



# DEPARTMENT OF VETERANS AFFAIRS OFFICE OF INSPECTOR GENERAL

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OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF VETERANS AFFAIRS  
BEFORE THE  
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS,  
U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON VETERANS' AFFAIRS  
HEARING ON  
VA DISABILITY EXAMS: ARE VETERANS RECEIVING QUALITY SERVICES?  
JULY 27, 2023

Chairman Luttrell, Ranking Member Pappas, and members of the Subcommittee, thank you for the opportunity to testify on the Office of the Inspector General's (OIG) oversight of the Veterans Benefits Administration (VBA) contract medical exam program. The OIG is committed to conducting independent audits, reviews, and inspections that result in clear findings and practical recommendations to help VA promptly provide veterans with the quality care, services, and benefits they are due. To that end, the OIG works diligently to ensure every report it releases—even if focused on a single medical facility or benefits office—serves as a road map for VA leaders nationwide and contributes to overall program improvements.

When veterans file claims for disability benefits, VBA claims processors may request medical exams for the veterans before making decisions on their claims. The exams provide critical evidence used to help establish a connection between the claimed disability and the veteran's military service (referred to as "service connection").<sup>1</sup> Exams also help determine the degree of the disability's severity, which translates into a disability rating, and this in turn defines the monthly monetary benefit the veteran receives. While Veterans Health Administration (VHA) personnel can perform these exams, they are most often performed by providers working for vendors under contract with VBA. The OIG has maintained oversight of VBA's contract medical exam program due to persistent allegations of deficiencies related to the exams that raise concerns regarding not only veterans' service-connected disability compensation but also the billions of dollars VBA has spent on these contracts.

This statement highlights three OIG reviews of VBA's contract medical exam program. The reports illustrate gaps in VBA's oversight of the program and describe how identified weaknesses can affect

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<sup>1</sup> Service-connected disabilities are those proven to be caused by diseases or injuries incurred or aggravated during active military service.

veterans' experience with the disability benefits claims process and the impacts of premature or improper decisions. The first report (released in June 2022) is a comprehensive review of VBA's oversight of contract medical exam quality standards and program improvement.<sup>2</sup> The two other reports describe more specific concerns: the distance veterans need to travel for exams and the changes made to the program during the pandemic.<sup>3</sup> While the findings and recommendations discussed in this statement relate to the oversight of contractor-provided exams specifically, they can also apply to exams provided by VHA clinicians, which are equally critical to the accuracy of benefit claims decisions.

## **CONTRACT MEDICAL EXAM PROGRAM ADMINISTRATION AND OVERSIGHT**

To better understand who is responsible for implementing the OIG recommendations related to the contract medical exam program, some context is first provided on responsible offices and individuals.

### **Medical Disability Examination Office (MDEO)**

VBA's Medical Disability Examination Office (MDEO) administers VBA's contract medical exam program.<sup>4</sup> VBA currently has 18 contracts with four vendors: OptumServe Health Services, Quality Timeliness and Customer Service Medical Services, Veterans Evaluations Services Inc., and Loyal Source Government Services, LLC.<sup>5</sup> Two MDEO suboffices—Acquisition and Budget, and Medical Disability Examination Quality—are responsible for overseeing vendor performance and contract medical disability exam quality, respectively. Acquisitions and Budget enforces the technical terms of the contract, such as coordinating contract modifications and monitoring spending.

MDEO's quality component conducts reviews to determine each vendor's level of accuracy. Quality analysts assess a random sample of the vendor's disability exam reports for compliance with contractual requirements, including all the necessary medical history for the condition(s) at issue.<sup>6</sup> If the quality analyst finds that a specific requirement was not met, the exam report is considered "completed in error," and the vendor is responsible for taking applicable corrective action. MDEO quality staff interact

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<sup>2</sup> VA OIG, [Contract Medical Exam Program Limitations Put Veterans at Risk for Inaccurate Claims Decisions](#), June 8, 2022.

<sup>3</sup> VA OIG, [The Medical Disability Examination Office Needs to Better Monitor Mileage Requirements for Contract Exams](#), April 20, 2023; VA OIG, [Enhanced Strategy Needed to Reduce Disability Exam Inventory Due to the Pandemic and Errors Related to Canceled Exams](#), November 19, 2020.

<sup>4</sup> On October 1, 2020, MDEO, which was formerly part of VBA's Compensation Service, became its own business line due in part to the increased volume contract medical exam workload.

<sup>5</sup> Under the Office of Procurement, Acquisitions and Logistics, VA's Strategic Acquisition Center developed and awarded VBA's medical disability exam contracts. The contracts are divided among four US geographic regions and two districts outside the continental United States. The contracts anticipate executing approximately 7.7 million exam scheduling requests over the 10-year life of the contracts. From fiscal years 2019 through 2022, VBA reported completing over 5.6 million contract exam scheduling requests.

<sup>6</sup> The healthcare provider completes the exam using VA-provided disability benefits questionnaires, which are referred to as "exam reports" and added to the veteran's claim file.

with vendors monthly to share quality review findings, discuss trends, and address concerns and training issues.<sup>7</sup>

### **Office of Field Operations and Compensation Service**

Two other VBA entities, the Office of Field Operations (OFO) and the Compensation Service, also support the exam process. OFO monitors and tracks the delivery of benefits and services to veterans by VBA's 56 regional benefits offices. This includes overseeing the regional office claims processors who request the exams, determine exam sufficiency once completed, and prepare the decision on benefits claims. The Compensation Service is responsible for developing and implementing policies and procedures related to the administration of VBA's disability compensation program.

### **CONTRACT MEDICAL EXAM PROGRAM LIMITATIONS PUT VETERANS AT RISK FOR INACCURATE DECISIONS**

VA spent nearly \$6.8 billion on contract medical exams from the contracts' award in October 2016 through December 2021.<sup>8</sup> Given the importance of medical exams to claims accuracy and the significant investment of taxpayer dollars in VA's contracts for exam providers, the OIG conducted a review to determine whether VBA

- oversaw contract medical exams to ensure they met quality standards and contractual requirements in support of claims decisions,
- established procedures for correcting errors found during quality reviews, and
- gave feedback to vendors to improve exam quality.

The OIG found in its June 2022 report that VBA governance of and accountability for the contract medical exam program needed to improve. The deficiencies the OIG team identified stemmed in part from limitations with VBA's management and oversight of the program at the time of the review.

### **Vendor Exams Did Not Consistently Meet Accuracy Criteria**

Although MDEO's quality component proficiently reviewed the contract medical exams, MDEO did not use the results of the quality reviews and hold vendors accountable when exams did not consistently meet all accuracy criteria. The contracts state that the government "will measure the quality of vendor's performance in completing examination requests." Every quarter, MDEO reviews a sample of vendors'

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<sup>7</sup> Vendors are responsible for locating and subcontracting with qualified examiners to conduct exams in response to exam requests received from VA. Vendors "shall also train all examiners, staff support, and subcontractors who have routine contact with veterans." MDEO Contract Region 4, November 20, 2019.

<sup>8</sup> VA OIG, [Contract Medical Exam Program Limitations Put Veterans at Risk for Inaccurate Claims Decisions](#), June 8, 2022.

exam reports for accuracy, with accuracy less than 92 percent considered “unsatisfactory performance.”<sup>9</sup> MDEO reported that the three vendors, who were under contract with VBA at the time of the OIG review, were consistently below the 92 percent requirement and have been since at least 2017.<sup>10</sup> Additionally, the OIG team determined that even though MDEO identified errors in its quality reviews, these errors were not corrected before or after claims processors made their decisions.

Even though vendors did not meet the 92 percent contract requirement, MDEO did not use the monetary incentive/disincentive tools in the contracts. The assistant director of Medical Disability Examination Quality stated that vendors were providing the quality of service they were being paid for. She further stated that there were some errors with contract compliance that were only discrepancies that would not affect a claims processor’s decision, but the vendors still “have room for improvement.”

### **Contractual Wording Restricted VA’s Ability to Apply Disincentives**

According to the contract wording in effect during the OIG’s review in 2020, vendors could receive monetary incentives or disincentives based on their quarterly performance in three categories: quality, timeliness, and veteran satisfaction.<sup>11</sup> If a vendor exceeded the expected performance standard for all three criteria, the VA contracting officer could apply a monetary incentive for that quarter. If the vendor failed to meet the criteria, the VA contract officer could apply a monetary disincentive. While the wording was specific on how to apply the monetary incentives to encourage continuous improvement by vendors, the contract wording was not specific regarding the application of monetary disincentives. According to the VA contracting officer, vendors had to fail in all three categories to be penalized, but the contract language was too subjective to validate that interpretation. Notably, in February 2020, the VA contracting officer suspended the incentives and disincentives and stated vendors never were awarded an incentive or disincentive or penalized for poor performance.

The OIG found that due to the subjective contract wording and the suspension of incentives and disincentives, MDEO and the VA contracting officer did not have a clear method to enforce monetary incentives and disincentives. The OIG recommended that VBA assess and modify contracts to ensure that vendors can be held accountable for unsatisfactory performance by applying monetary

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<sup>9</sup> MDEO worked with a third-party contractor that did an analysis of the quality program and recommended a different method to measure vendor performance. The recommended method would put the MDEO vendor quality process more in line with industry standards and with the methodology used by the Compensation Service for claims quality.

<sup>10</sup> At the time of the OIG review there were three vendors: OptumServe Health Services (then known as Logistics Health, Inc.), Quality Timeliness and Customer Service Medical Services, and Veterans Evaluations Services Inc.

<sup>11</sup> Exam accuracy is based on a pass-fail model using MDEO’s contract medical disability exam checklist. A contractor’s quarterly compliance score is the percent of compliant exams. For example, if 250 exams are reviewed for Contractor A and 200 exams are found to have no errors (i.e., to be fully compliant), Contract A’s compliance score is 80 percent (200 Compliant/250 Total Reviewed = 0.80). MDEO calculates timeliness by measuring the number of days from when the exam is requested from the vendor to the date VA receives the completed exam. Veteran satisfaction is measured by feedback provided by veterans in response to their exam experience.

disincentives. On October 1, 2021, VBA executed new contracts with such provisions, referred to as negative incentives.<sup>12</sup> As a result, the OIG closed this recommendation as implemented.

### **Vendors Were Not Contractually Required to Correct MDEO-Identified Errors**

Additionally, the contracts did not require the vendor to correct the errors that MDEO identified during quality reviews. MDEO managers stated that vendors do not need to make corrections because MDEO usually reviews exams after VBA has decided the claims. However, the OIG found vendors can correct errors at any time, even if a decision had been made, and claims processors can change a decision in light of revisions or new evidence. For example, during the OIG review, the team identified an error that was detected as part of an MDEO quality review was not corrected until the OIG presented the information to the office that can take corrective action. In this instance, an MDEO quality reviewer had correctly determined that a contract exam provider submitted an insufficient exam report solely based on available medical records—without physically examining the veteran. A VBA claims processor made an incorrect decision on the veteran’s claim given the insufficient exam. The OIG team confirmed the error and notified OFO, which led to a new exam and ultimately an increased disability rating for the veteran.

Because vendors were not required to fix errors that MDEO identified, claims processors were basing decisions on potentially inaccurate exam information. Accordingly, veterans may have received inaccurate decisions and not received the benefits and services to which they were entitled. The OIG recommended that VBA assess and modify contracts and any renewals to ensure procedures are established for vendors to correct errors identified by MDEO. VBA executed contracts that included procedures for vendors to correct these errors, enabling the OIG to close this recommendation.

### **MDEO Did Not Communicate Exam Errors to OFO and VBA Regional Offices for Resolution**

Although the contracts in place during the review did not require vendors to correct MDEO-identified errors, they did require vendors to correct exams that regional offices returned for clarification. The OIG determined it is crucial that MDEO inform OFO and VBA’s regional offices when exams are returned to provide a needed layer of accountability.

The OIG team found 26 errors in its sample of 99 quality reviews were not communicated to OFO and regional offices. While MDEO correctly identified errors, the veteran’s electronic claims folders showed the errors were not communicated to the regional office and claims processors decided these claims without seeking clarification. Regional offices determined that for four of the 26 exam errors, no additional action was required. Of the remaining 22 exam errors, 11 decisions led to veterans not receiving the benefit sought. After receiving the new exams, the regional office rendered new decisions.

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<sup>12</sup> A negative incentive is assessed on a quarterly basis if the contracts’ combined required levels for timeliness and production performance have not been met.

At the time of the OIG’s review, current and former MDEO employees told the team that MDEO managers discouraged them from directly relaying exam issues to claims processors. The deputy under secretary for OFO stated that MDEO should share errors it identifies with regional offices, since claims processors need to know what exam errors they are missing. Further, this information could be used to provide additional training. The OIG recommended VBA implement procedures requiring MDEO to communicate exam errors to OFO and the regional offices and demonstrate progress in correcting the identified errors. The OIG also closed this recommendation after reviewing VBA’s new error referral standard operating procedure and obtaining documentation showing improved communication of errors between MDEO and OFO.

### **MDEO Did Not Analyze All Readily Available Data to Identify Systemic Exam Issues**

The OIG team found that MDEO did not analyze the findings from its quality reviews or other available data sources—such as deficiencies identified by VBA’s internal quality programs and claims processors—to identify systemic issues, error trends, and areas for improvement. Leaders from OFO, the Compensation Service, and MDEO all agreed that MDEO’s designated data and analysis team could track these data; however, MDEO leaders also stated they lacked adequate staff to do so. Despite the staffing and other challenges identified, VBA took corrective action in response to the OIG’s recommendation that VBA implement procedures requiring MDEO to analyze all available error data and provide systemic exam issues and error trends to vendors. The OIG closed this recommendation after reviewing VBA’s new standard operating procedure for resolving exam issues as well as obtaining documentation showing process improvements.

### **MDEO NEEDS TO BETTER MONITOR MILEAGE REQUIREMENTS FOR CONTRACTS**

The most recent OIG review involving the contract exam process examined MDEO’s monitoring of mileage requirements because veterans reported on satisfaction surveys that they had to travel excessive distances to attend exams.<sup>13</sup> The April 2023 report explained that the vendors’ contracts require that exams be scheduled

as close to the veteran’s home of record as feasible, but no farther than 50 miles for non-specialist exams and 100 miles for specialist exams. Traveling long distances, while necessary for some medical exams, can be an unnecessary burden on veterans, especially the elderly and those with disabilities. Authorization may be granted for additional mileage when [veterans] expressly indicate their willingness to exceed the above limits.<sup>14</sup>

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<sup>13</sup> VA OIG, [The Medical Disability Examination Office Needs to Better Monitor Mileage Requirements for Contract Exams](#), April 20, 2023.

<sup>14</sup> VA Manual 21-1, “Examinations Requests Overview,” sec. IV.i.2.A in *Adjudication Procedures Manual*, topic 1g, updated May 31, 2022. A specialist exam is any exam conducted by a clinician who specializes in a particular field. Examples may include those for vision, hearing, dental, and psychiatric exams.

That express consent must be documented and included in the record available to VBA employees.<sup>15</sup>

The OIG found that MDEO was not monitoring whether vendors obtained and documented veterans' express consent to travel beyond contractual mileage limits for exams. MDEO was also not sufficiently monitoring vendor portals to ensure all required details of mileage reimbursement were available to veterans. MDEO was not monitoring compliance because its leaders did not consider it a priority given what they describe as the small percentage of veterans affected. However, MDEO is responsible for ensuring vendors comply with all contract requirements, including mileage requirements and reimbursements. Without monitoring, VBA cannot identify or implement improvements for veterans traveling to these exams.

The OIG team assessed an initial statistical sample of 183 contract exams (of approximately 65,100) completed by all three vendors from July 1 through December 31, 2021, that MDEO reported as having exceeded contract mileage requirements. The team found 138 exams without documentation of express consent. Based on the statistical sample results, the team estimated that fewer than 12,000 of the 65,100 exams (18 percent) completed during the review period included viewable documentation of express consent.<sup>16</sup> On average, the team found veterans were scheduled for exams about 93 miles (round trip) beyond the contractual limitations.<sup>17</sup>

Interviews revealed that all three vendors documented the express consent of some veterans within internal records systems. However, their internal records systems were not viewable by VBA employees charged with overseeing those requirements. All three vendors notified the OIG that updates were made to vendor portals during the review period. Therefore, the team reviewed an additional judgmental sample of 90 cases from January 1 through June 30, 2022, to determine if the updates resulted in improvements. The team's review suggests that although progress had been made, about 21 percent of the exams still lacked documentation of the veteran's express consent in the record. If vendors do not obtain and document express consent from veterans to exceed contractual mileage limitations, veterans may not be made aware of their right to undergo exams within reasonable distances of their homes. It also may cost VA more money because veterans are reimbursed for certain travel costs.

The OIG also found vendors were not always providing mileage reimbursement details on their portals, which can impede veterans from viewing the status of their payment details as required by contract. During the course of this review, vendor portals were updated to help fix identified problems.

The OIG made three recommendations to the under secretary for benefits:

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<sup>15</sup> In September 2021, a modification was made to each contract to further clarify the definition of "record" to include the veteran portal, the vendor portal, and the Veterans Benefits Management System electronic claims folder.

<sup>16</sup> Estimate percentages were weighted to represent the population from which they were drawn.

<sup>17</sup> The mileage restrictions were 50 miles one way (100 miles round trip) for non-specialty exams and 100 miles one way (200 miles round trip) for specialty exams.

1. Implement a process to monitor and demonstrate progress to assess vendors' compliance with contractual mileage and travel reimbursement requirements.
2. Collaborate with vendors to ensure portals include proper documentation of express consent.
3. Collaborate with vendors to ensure mileage reimbursement information is available in vendor portals.

Although VBA requested closure of the recommendations at publication, all recommendations remain open until adequate documentation has been received sufficient to demonstrate implementation.<sup>18</sup>

### **ENHANCED STRATEGY NEEDED TO REDUCE DISABILITY EXAM INVENTORY DUE TO THE PANDEMIC AND ERRORS RELATED TO CANCELED EXAMS**

A November 2020 report details an OIG review of VBA's efforts to schedule and conduct disability exams during the COVID-19 pandemic.<sup>19</sup> The review team found that VBA took significant actions to limit veterans' exposure to COVID-19. On April 2, 2020, VHA notified VBA to transfer exams conducted by VHA examiners to VBA disability exam contractors to the greatest extent possible. This shift was necessary to allow VHA facilities to prioritize essential and critically needed healthcare services during the pandemic. VBA then modified procedures and redirected exam requests to the contractors used before the pandemic as part of its routine operations.<sup>20</sup> It notified veterans of changes to the exam process through various means, including websites, social media, and veterans service organizations. These actions were necessary and appropriate but inevitably resulted in increases to the backlog of disability exams. VBA provided guidance to the field on multiple occasions regarding when it was appropriate to reschedule canceled exams and to ensure cancellations did not result in claim denials. These efforts, however, sometimes resulted in confusion and a lack of consistent practices. Once clear guidance was issued, VBA took action to review prematurely or improperly denied claims on the basis of a canceled exam. The OIG review found that early in the pandemic unclear guidance led to inappropriately denied disability claims due to canceled in-person exams, and that VBA's strategies for reducing inventory and backlog required more attention and testing to ensure personnel are fully prepared for future emergencies that may affect the disability claims process.

On May 7, 2020, VA issued *Charting the Course: Maintaining Continuous Services to Veterans and Resuming Normal, Pre-COVID-19 Operations*. This document outlined VA's plan to resume normal,

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<sup>18</sup> The OIG considers all recommendations currently open pending the submission of sufficient documentation that would support that adequate progress has been made on implementation to close them. The OIG requests updates on the status of all open recommendations every 90 days. This is reflected on the recommendations dashboard found on the OIG [website](#). For this report, the OIG will request the first update in late July 2023.

<sup>19</sup> VA OIG, [Enhanced Strategy Needed to Reduce Disability Exam Inventory Due to the Pandemic and Errors Related to Canceled Exams](#), November 19, 2020.

<sup>20</sup> MDE vendors were sent an email on April 3, 2020, directing all in-person exams be discontinued immediately.



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pre-COVID-19 operations in three phases, in accordance with the White House National Guidelines, *Opening Up America Again*, but provided limited information on exams. It stated VBA would work with its contractors to formulate a plan to resume in-person exams. Also in May 2020, VA established the Program Integration Office to oversee disability exams. It was formed to provide new leadership and oversight as VBA has taken on more responsibilities for conducting exams so that VHA can focus on its healthcare mission and additional demands related to COVID-19.

The OIG first recommended that VBA further develop, implement, and test its strategy to reduce the exam inventory through in-person, telehealth, and acceptable clinical evidence (commonly known as “ACE”) exams, as safety circumstances permitted. To address this recommendation, the under secretary for benefits said VBA would use “in-person, tele-[compensation and pension exams] (using telehealth technology) and acceptable clinical evidence modalities in a safe and logistically feasible manner” to reduce the exam inventory by the end of the fiscal year. The OIG has closed this recommendation.

The OIG also recommended VBA develop and implement a plan to increase the use of telehealth exams. VBA was called on to ensure contractors followed VHA’s Office of Disability and Medical Assessment’s telehealth guidance on exams to determine whether telepresenter-specific medical equipment was required. While VBA initially concurred in principle with this recommendation, during the follow-up process, the OIG closed it in June 2021 as not implemented because the recommendation was unable to be satisfactorily addressed due to a lack of resources.

## **CONCLUSION**

One of the critical foundations of accountability of any program is effective quality assurance and monitoring to detect and resolve issues. The OIG has found that MDEO needs to improve its quality assurance processes and better monitor its contract exam vendors to help ensure veterans receive the benefits they are entitled to through VA’s disability programs. While VBA has made progress in updating its contracts and procedures to provide oversight of its contracts, there is clearly more work to be done. The OIG remains focused on conducting oversight work and providing recommendations to help improve veterans’ experiences during the disability claims process.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions you or members of the subcommittee may have.