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Research Note

Department of Veterans Affairs – Current Challenges, Risks and Mitigation Strategies

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Abstract – This research note discusses the current challenges facing the Department of Veterans Affairs with their claim backlog and their transition to a new online Veterans benefit management system. It further discusses recommendations, which might help in mitigating the risk during this transition.

Introduction

The USA's chequered history with armed conflict and its role as a proliferator of democratic values, especially after its rise as a superpower, has led to numerous wars – most recently in Afghanistan and Iraq. Consequently, the need to take care of its veterans was recognized early but as a separate organization accountable to the president was only created in 1989. The “Department of Veteran Affairs (VA)” was tasked with taking care of the physical and mental health of veterans by maintaining their health records and distributing benefits to those who needed treatment.

The VA has been ramping up its operation at a frenetic pace and has processed over a million claims each over the last three years.¹ Still they face an increasing backlog, which has escalated from 60% of all claims filed in 2011 to 66% in 2012.² The escalating backlog is because of the two wars in the last decade and a recent decision to add three medical conditions to the list of conditions eligible for benefits. This led to the reopening of all rejected claims retrospectively. The VA is faced with the immediate challenge of handling this backlog in an expeditious manner without reducing the quality of service and care to veterans.

In response to the challenge emanating from the piling backlog of claims, the VA has set out an ambitious plan to eliminate the backlog by the year 2015.³ The changes suggested are oriented towards transitioning to a paperless claims and benefits management process, which will increase the processing capacity of the VA. The current average time for processing claims is 240 days and the Veterans Benefit Management System aims to reduce that to 119 days.⁴ As such, the VA has set an ambitious target for improving its quality of service to veterans. Unfortunately, the VA faces an immense challenge of avoiding a degradation of current operations as more resources are allocated to the transition to a computerized system. The long term welfare of veterans justifies this tough transition. Despite that, unless this challenge is managed, it can lead to reduced legislative support for this transformation plan and can cause more delays in disbursement of benefits to the veterans.

The VA is facing challenges from its partner agencies as well. The “Department of Defense (DoD)” operates the “Armed Forces Health Longitudinal Technology Application (AHLTA)” which is designed to track the patient history of armed forces personnel from the time of

admission to discharge from service. Understandably, they are in possession of electronic medical health records of veterans, which can be used to vet the claims filed with the VA as well as provide accurate health counseling advice. The VA uses a separate application called “Veterans Health Information Systems and Technology Architecture (VistA)” which houses the medical records of veterans after they come under its care. There have been many attempts to collaborate and integrate these two systems so that the data complements each other and facilitates the benefits disbursement process. Both departments have failed to implement the processes necessary for such a seamless integration. This forms another operational bottleneck, which reduces the throughput and the quality of care received by veterans.

Finally, the challenge that looms as a result of the backlog is the risk of reduced compliance to regulatory policies and due diligence. The political pressure on VA to reduce the backlog could lead to a lowering of the evaluation criteria, which might in turn lead to fraudulent claims slipping through in larger numbers.

These challenges expose the VA to risks that threaten the welfare of veterans and bring to question the capability of the VA to execute

their mandate responsibly. A risk identification analysis on these challenges brings forth high, medium and low risks, which the VA must address immediately.

Strategic Impact due to Veteran alienation and Limited User

Adoption: High

One of the strategic risks is alienating the direct stakeholders i.e. the veterans who are supposed to benefit from this program. Nearly 594,000 of the 850,000 pending claims are queued for processing for more than 125 days.⁵ Consequently, the veterans who require immediate attention due to acute illness or financial duress are delayed help when they need it the most. The dissatisfaction among veterans regarding the status quo is reflected in the rising number of litigation against the VA.⁶ These stories cause political turbulence, diminish trust and ultimately have legal implications, which are a huge drain on the VA from a morale and financial perspective. The VA has touted the Veteran Benefits Management System as the silver bullet, which will eliminate the backlog. This plan might not solve the problem unless it encompasses a strategy to encourage user adoption of these systems. Data indicates that 64% of the veterans who made claims in 2010 were

above the age of 65.⁷ These veterans are entrenched in the current system and will be averse to the adoption of new systems which require training. Without widespread adoption, the VA will be forced to accept paper claims resulting in the operational maintenance of dual workflows with redundant staff and resource allocations.

Information Security and External Risks: Moderate

Another operational risk emanates from the fact that during the system transition, the VA is tasked with digitizing all the paper claims. Since this is a long process, all new and supplemental claims will be accepted on the online Veteran Benefit Management System. Until the digitization is completed, supplemental claims, which are 61% of all claims, will not be processed any faster than if it had been made on paper. The primary reason is that supplemental claims historically use the documents and records from the original claim and, as such, if those records are still not digitized, the workflow will continue to have the bottleneck. At a time when the VA will try to get stakeholder buy-in by showing the benefits of the new online system, such sub optimal performance indicators will draw more skepticism and consequently resistance to change.

The VA will be faced with technological risks on two fronts. First, they are faced with the digitization of millions of documents. There is an inherent risk of data integrity and information assurance since it will be a challenging task to ensure that the digital records are accurate. Second, they are faced with inherent bottlenecks in the workflow because of the dependence on external applications like AHLTA, which is operated by the DoD. Previous attempts to integrate the two applications operated by the VA and DoD have not gone well due to bureaucratic tussles.⁸ This has led to a situation where it takes up to 175 days for the DoD to send data to the VA after a request has been made.⁹ This is an external risk, which has the potential of crippling the VA's ambition of reducing their backlog by 2015. The VA must integrate its application with the DoD seamlessly or minimize dependency on the DoD to levels, which will not hamper its own operations.

Governance oversight: Low

New legislation like the Stolen Valor Act indicate a growing concern among legislators that unscrupulous elements are trying to wrongly benefit from the veteran benefits program operated by the VA. Though there is not any data to suggest that a lot of fraudulent claims

are slipping through the cracks, the VA is at risk of falling victim to fraud if it lowers its guard. Since it is going through a transition and is under a lot of political pressure to meet its goal, it is especially vulnerable to lapses in diligence and not following its own governance policies in an effort to reduce the backlog faster.

Recommendations

The VA should focus on a strategy which exposes risks early in the transition process. The new system's roll out plan should follow a phased approach where the results of the pilot roll out can be evaluated. Staff and end user training as well as awareness programs can only be effective if they are continuously improved based on feedback. Based on the experience of the initial roll out, the plans can be adapted for greater effectiveness and impact. The VA should consider accepting only new claims in the online system at least until all paper records are digitized. This will ensure that supplemental claims are not stuck in the backlog despite being filed online. Overall, the VA has a robust plan to transform its operations to meet the growing demand and should be successful if it mitigates the risks identified in this analysis.

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