

**STATEMENT OF
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OF THE
DISABLED AMERICAN VETERANS
BEFORE THE
SUBCOMMITTEE ON VA, HUD, AND INDEPENDENT AGENCIES
OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES
April 16, 2002**

Mr. Chairman and Members of the Subcommittee:

I am pleased to provide you with the views of the Disabled American Veterans (DAV) as one of the coauthors of *The Independent Budget* (IB) on the President's fiscal year (FY) 2003 budget proposal for the Department of Veterans Affairs (VA). An adequate budget is, of course, key to the effectiveness of veterans' programs.

Joining again this year, for the 16th consecutive year, with AMVETS, the Paralyzed Veterans of America (PVA), and the Veterans of Foreign Wars of the United States (VFW), we have set forth the true budgetary and resource needs of VA and have made our own recommendations for legislation to improve benefits and services for America's veterans. In our collaborative effort, each of the four organizations takes primary responsibility for selected portions of the IB. In the IB, the DAV addresses the areas of the VA budget for Benefit Programs and General Operating Expenses (GOE). In addition, we present recommendations for improving appellate processes in a section titled "Judicial Review in Veterans' Benefits."

My focus here will be limited to the DAV's assigned areas of the IB and, consistent with the role of this Subcommittee, will not include our recommendations that involve direct spending and authorizing legislation pertaining to the courts. However, let me echo my colleagues' position that the President's budget request for veterans' medical care is far short of what is necessary to meet the health care needs of veterans who will seek medical care from VA in FY 2003. The President's budget request for other discretionary funding is similarly below what the IB recommends to support the delivery of benefits and services to veterans and their eligible dependents.

VA continues to struggle in its efforts to overcome serious deficiencies in its ability to deliver benefits and services to veterans and their dependents in an accurate and timely manner. For several years, VA has been overburdened by a large accumulation of long-pending compensation and pension claims. This backlog grew out of a conflux of several factors, including improvident staffing reductions, increased workloads, inadequately trained decisionmakers, and high error rates requiring claims to be reworked and increasing the number of appeals. VA management's attempt to reduce backlogs and consequent long waiting times for veterans seeking benefits by pushing for higher case production only worsened the situation because quality suffered even more.

Despite the emphasis of a new Secretary of Veterans Affairs on solving these problems, we have not seen great progress to date, and despite this budget's stated focus on improving claims processing, it does not request resources to match action with words.

Although the President's budget recommends a \$94-million increase in funding for VBA under the GOE account, \$53.9 million of that would cover a new obligation to fund employees' retirement and health benefits. With the net increase of \$40.2 million above last year's funding, the increase for VBA is approximately 3.6%, which is well below the average increase of approximately 10% requested by the President over the past 5 years. The President's budget recommends only 96 additional employees for compensation and pension (C&P) service. Within this budget, VA promises to reduce the average time for rating actions on C&P claims from 208 days to 100 days in the last quarter of FY 2003, while improving training for claims processors and increasing the accuracy rate for core rating work from 78% in FY 2001 to 88% in FY 2003. Other initiatives in C&P include:

- begin to transition from a paper-based to an electronic claims record
- consolidate pension cases in three pension centers
- continue the implementation of four new training and support systems for adjudicators
- analyze the needs of the C&P claims development and adjudication process and design a new system known as C&P Evaluation Redesign (CAPER)
- deploy an individual performance assessment program to measure and enforce employee proficiency, known as the Systematic Individual Performance Assessment (SIPA)
- pursue development of a modern system to replace the existing benefit payment system
- expand the Veterans On-Line Application program, which allows veterans to apply for benefits over the Internet

While improved processes, new technology, better training, and real accountability for legally correct decisions—if properly, timely, and completely implemented—will enable VA to eventually increase efficiency and overcome its intolerable claims backlog, VA still needs additional employees for C&P in the short term. Training new employees, retraining VA's existing workforce, and conducting quality reviews of the work of individual adjudicators will require substantial numbers of employees who will not be devoted to production and reducing the backlog. We believe the President's request for only 96 additional employees for C&P is tied more to budget targets than to the real needs of VA. The *IB* recommends funding for 350 additional employees in C&P Service. Additionally, based on unofficial estimates, the *IB* recommends \$4.5 million, instead of the \$2 million requested in the President's budget, to fund CAPER.

Unless VA makes other reforms in management and takes a more direct and decisive approach to tackling the claims backlog, it is likely to continue to fail in its efforts to make meaningful improvements in the accuracy and timeliness of its claims processing. Currently, the head of VA's C&P service and VBA's other program directors do not have management authority over their employees in VA field offices. The C&P director is powerless to enforce quality standards and C&P policy. Higher-level officials in VA's Central Office are more removed from and do not have the daily hands-on experience that the C&P director has in the C&P programs. The *IB* recommends that the C&P director and other VBA program directors be given line authority over field offices to strengthen VBA's management structure and allow for more effective enforcement of quality and performance standards.

Those who have witnessed C&P's repeated failures to overcome its claims processing deficiencies know that the failures involve repetitive patterns in which VA develops plans but fails to follow through with decisive steps to solve the difficult problems. VA attempts to overcome its serious deficiencies by fine-tuning its procedures and employing new technology. While those efforts may aid in improving claims processing, alone or in combination they are not enough to enable VA to overcome its longstanding problem. The coauthors of the *IB* believe that it is obvious VA must resolve to focus primarily on eliminating the root causes of its claims backlog if it is to ever succeed in restoring the system to acceptable levels of performance and service. As noted, we believe that adequate resources are key to the effort. However, VA's adjudicators make erroneous decisions because they have not been properly trained in the law, they have operated in a culture that tolerated indifference to the law, and they have not been held accountable for poor performance and proficiency. Accordingly, in conjunction with the deployment of better training, VA must take bold steps to change its institutional culture, and it must make its decisionmakers and managers truly accountable.

If VA's ambitious goal of improving timeliness takes precedence over its goal of improving quality, VA will merely repeat the failures of the past. Speeding up the process with the single goal of reducing claims processing times and claims backlogs is self-defeating if, because quality is compromised, a substantial portion of the cases must be reworked. In this respect, VA has shown some inability to learn from its past mistakes.

VA has made similar mistakes in its efforts to avoid meeting some of the obligations Congress has imposed upon it and in its efforts to avoid fully implementing legislation enacted by Congress. In exploiting an erroneous line of decisions by the courts to avoid its duty to assist claimants in developing and prosecuting claims, VA made additional work for itself in the end because it had to rework thousands of these claims after Congress intervened and restored the duty to assist. Several veterans' organizations have now challenged in court VA's rules to implement this legislation. While courts tend to indulge agencies in rulemaking, the veterans' organizations challenging the validity of VA's regulation in this instance have a high level of confidence about the prospects for having VA's regulations set aside because of their clearly arbitrary nature and conflict with the law. If the Court of Appeals for the Federal Circuit finds that VA's regulations do not fulfill the mandates of the law, VA may once again be saddled with the task of reviewing thousands of cases to apply the law properly. These self-inflicted setbacks complicate VA's efforts to overcome its claims backlog. In this vein and because of the adverse effects upon veterans' rights, the *IB* has urged the VA Secretary to reform his department's

rulemaking. Court challenges to what is viewed as self-serving VA rules are becoming commonplace.

Under the VBA portion of the GOE appropriation, the *IB* also includes a recommendation to fund new information technology for VBA's Education Service. Administration of VA's education programs involves the routine exchange of massive amounts of data between educational institutions and VA. This routine exchange of correspondence and data is particularly well suited to automated systems, which can greatly reduce personnel costs and processing times. The *IB* therefore recommends that Congress provide \$16 million for upgrading and expanding the limited application and capabilities of the existing system. For this VA initiative, known as The Education Expert System (TEES), the President's budget requests only \$6.3 million. Again, information not revised to meet the objectives of the Administration's budget process indicates that \$16 million is the real funding level needed for this project.

The President's budget proposes legislation to establish a new program in VBA for providing grants to states for employment and training services for veterans. This new VA program would replace the veterans' employment and training services of the Department of Labor. The *IB* has taken no position on this issue, but the DAV and other veterans' organizations have mandates from their membership to oppose the transfer of veterans' employment and training services to VA from the Department of Labor. The President's proposal raises many questions about the nature and effectiveness of such a program. When the details of this proposal are made available, the *IB* will give it additional consideration.

The President's budget request would reduce the number of employees authorized for the Board of Veterans' Appeals (BVA) from 464 to 451. The caseload at the Board is temporarily down because VA regional offices have directed their resources to reducing the backlog of claims and neglected work on their appellate workload. However, new VA regulations recently assigned BVA the added responsibility for correcting the regional offices' failure to obtain all necessary evidence. Eventually, VA regional offices must resume work on their pending appeals, and BVA will begin receiving large numbers of appeals that have been allowed to accumulate in regional offices. With this added responsibility and expected influx of cases, reduced staffing may adversely impact BVA and protract the time for resolution of appeals beyond its already unacceptable FY 2001 average of 595 days. Many of VA's problems stem from improvident reductions in staff in the face of impending increases in workload. We therefore recommend caution in considering any reduction in BVA's workforce at this time.

We hope our independent analysis of the resources necessary for veterans' programs are helpful to you, and we sincerely appreciate the opportunity to present our views and recommendations to the Subcommittee.