to review the claims at more points in the decision process. Mistakes due to a failure to address all issues or an incomplete understanding of the claim when it was initially developed have resulted in significant rework as well as remands from BVA and the Court.

Appellate Workload

A significant portion of VBA's workload results from appeals of regional office decisions and subsequent remands by BVA and the Court. As overall claim receipts increase, so do appellate workloads.

As VBA renders more disability decisions, a natural outcome of that process is more appeals filed by veterans and survivors who disagree with some part of the decision made in their case. Appeals of regional office decisions and remands by BVA and the Court following appeal are some of the most challenging types of cases to process because of their complexity and the growing body of evidence necessary to process these claims.

In July 2003, VBA created the Appeals Management Center (AMC) to manage remands by BVA. We determined that the best way to manage remand processing was to consolidate the responsibility to a single processing center where resources and expertise could be concentrated. The AMC has complete authority to develop remands, reach decisions based on additional evidence gathered, and authorize the payment of benefits. If the AMC is unable to grant an appeal in full, the appeal is recertified to BVA for continuation of the appellate process.

Due the high volume of remands pending at the AMC after the first year of operation, VBA and BVA undertook aggressive joint initiatives to address the root causes of remands. These initiatives focused on increased coordination of data collection, identification of trends, training, and reduction of avoidable remands. These joint efforts are proving successful. The remand rate for FY 2005 was 38.6 percent compared to 56.8 percent in FY 2004. The goal is to reduce the remand rate to 30 percent by the end of FY 2006. The timeliness of remand processing has also improved from a high of 742 days in 2003 to 408 days in 2005. In addition, we are working with the Veterans Health Administration and BVA in the Compensation & Pension Examination Project (CPEP), which will improve the quality and consistency of compensation examinations and further reduce remands. These improvements positively impact the appeals process and result in better service to veterans.

Program Highlights

VBA's robust training program is key to improving the quality and consistency of our decisions, and enabling VBA to be flexible and responsive to changing workload volume. VBA is engaged in an ongoing effort to improve its training systems, both for new employees and to raise the skill levels of its existing staff. Improved quality and consistency require resources dedicated to providing employees with more and better training, up-to-date tools, and information technology systems to support their decisions.

To that end, VBA has deployed new training tools, desk-top job aids, and centralized training programs that support accurate and consistent decision making. New hires receive comprehensive training and a consistent foundation in claims processing principles through a national centralized training program called "Challenge." After the initial centralized training, employees follow a national standardized training curriculum (full lesson plans, handouts, student guides, instructor guides, and slides for classroom instruction) available to all regional offices. Standardized computer-based tools have been developed for training decision-makers (53 modules completed and an additional 38 in development). Training letters and satellite broadcasts on the proper approach to rating complex issues are provided to field stations. In addition, a

mandatory cycle of training for all C&P business line staff has been developed, consisting of an 80-hour curriculum annually.

VBA has also developed a skills certification instrument for assessing the knowledge base of current and new Veteran Service Representatives (VSRs) and plans to develop similar modules to test Rating VSRs, Decision Review Officers, Field Examiners, and Pension Maintenance Center employees. Skills certification will enable VBA to identify systemic knowledge deficits through the testing process and use this information to provide nationwide training.

Mr. Chairman, this concludes my testimony. In summary, the FY 2007 budget for VBA is a good one that will enable us to serve our Nation's veterans in a timely, accurate, and compassionate manner. I greatly appreciate being here today and look forward to answering your questions.