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# The Veterans Disability System: Problems and Solutions

Policy Backgrounder No. 166

by Pamela Villarreal and Kyle Buckley

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*Throughout the history of the Department of Veterans Affairs (VA), fraud, mismanagement and waste have plagued what is perhaps the most comprehensive veterans' assistance system in the world. An examination of the Veterans Disability Compensation Program offers little reassurance that the system is improving. What can be done about the VA?*



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The Veterans Administration, now known as the Department of Veterans Affairs (VA), was formally established in 1930 by Herbert Hoover in order to consolidate three independent bureaus into what would become the second largest department of the federal government. Since the turn of the century, the number and complexity of disability claims has far outpaced the VA's capacity to process them. More importantly, the VA has continuously, and deliberately, misrepresented the causes of the current claims crisis, the reliability of internal accountability measures and the efficacy of attempted solutions. An examination of the Veterans Disability Compensation Program offers little reassurance that the system is improving. What can be done about the VA?

## Veterans' Disability Pensions

The Department of Veterans Affairs provides benefits to survivors, families, and even attempts to accommodate veterans abroad. [See the sidebar.] Military veterans have received disability pensions since the English Colonies were established in 1636. Disability-specific benefits formally began in 1776; but out of the 217,000 people who served during the American Revolution (1775-1783), only 3,000 ever drew benefits. Compensation eventually became federally regulated, and much more accessible, with the establishment of the 1808 Bureau of Pensions under the Secretary of War.<sup>1</sup> In 1921 the Sweet Bill created the Office of the Veterans Bureau, and President Harding chose Charles R. Forbes as the first director. Within the first two years Forbes managed to embezzle more than \$200 million, and deny the disability claims of 85 percent of WWI veterans who applied. By 1932, one of the worst years of the Great Depression, the Veterans Administration had yet to adequately compensate World War I veterans. Demanding compensation for service, nearly 45,000 veterans and their families gathered in a Washington, D.C., protest dubbed the "Bonus March."

Today, pensions are paid to low-income wartime veterans who are permanently and totally disabled, in a nursing home, receiving Social Security disability, or are age 65 and older; additional benefits may be

### An Overview of Veterans Benefits

Active duty veterans who complete 24 months of continuous service, and National Guard or reservists who are called to active duty by a federal order are generally eligible for benefits. Some of the major programs include education, disability, pension and health care services. With 152 hospitals, 800 community-based outpatient clinics, and 126 nursing home facilities, it is the largest health care system in the United States.

**Educational Assistance.** Education programs, dating back to the World War II GI Bill, have influenced American life more than any other piece of legislation since the Homestead Act. There are different programs available based on the period served and type of assistance requested. For example, the Post-9/11 GI Bill is available to those who have served at least 90 continuous days after September 11, 2001, and either continue to serve or were not dishonorably discharged. Financial compensation for education is based on the aggregate term of service and includes tuition payments, book stipend and a cost of living allowance. Those who served at least 6 months receive 40 percent of the maximum education benefits and those who served at least 36 months receive 100 percent. Additional programs cover vocational retraining assistance, work-study programs and technical schools. Many of these programs are transferrable to dependents or spouses. The programs are available for 15 years after the end of continuous service, and may be used at selected participating institutions abroad.

**Veterans Health Benefits.** The Veterans Health Administration (VHA) is a health care delivery system that serves veterans who were released from military service under other than dishonorable conditions, and (subject to exceptions) served at least 24 continuous months (or the term of their contract) after 1981. After enrollment, veterans are assigned to various priority groups based on their degree of disability, income, exposure (to Agent Orange and so forth), and type of injury or illness. The priority group assignment affects how much care an individual receives and how rapidly the care is provided. Uninsured veterans who don't qualify for free care based on their income or because their condition is not service-connected, are asked to make copays for care and prescribed medications (including over the counter medications such as aspirin). Private insurance may be used to supplement coverage obtained through the VA, but if a veteran has private insurance, the VA is required to bill the private insurer for costs incurred.

The Veterans Benefits Administration is a subdivision of the Veterans Administration, much like the Veterans Health Administration in charge of financial dispensation to veterans and their dependents.

available to veterans with special needs. The benefits received are affected by other sources of income and are adjusted to bring a veteran's annual income up to congressionally set levels. For example, in 2012 a disabled veteran without dependents will receive benefits up to a maximum of \$12,256 annually. However, this amount may be reduced to cover the cost of any unreimbursed medical expenses or home care provided by the Veterans Administration.

As of 2011, there were 22.2 million veterans currently living in the United States. Of these:<sup>2</sup>

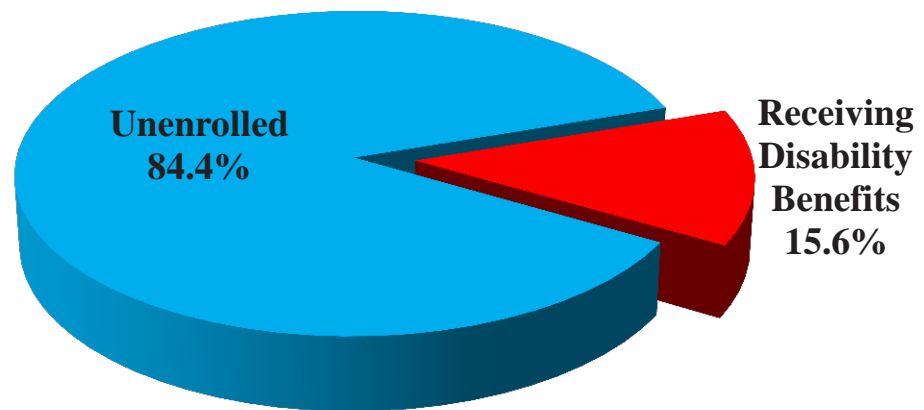
- Some 8.57 million (38.6 percent) former military service personnel were enrolled in the health program (VHA), whereas 84.4 percent are not enrolled. [See Figure I.]
- Another 3.47 million (15.6 percent) are currently receiving cash disability compensation.
- And 870,000 (3.9 percent) had claims pending.<sup>3</sup>

**Disability Application Process.** Disability compensation is available to veterans who incur injuries or diseases, or exacerbate preexisting conditions, through active military service. In order to qualify for compensation, veterans must have a verifiable service-related disability and must have been discharged under other than dishonorable conditions.<sup>4</sup> A Rating Veteran Service Representative (RVSR) is appointed to decide the validity of a veteran's claim. Subsequent medical

examinations may be administered, free of charge, in order to validate medical conditions and history. The service representative reviews all evidence provided by service member, and awards a disability percentage based on the severity of service-connected injury/illness, as well as the effective date of occurrence [see Figure II].

Disability ratings are specifically meant to compensate veterans for any quantifiable decrease in industrial earning capacity. However, the rating structure has not been modified to accurately reflect labor markets since 1945. Modern standards include not only the ability to work (the sole focus of antiquated labor market values), but also the ability to function efficiently in a work environment. This specifically affects and under-compensates veterans with mental disabilities.<sup>5</sup> This means that certain claims are not properly represented in terms of compensation awards or medical severity ratings. Moreover, because benefit awards are both retroactive and tax free, recipients have an incentive to appeal their entitlement ratings and undergo further evaluation in order to advance the status of their disability. Many veterans choose to do just that, as

**Figure I**  
**Enrollment in the Veterans Benefit Administration**  
(2011 veteran population: 22,234,000)



Note: Author calculations based on congressional testimony and National Center for Veterans' Analysis and Statistics data.

Source: "Projected Veteran Population," National Center for Veterans Analysis and Statistics. Available online at [http://www.va.gov/vetdata/Veteran\\_Population.asp](http://www.va.gov/vetdata/Veteran_Population.asp); Allison Hickey, "Statement before House Committee on Oversight and Government Reform Subcommittee on National Security, Homeland Defense, and Foreign Operations," July 2012. Available online at <http://oversight.house.gov/wp-content/uploads/2012/07/7-18-12-Hickey-Testimony.pdf>. Access verified on September 7, 2012.

nearly two-thirds (61 percent) of the current claims inventory are for supplemental benefits. Roughly 77 percent of veterans who apply for supplemental benefits are already receiving monetary compensation for a disability. As a result of applications for supplemental benefits, the number of claims have grown about 48 percent since 2008, and there has been only a 15 percent annual increase in completed claims.<sup>6</sup>

#### **How Veterans Claims Fare.**

According to the Veterans Benefits Administration, about 31 percent of initial claims are denied. After pursuing a disability rating, some veterans denied compensation are unwilling to apply to the appeals board (14 percent).<sup>7</sup> However,

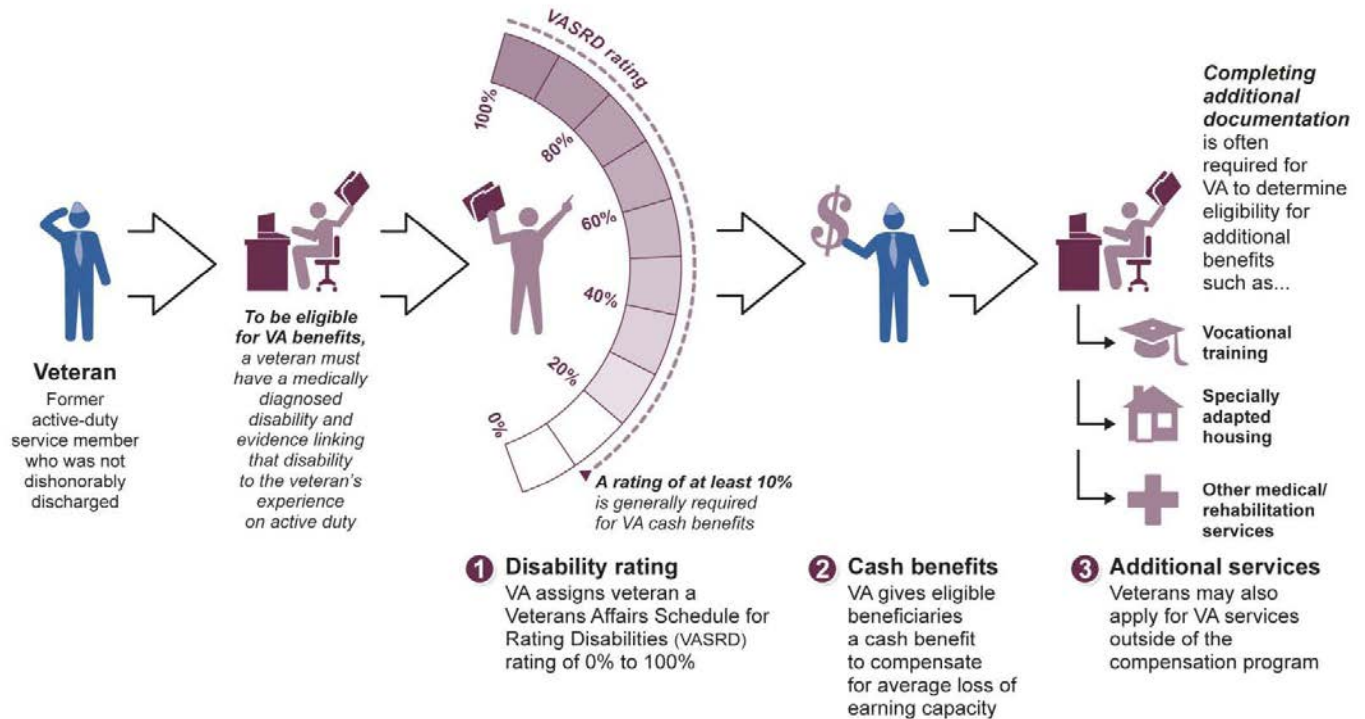
in 60 percent of the cases that were appealed, the appeals board concluded that the regional office "made an error, such as making an incorrect assessment, taking the wrong action, and/or prejudicing the veteran in some way."<sup>8</sup>

Applied to 2011 population projections, this means that of the 870,000 claims awaiting a decision:<sup>9</sup>

- Thirty-one percent of claims will likely be denied.
- Sixty percent of denials will be erroneous.
- Sixty percent of all claims will be backlogged.
- Seven-and-a-half percent of claims applications will be misplaced.

## The Veterans Disability System: Problems and Solutions

**Figure II**  
**Disability Application Process**



Sources: U.S. Government Accountability Office analysis of Congressional Research Service documents.

- About 4 percent of claims applications will be lost.<sup>10</sup>

In its March 2012 semiannual report to Congress, the Veterans Affairs Office of the Inspector General (VAOIG) argued there was an error in processing as many as 36 percent (327,000) of disability claims. This is a far cry from the VA's 98 percent target accuracy rate set by 2015.

**The Challenges of Emotional and Mental Disability Claims.** The VA is unable to diagnose and compensate soldiers for post-traumatic stress disorder or traumatic brain injury accurately or in a timely manner. Bryan Liang and Mark Boyd, from the Institute of Health Law

Studies, point out that complexity of the diagnosis and compensation systems are particularly devastating to veterans suffering from post-traumatic stress disorder.<sup>11</sup> Confusion, inaccuracies and missed deadlines are all common symptoms of veterans who “lack focus and are unable to complete tasks, which is typical of those who return from engagements, particularly those with post-traumatic stress disorder,” and this often contributes to denial of claims and appeals.

In order to address the issue of applicant stress, the VA has implemented a new telephone assistance service, and streamlined medical records and personal information to eliminate paperwork

redundancies (which are particularly stressful to applicants). But these measures have fallen short. According to a report by the Office of the Inspector General:<sup>12</sup>

- A veteran calling Veterans Benefit hotlines in 2011 had about a 49 percent chance of reaching an agent and actually receiving correct information.
- About 63 percent of VA Regional Offices improperly manage claims-related mail.

The Inspector found that claims relating to post-traumatic stress disorder, traumatic brain injury and temporary, 100 percent disability evaluations were consistently mismanaged. Evaluators were

unable to understand the medical examination reports and make accurate determinations. To be fair, disability claims *have* become more complex. Most World War II and Korea veterans claimed only two injuries, and Vietnam veterans receive compensation for an average of four. But Global War on Terror applicants are claiming between nine and 14 injuries.

Interestingly, the Veterans Benefits Administration reviewed only about 3 percent of the one million compensation and pension applications they received in 2011. The VA Systematic Technical Accuracy Review (STAR) program reports an accuracy rate of 84 percent, whereas estimates by the Office of the Inspector General are closer to 74 percent.<sup>13</sup> Yet the VA gave itself 4 and 5 stars across the board for data verification and quality.<sup>14</sup>

The Office of the Inspector General revealed that temporary 100 percent rating evaluation errors in 2011 and 2012, part of the system which was rated internally at 4-5 stars, are projected to cost taxpayers \$1.1 billion over the next 5 years. STAR indicates that poor training

is the reason for such a lethargic, expensive and inaccurate claims procedure. The same performance analysis report, which gave itself such generous ratings, did so without taking customer satisfaction ratings into account. In fact, the VA does not record satisfaction standards for *any* of the areas in which it is performing the worst: disability compensation and pensions, or quality of treatment for post-traumatic stress and traumatic brain injury.

**Treatment for Mental Disorders.** Moreover, once veterans successfully navigate the disability claims process and begin receiving treatment, they find that the groundbreaking programs promised

to veterans suffering from physical and psychological trauma have not been implemented. In fact, of veterans of recent conflicts:<sup>15</sup>

- Only 15 percent of veterans with a primary diagnosis of post-traumatic stress receive the minimum 8 psychotherapy sessions within a 14-week period, compared to the VA’s goal of 60 percent.
- Only 5 percent of post-traumatic stress patients were evaluated at required intervals to determine the severity of their symptoms in 2010, compared to the VA’s stated goal of 80 percent.
- The VA has completed only one third of its annual milestones in the development of a new

**Table I**  
**Social Security Disability vs. Veterans Affairs Disability**

2011	Social Security Disability	Veterans Affairs Disability
Number of Recipients	8.6 million	3.4 million
Disability Compensation Expenditures	\$114.3 billion	\$39.4 billion
Average Claims Processing Time	109 days	197 days
Appeals Processing Time	360 days	747 days
Initial Claims Approval Rate	46.5%	63.9%
Appeal Claims Approval Rate*	95.6%	60%
Backlog	759,000	660,000

\* 2010 Data

Source: “2011 Annual Statistical Report on the Social Security Disability Insurance,” Social Security Administration. Available online at [http://www.ssa.gov/policy/docs/statcomps/di\\_asr/2011/di\\_asr11.pdf](http://www.ssa.gov/policy/docs/statcomps/di_asr/2011/di_asr11.pdf). Access verified October 17, 2012.

## The Veterans Disability System: Problems and Solutions

objective method to diagnose mild brain trauma, whereas its stated goal was to deploy and implement the new method by 2011.

**VA Disability Claims Compared to Social Security Disability.** The VA reports that it takes 197 days to complete the average claim, about five weeks longer than the 2011 goal.<sup>16</sup> To put this in perspective, it takes only an average of 111 days for the Social Security Administration, which is also considered inefficient, to process Disability Insurance claims, although Social Security processes nearly three times as many claims as the VA.<sup>17</sup> If the VA handled the same number of claims as Social Security, the VA disability claim inventory would total more than 2 million [see the table].

From 2001 to 2010, there was a 38 percent increase in the number of veterans receiving disability compensation, including a 14 percent increase in veterans

receiving a disability rating of 50 percent or more, according to the National Survey of Veterans.<sup>18</sup> Thus, a 149 percent increase in disability compensation expenditures over the same period indicates that there has not been a great influx of new veterans applying for benefits, but rather a wider base of supplemental claims and an increase in the degree of disability.<sup>19</sup>

Post-traumatic stress and traumatic brain injury have received disproportionately greater attention as the “signature wounds” of Operation Iraqi Freedom and Operation Enduring Freedom (OIF/OEF). However, since the beginning of Iraqi Freedom in 2001, of the top five injuries, mental disorders have exhibited the slowest rate of growth, as indicated in Figure III.<sup>20</sup>

The VA may be inflating the effect of incoming claims, exploiting veterans’ injuries, and reporting data out of context in order to make

excuses for the backlog and disguise an inefficient processing system. To put it into context, mental disorders account for a fifth of Social Security Disability claims, but less than a tenth of veteran’s disability claims.<sup>21</sup>

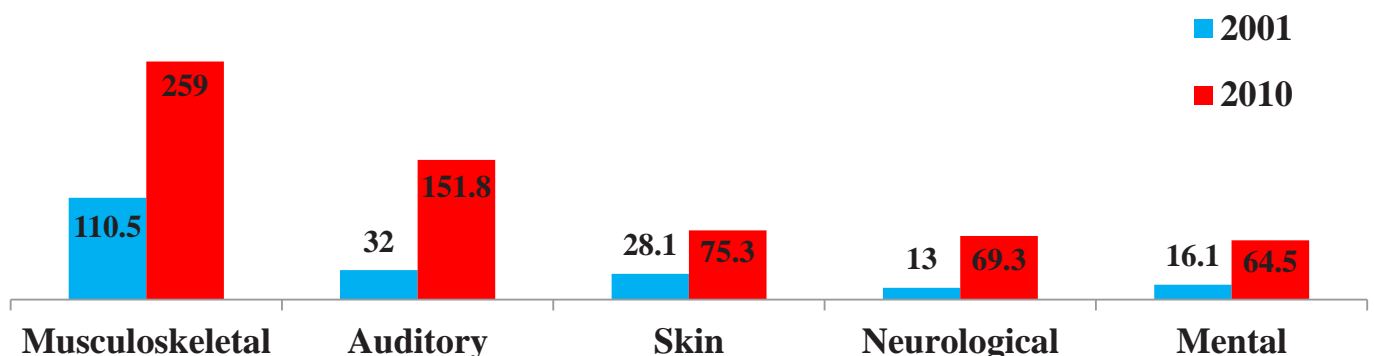
### The Current State of Veterans Disability

In 2011 the VA had a stated goal of eliminating its backlog of one-half million (558,000) disability applications by 2015. By contrast, the VA has reported completing an average of about one million claims annually since 2009. However, the claims inventory and backlog (claims which take longer than 125 days to process) is growing; for example, the number of annual incoming claims receipts grew 48 percent between 2009 and 2011.

The VA argues that the growing backlog is due to several factors, including:<sup>22</sup>

- Additional presumptive disabilities associated with Agent

**Figure III**  
**Top Five Service-Connected Disabilities by Condition**  
(number of cases, in thousands)



Source: “2011 Annual Benefits Report,” Department of Veterans Affairs, Available online at [http://www.vba.va.gov/REPORTS/abr/2011\\_abr.pdf](http://www.vba.va.gov/REPORTS/abr/2011_abr.pdf).

Orange exposure — specifically, Parkinson’s disease, ischemic heart disease and B-cell leukemia.

- New regulations for processing Gulf War and later traumatic brain injury and post-traumatic stress disorder claims.
- Ten years of war, with high injury survival rates.
- Growth in the average number of claims filed per veteran.
- Successful and extensive uses of outreach programs encouraging more veterans to submit claims.

The Veterans Administration has argued that legislative changes affecting qualification for post-traumatic stress disorder and disabilities related to herbicide exposure (such as Agent Orange), as well as the complexity of modern claims, has swamped the claims department. However, this obscures the difficulty veterans face in applying for and receiving compensation. In her July 2012 testimony before the House Committee on Oversight and Government Reform, Allison Hickey, the VA Under-Secretary for Benefits reported a 15 percent annual increase in claims completed since 2009.<sup>23</sup> Unfortunately, the number of claims completed means very little. A much more accurate representation of the Benefits Administration’s productivity is the average number of days it takes to complete compensation and pension entitlement claims, as well as time required to resolve claim appeals. Since 2009, the average days to complete compensation entitlement claims has increased 22 percent, and the time required for appeals has increased five percent.<sup>24</sup> Over this same period, the number of incoming

claims has increased 48 percent, and national accuracy rates for rating claims decisions has remained the same or declined each year.<sup>25</sup>

The number of veterans who are not enrolled into the Veterans Benefits Administration for various reasons indicates a lack of outreach and effort to provide information on how the system works for veterans. Of the 13.6 million unenrolled veterans in 2011, about 4.6 million (33.8 percent) believed they had a service-connected disability but were not participating in the Veterans Benefits Administration.<sup>26</sup> As Figure IV shows:

- Nearly 7 percent thought it was too much trouble to apply.
- Fourteen percent did not know how to apply.
- More than 22 percent never thought about applying.
- About 37 percent did not think they were eligible.

The VA does not track the percentage of separating service members who are given benefit information. However, responses to the National Survey of Veterans indicated that nearly one-fourth of all veterans may be eligible for disability benefits but not enrolled in the VA disability system because they were not properly informed or were discouraged from enrolling.<sup>27</sup> If they did enroll, it would effectively quadruple the million annual claims waiting to be rated by service representatives.

### **What the Veterans Administration Is Doing About Program Shortcomings**

The Department of Veterans

Affairs’ Performance and Accountability Reports and congressional testimony seem designed to obfuscate, at the expense of veterans and taxpayers. The claims process is becoming increasingly complex and that positive policy improvements are frequently not implemented by the bureaucratic system. Further, veterans are not adequately informed of their benefits, claims are handled poorly and decisions are inaccurate.

The VA health care system is entwined with the VA disability system due to the fact that the same entity provides disability benefits and health care to a specific population: service members. The VA *has* met 100 percent of its goals for developing new treatments for post-traumatic stress over the last year. This marks a significant achievement as public health care is often incapable of innovating new procedures, but means very little if the health care system is unable to implement new treatments.<sup>28</sup>

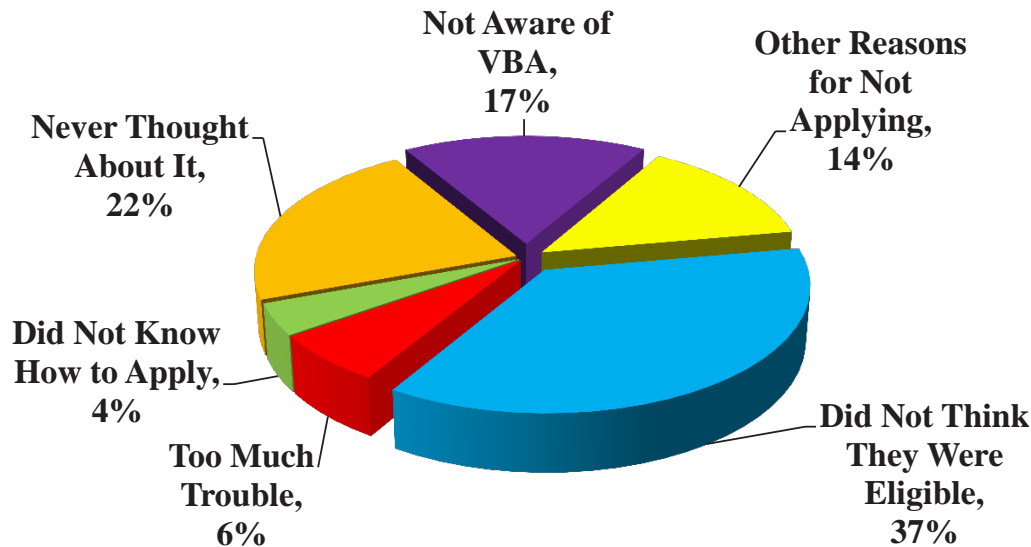
In July 2012, Allison Hickey, the undersecretary for benefits, testified before the House Committee on Oversight and Governmental Reform on the efficacy of VA employee training programs. Hickey outlined a number of policy changes designed to streamline the system. Her recommendations included:<sup>2</sup>

- Redeploying service representatives to handle the claims backlog.
- Expanding and revising training processes to increase productivity and accuracy.
- Providing transition services to



Figure IV

**Why Veterans Are Not Enrolled in the Veterans Benefits Administration**  
(survey of 4.6 million veterans with self-reported disabilities)



Note: Veteran population is authors' calculation.

Source: "2010 National Survey of Veterans," Department of Veterans Affairs, Available online at <http://www.va.gov/vetdata/docs/SurveysAndStudies/NVSSurveyFinalWeightedReport.pdf>.

increase veteran access upon separation from military service.

- Implementing technological initiatives in order to streamline service.

Many of these programs are still in testing stages, piloted at a few regional offices. These are not new goals, and while the results are promising, implementation of regulatory changes in the VA takes an average of 17 months, and does not take into account the additional workforce training requirements of installing expansive technology upgrades.

**Training.** One of the most disturbing reasons for the claims backlog is not the poor integration of technology, but rather poor

employee training.<sup>30</sup> Currently, one of the largest problems for service representatives is that the health care administration fails to accurately describe, diagnose or document veterans' disabilities. In fact, 30 percent of errors stem from inaccurate medical examinations, leaving poorly trained service representatives with the responsibility of handling hundreds of pages of increasingly complex claim documentation for each individual veteran. After participating in the antiquated six month training program, employees took an average of two days to complete a claim, and could only manage 60 percent accuracy rate, a figure supported by the Liang and

Boyd data.<sup>31</sup>

Furthermore, as of 2011:<sup>32</sup>

- Only 30 percent of VHA employees received training in the VA system before employment.
- Less than half of employees in mission-critical and key occupations have received competency training in the last 12 months.

Under the new Challenge Training Program, service representatives are expected to increase

their productivity by nearly 150 percent, with a resulting 30 percent increase in accuracy.<sup>33</sup> However, the Challenge Training Program targets only new employees.

The Government Accountability Office reports that experienced staff thinks training should be reorganized, because employees received too much training on some subjects and not enough on others.<sup>34</sup>

- Less than half of claims processors felt that they received enough training in how to develop appeals.
- Nearly one third felt that they received their training too late to be beneficial.

Despite the STAR review recommendations to improve performance through employee training, the VA did not meet the Standards for Internal Control in the Federal Government until 2010. These control standards stipulate that federal departments implement mechanisms to ensure that “all employees receive appropriate and consistent training.”<sup>35</sup> However the regional offices are ultimately responsible for determining what materials and activities are considered training, as well as ensuring that claims employees actually complete annual training requirements. Yet, despite the 2010 implementation of comprehensive training programs, less than half (46.8 percent) of mission critical and key employees have received any form of annual competency evaluation or training.<sup>36</sup>

**Transition Services.** The Integrated Disability Evaluation System (IDES) enrolls service members with significant injuries or illnesses into the VA before they separate. The evaluation system spectacularly low disability claim processing times. The current average processing time is 104 days, compared with a target time of 100 days; a significant improvement over the Veterans Benefit Administration average of 197 days. However, only a small percentage of soldiers fall within the purview of the Integrated Disability Evaluation System and the VA does not ensure that veterans receive information about benefits packages *before* they leave government service.<sup>37</sup> The logistics of simply ensuring Department of Defense participation in educating

veterans prior to separation is staggering, and the influx of a possible 5 million additional veterans would overwhelm an already strained system.

**Technology.** The VA’s track record in technologically streamlining services is appalling. Although 73 percent of veterans state that they would much rather interact with the VA online,<sup>38</sup> to date the VA has been wildly unsuccessful.<sup>39</sup>

- The VA’s ability to transfer client information to digital systems in order to minimize paperwork redundancy was 9.5 percent, compared to a goal of 100 percent.
- Only 1 percent of veteran electronic records can be accessed through Virtual Lifetime Electronic Records compared to a goal of 100 percent.<sup>40</sup>

Ostensibly, the problems integrating technology solutions into the VA workplace are a result of poor training policies. The VA’s own rating and evaluation services over-state the Veterans Benefit Administration’s ability to accurately execute current standard operating procedures. Pilot programs may be successful in cherry-picked regional offices, but it remains to be seen if they can be successfully implemented on a larger scale.

**Employment.** The VA has had successes in dealing with its disabled veteran population. The Vocational Rehabilitation and Employment (VR&E) program has been extremely helpful in returning disabled veterans to work. One of

the loudest complaints against Social Security is that it does not give disability recipients any incentives to return to work. Admittedly, veterans receiving benefits are not required to surrender their disability entitlements when they rejoin the workforce (Social Security Disability recipients are), yet VR&E enrollees boast a 77 percent labor force rehabilitation rate. The labor force participation for veterans with 60 percent or greater service connected disability is only about 30 percent. Thus, the potential for meaningful rehabilitation is promising.

### Policy Options

Department administrators continue to either equivocate or make contextually misleading claims about the viability of the current system. The Benefits Administration is barely able to process current claims without the inclusion of 5 million excluded veterans, and has exhibited little to no progress toward their stated goal of 125 days and 98 percent accuracy for process claims by 2015. Very simply, the VA is currently forcing veterans with avoidant personality issues through an inefficient and needlessly complicated system. There is a significant and understandable stigma associated with pursuing diagnoses for disabilities, especially post-traumatic stress and traumatic brain injury.<sup>41</sup> This stigma contributes greatly to delays by veterans, which reflects poorly on the VA’s emphasis on “patient-driven care.”

According to the Performance and Accountability reports, the increase

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in backlogs is not attributable to post-traumatic stress cases, as the VA claims. The last 10 years show that percentages of such *have* increased, but with very little deviation from the growth rates of other claims (in fact it was barely in the top five fastest growing claims). Rather, it would appear that the backlog has formed because claims have become increasingly sophisticated since WWII, whereas the VA has not. Trying to fix the problem retroactively has led to the implementation of aggressive training programs that may be too difficult to apply system wide. There is no simple solution to handling the needs of potentially 9 million veterans with disabilities. Considering the large numbers of veterans who do not fully understand VA disability compensation, the STAR recognition of improper training, and a claims process desperately in need of streamlining, it would seem that the best place to start is where the claims process begins: at the point of injury.

**Streamline the Transition From Active Duty to Veteran.** Informing veterans of their benefits and creating a pre-separation physical examination would reduce the VHA/VBA workload. Currently the pre-separation examination is voluntary, but the Department of Defense should consider requiring mandatory mental and physical examinations. Digital and paper copies should then be stored at the service member's duty station, the National Personnel Records Center, as well as given to the individual upon separation from the military. Standardized electronic medical records should be developed

and maintained at the company level (or equivalent) and follow veterans through their entire career.

**Allow More Flexibility for Veterans in the VA Health Care System.** While the VA health care system has been at the forefront of some improvements, such as the implementation of electronic medical records, it is generally known for its poor quality and inefficiencies. Although the VA allows eligible patients to carry private insurance, it strongly encourages them to stay within the VA system. VA-eligible patients with private insurance are less likely to use VA care.<sup>42</sup>

When Congress created the GI Bill following WWII, it permitted veterans to choose the type of college or vocational school they wanted to attend. Colleges are better for the competition the GI Bill created, and veterans received a quality education, exercising the same choices available to other citizens.

A GI Health Care Bill would provide eligible veterans with the resources to purchase a high-deductible policy plus a Health Savings Account (HSA). Veterans should have the opportunity to put the premium savings in a tax-free HSA. Individuals or employers could make tax-free deposits to the HSA, but it would be the property of the veteran. Veterans could use it to pay medical claims or purchase health insurance or long-term care insurance. This is especially important for mental health services, as indicated by the Liang and Boyd study, because of

symptom-specific difficulties.

The VA's poor track-record in regard to mental health care is a function of veteran anxiety as well as crowding out. Allowing veterans who experience anxiety as part of the treatment process to find care within their own community would significantly increase their access to care. It would also increase the number of veterans who actively *seek* care. Such a policy shift would require adjustment to the VHA to encourage the use of much more convenient care options — specifically the cost of and access to medication. Prescriptions could be forwarded from a private physician to the VA and then delivered directly to the veteran. Funds not used during the working years could pay for health care after retirement, roll over into a pension plan or become part of the veteran's estate at death.

**Transfer Administrative Services from the Federal to the State Level.** In September 2012, the House Committee on Veterans Affairs held hearings about the current status of the Benefits Administration, specifically the efficacy of training programs and the implementation of measures to reduce the claims backlog.<sup>43</sup> Many states have implemented supplementary processing teams to assist the VA with additional funding and personnel, and often prove to be surprisingly efficient. The "Texas Plan" involved a decentralized program in which the Texas Veterans Commission (TVC) was given \$1.5 million and the authority to hire personnel with extensive VA claims processing

experience to work in conjunction with VA personnel. The results were astonishing. TVC Counselors were able to process claims in an average of 10.73 days, compared to the VA's 131 days, and at a cost of \$88 per claim.<sup>44</sup> In 2012 the VA managed to spend more than \$150 per claim simply on “innovative upgrades” to the Veterans Benefits Management System (VBMS).<sup>45</sup> TVC Counselors are using the existing VA infrastructure; however the administrative budget governing VBA claims employees is so opaque it is difficult to calculate per capita spending.

Unfortunately, the pilot programs are too small. Between 2010 and 2012 the backlog in Texas claims quadrupled, and the VA Regional Office in Waco was identified as one of the worst in the nation.<sup>46</sup> Congressional hearings consistently mention the inability of the VA to accurately and expediently supply data related to training, efficiency and measurable results, making it impossible to understand the depth of issues, or the efficacy of solutions instituted by the VA. Decentralized external claims evaluators would help encourage transparency, accountability and cooperation in a traditionally obtuse system. More importantly, as with the Texas Veterans Commission, they would serve as a yardstick by which legislators can finally measure contextual VA performance.

**Competitive Bidding for Administrative Services.** The system's administrative services for disability are disjointed and inefficient. This is no surprise

since there is a severe lack of profit motive or competing entities from which veterans can receive federally funded disability benefits. Private contracting of administrative services should be considered. Many states have contracted out dozens of services, from job training to prisons to human resources. While none of them are on as grand of a scale as the VA program, states are doing this for one primary reason — to save money. Indeed, several states and cities — such as Florida, Chicago, Indianapolis and Philadelphia — have reported significant savings from contracting out a variety of public services.<sup>47</sup>

However, competitive bidding and private contracting at the federal level is fraught with special interests and bureaucratic obstacles. In 1955, President Eisenhower signed legislation that required the federal government to rely on the private sector to provide goods and services whenever possible. The premise was that the private sector should supply goods and services to the public sector where practical and appropriate.<sup>48</sup> But subsequent amendments to the legislation diluted much of the potential cost savings. For instance, amendments required cost analysis of private-sector employees versus government employees, which proved to be expensive and time-consuming. Nonetheless, in the mid-1980s, the Department of Defense contracted out a variety of functions which saved an estimated \$613 million annually.<sup>49</sup> Unfortunately, over the years, more exemptions were permitted that diminished the role of the private sector.

By 2003, circumstances under which government performance of a commercial function may be permitted included, “certain war fighting, judicial, enforcement, regulatory, policymaking functions,” among other things.<sup>50</sup>

Private markets for disability insurance, the administration of disability claims and human resources administration is alive and well and does not appear to fall under the above categories.

## Conclusion

Government has long been a poor administrator of disability services, as evidenced by the state of Social Security Disability. But the Veterans Benefits Administration appears to be far worse. The VA's compensation rates for disability are antiquated, and treatment for signature wounds are dismal. Complaints by senior VA staff about Agent Orange, PTSD, increased survivability, and the complexity of claims, are tantamount to admitting failure. Soldiers and veterans lack the political potency of seniors, and while they receive unparalleled support from Congress, the reluctance to provide legislators with data makes meaningful change difficult. The number of veterans who are unaware of available benefits or are marginalized to the point that they refuse to appeal their claim or even submit one in the first place is staggering. The VA system should strongly consider reforms that put the claims administration process with those who do it best and allow greater flexibility for veterans' health care.

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*The NCPA is a nonprofit, nonpartisan organization established in 1983. Its aim is to examine public policies in areas that have a significant impact on the lives of all Americans — retirement, health care, education, taxes, the economy, the environment — and to propose innovative, market-driven solutions. The NCPA seeks to unleash the power of ideas for positive change by identifying, encouraging and aggressively marketing the best scholarly research.*

### Health Care Policy.

The NCPA is probably best known for developing the concept of Health Savings Accounts (HSAs), previously known as Medical Savings Accounts (MSAs). NCPA President John C. Goodman is widely acknowledged (*Wall Street Journal*, WebMD and the *National Journal*) as the “Father of HSAs.” NCPA research, public education and briefings for members of Congress and the White House staff helped lead Congress to approve a pilot MSA program for small businesses and the self-employed in 1996 and to vote in 1997 to allow Medicare beneficiaries to have MSAs. In 2003, as part of Medicare reform, Congress and the President made HSAs available to all nonseniors, potentially revolutionizing the entire health care industry. HSAs now are potentially available to 250 million nonelderly Americans.

The NCPA outlined the concept of using federal tax credits to encourage private health insurance and helped formulate bipartisan proposals in both the Senate and the House. The NCPA and BlueCross BlueShield of Texas developed a plan to use money that federal, state and local governments now spend on indigent health care to help the poor purchase health insurance. The SPN Medicaid Exchange, an initiative of the NCPA for the State Policy Network, is identifying and sharing the best ideas for health care reform with researchers and policymakers in every state.

**NCPA President  
John C. Goodman is called  
the “Father of HSAs” by  
*The Wall Street Journal*, WebMD  
and the *National Journal*.**

### Taxes & Economic Growth.

The NCPA helped shape the pro-growth approach to tax policy during the 1990s. A package of tax cuts designed by the NCPA and the U.S. Chamber of Commerce in 1991 became the core of the Contract with America in 1994. Three of the five proposals (capital gains tax cut, Roth IRA and eliminating the Social Security earnings penalty) became law. A fourth proposal — rolling back the tax on Social Security benefits — passed the House of Representatives in summer 2002. The NCPA’s proposal for an across-the-board tax cut became the centerpiece of President Bush’s tax cut proposals.

NCPA research demonstrates the benefits of shifting the tax burden on work and productive investment to consumption. An NCPA study by Boston University economist Laurence Kotlikoff analyzed three versions of a consumption tax: a flat tax, a value-added tax and a national sales tax. Based on this work, Dr. Goodman wrote a full-page editorial for *Forbes* (“A Kinder, Gentler Flat Tax”) advocating a version of the flat tax that is both progressive and fair.

A major NCPA study, “Wealth, Inheritance and the Estate Tax,” completely undermines the claim by proponents of the estate tax that it prevents the concentration of wealth in the hands of financial dynasties. Senate Majority Leader Bill Frist (R-TN) and Senator Jon Kyl (R-AZ) distributed a letter to their colleagues about the study. The NCPA recently won the Templeton Freedom Award for its study and report on Free Market Solutions. The report outlines an approach called Enterprise Programs that creates job opportunities for those who face the greatest challenges to employment.

### Retirement Reform.

With a grant from the NCPA, economists at Texas A&M University developed a model to evaluate the future of Social Security and Medicare, working under the direction of Thomas R. Saving, who for years was one of two private-sector trustees of Social Security and Medicare.

The NCPA study, “Ten Steps to Baby Boomer Retirement,” shows that as 77 million baby boomers begin to retire, the nation’s institutions are totally unprepared. Promises made under Social Security, Medicare and Medicaid are inadequately funded. State and local institutions are not doing better — millions of government workers are discovering that their pensions are under-funded and local governments are retrenching on post-retirement health care promises.

### Pension Reform.

Pension reforms signed into law include ideas to improve 401(k)s developed and proposed by the NCPA and the Brookings Institution. Among the NCPA/Brookings 401(k) reforms are automatic enrollment of employees into companies’ 401(k) plans, automatic contribution rate increases so that workers’ contributions grow with their wages, and better default investment options for workers who do not make an investment choice.



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The NCPA's online Social Security calculator allows visitors to discover their expected taxes and benefits and how much they would have accumulated had their taxes been invested privately.

### Environment & Energy.

The NCPA's E-Team is one of the largest collections of energy and environmental policy experts and scientists who believe that sound science, economic prosperity and protecting the environment are compatible. The team seeks to correct misinformation and promote sensible solutions to energy and environment problems. A pathbreaking 2001 NCPA study showed that the costs of the Kyoto agreement to reduce carbon emissions in developed countries would far exceed any benefits.

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The NCPA's Debate Central is the most comprehensive online site for free information for 400,000 U.S. high school debaters. In 2006, the site drew more than one million hits per month. Debate Central received the prestigious Templeton Freedom Prize for Student Outreach.

### Promoting Ideas.

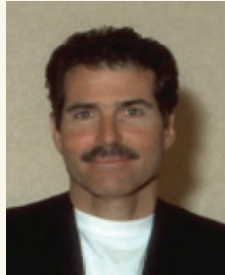
NCPA studies, ideas and experts are quoted frequently in news stories nationwide. Columns written by NCPA scholars appear regularly in national publications such as the *Wall Street Journal*, the *Washington Times*, *USA Today* and many other major-market daily newspapers, as well as on radio talk shows, on television public affairs programs, and in public policy newsletters. According to media figures from Burrelle's, more than 900,000 people daily read or hear about NCPA ideas and activities somewhere in the United States.

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*"The NCPA generates more analysis per dollar than any think tank in the country. It does an amazingly good job of going out and finding the right things and talking about them in intelligent ways."*

**Newt Gingrich**, former Speaker of the U.S. House of Representatives



*"We know what works. It's what the NCPA talks about: limited government, economic freedom; things like Health Savings Accounts. These things work, allowing people choices. We've seen how this created America."*

**John Stossel**, former co-anchor ABC-TV's *20/20*



*"I don't know of any organization in America that produces better ideas with less money than the NCPA."*

**Phil Gramm**, former U.S. Senator



*"Thank you . . . for advocating such radical causes as balanced budgets, limited government and tax reform, and to be able to try and bring power back to the people."*

**Tommy Thompson**, former Secretary of Health and Human Services

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