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OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS BENEFITS ADMINISTRATION

Disability Compensation
Benefit Adjustments for
Hospitalization Need
Improvement

AUDIT

REPORT #19-06249-94

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Executive Summary

Veterans disabled during active military service, either by injury or disease, are entitled to tax-free compensation if considered eligible by the Veterans Benefits Administration (VBA). The compensation depends on the degree of disability on a scale from 0 percent to 100 percent. Veterans receiving less than 100 percent compensation are entitled to a temporary increase to 100 percent when they are admitted to a VA or VA-approved medical facility for hospital treatment or observation for more than 21 days because of their service-connected disability.¹ The OIG conducted this audit to determine whether veterans received accurate compensation for hospitalizations. The OIG also examined whether claims processors documented a determination for veterans admitted for mental health conditions as to their competency to manage VA funds, as required.

Employees at VA regional offices (VAROs) process the compensation adjustments based on hospital admission reports. Coordinators at each VARO must generate an Admission Report for Service-Connected Veterans daily or weekly for each VA medical facility in their region.² The hospital admission reports are needed to start the process of temporarily increasing compensation benefits. VBA policy also requires coordinators to maintain logs of these reports, which validate that the coordinators generated and processed hospital admission reports. The coordinators also generate discharge reports to show when the veteran is discharged. According to the VA manual, these reports are used to stop the temporary compensation increase. The temporary increase ends after the last day of the month of treatment. Not starting or ending the temporary compensation increase at the correct time can lead to underpayments or overpayments to the veteran.

In addition, anytime a temporary increase of benefits to 100 percent is granted for a service-connected mental health condition, the claims processor must document on the rating decision whether the veteran is not competent to handle VA funds.

What the Audit Found

The audit team reviewed a random sample of 555 cases of the 37,250 cases in which service-connected veterans were admitted to a VA medical facility for more than 21 days in calendar year 2018. Of those 555 cases, the team identified 87 veterans who were eligible for an adjustment to their benefits. Based on 87 veterans identified in the sample, the OIG estimated about 5,800 of 37,250 cases would be eligible. The team reviewed those 87 veterans' records to

¹ 38 C.F.R. § 4.29 (2014).

² VA Manual 21-1, part 3, sub. 5, chap. 6, sec. A, topic 1 "Methods of Information Exchange," July 26, 2017, July 23, 2018, and December 3, 2018. In addition to the Admission Report for Service-Connected Veterans, coordinators are expected to generate a Special Report for A&A/Pension, a Re-Admission Report, a Discharge Report, and a Contract Nursing Home Report of Admissions/Discharges.

determine whether they received accurate disability compensation benefit payments and, if they were admitted for a service-connected mental health condition, whether claims processors documented a competency determination. The team found that VARO staff did not initiate disability compensation benefit adjustments for 22 of 87 veterans, and claims processors incorrectly adjusted another 15 of 87 veterans' benefits. The team also found claims processors did not document veterans' competency in 28 of the 87 sampled cases.

Based on the sample, the OIG estimated VARO employees did not adjust or incorrectly adjusted disability compensation benefits in about 2,500 of the 5,800 cases. Those cases resulted in an estimated \$8 million in improper payments. Of those, \$6.1 million were underpayments and \$1.9 million were overpayments. Specifically, the OIG estimated

- 1,500 cases did not receive disability compensation benefits adjustments for the service-connected hospital stays, and
- 1,000 cases received incorrect disability compensation benefits adjustments for the service-connected hospital stays.

In addition, the OIG estimated that 1,900 cases did not have documented competency determinations when veterans were admitted for service-connected mental health conditions.

The OIG determined disability compensation benefit adjustments did not occur because coordinators did not generate hospital admission reports and maintain hospital report logs. The OIG found five of eight VAROs had not generated hospital admission reports. Without those reports, veterans are at risk of not receiving the proper benefits. The OIG also found six of eight VAROs did not maintain report logs, which serve as an internal control for VARO managers to confirm whether coordinators generated and processed hospitalization reports in a timely manner. VARO managers provided ineffective oversight by not ensuring coordinators generated reports and maintained logs. Also, a change in the regulations caused confusion about whether VBA could assign temporary increases of 100 percent ratings for hospitalization, which resulted in admission reports not being generated.

The OIG found employees who processed benefit adjustments for hospitalization were unfamiliar with VA policy because they handled such cases infrequently and had limited training in how to process them. This is also the reason employees were unclear on the requirement to document a competency determination if veterans are admitted for a service-connected mental health condition. Claims processors receive training on benefit adjustments for hospitalization as part of their initial training, however there is no mandatory refresher training. Although there are online refresher training classes available in VA's Talent Management System that include temporary benefit increases for hospitalization, that is not the focus of the classes. Therefore, claims processors were not receiving enough training to maintain their proficiency. VARO managers were generally aware of the claim processors' limited workload and training for

benefit adjustments for hospitalization claims. However, they were not fully aware of how that affected the accuracy of processing these claims. As VBA's Systematic Technical Accuracy Review report for FY 2018 showed, over 11,100 claims received quality reviews of which 30 claims involved benefit adjustments for hospitalization.³

What the OIG Recommended

The OIG recommended the under secretary for benefits

- Correct disability compensation benefits for the veterans identified in the sample whose benefits were not adjusted or were incorrectly adjusted,
- Develop and implement a plan to ensure all VA regional offices generate and process the hospital admission reports and maintain logs,
- Continue to develop and implement a plan to nationally generate and process the Admission Report for Service-Connected Veterans,
- Determine if a statutory or regulatory change is required to ensure lawful, consistent, and timely processing of benefits for veterans entitled to temporary increases of benefits to 100 percent,
- Develop and implement a plan to ensure staff receive refresher training when needed to properly process temporary disability compensation benefit adjustments for veterans hospitalized for more than 21 days that includes monitoring the effectiveness of the training, and
- Develop a plan to determine which veterans required adjusted compensation benefits for hospitalization for a service-connected condition using the Admission Report for Service-Connected Veterans in fiscal years 2018 and 2019 and to make the required adjustments.

Management Comments

The under secretary for benefits concurred with the above recommendations.

Although the under secretary for benefits agreed with all the recommendations, he did not concur with the OIG's projection of estimated monetary impact. The under secretary stated the five-year estimate is incorrect and misleading to the reader because the OIG's report assumes VBA would not make any improvements over the next five years. Generally, agencies are required to complete final action on OIG recommendations within 12 months of publication. Appendix D

³ The Systematic Technical Accuracy Review process includes quality reviews in two key processing areas of rating and authorization and assesses all essential claim adjudication actions. Systematic Technical Accuracy Review is VBA's national method for measuring compensation claims processing accuracy.

contains the full text of the under secretary's comments. The OIG's response and justification follow.

OIG Response

The under secretary for benefits provided acceptable corrective action plans for each recommendation. The OIG will monitor implementation of planned actions and will close the recommendations when VBA provides sufficient evidence demonstrating progress in addressing the intent of the recommendations and the issues identified. The OIG will monitor VBA's progress and follow up on implementation of all recommendations until proposed actions are completed.

As stated in Appendix C, the OIG uses the five-year projection of potential monetary impact to emphasize the importance of taking corrective actions and to highlight the potential magnitude of identified issues if such actions are delayed or never implemented. The OIG acknowledges and discloses that this is an estimate and the actual future monetary impact will vary based on a variety of events and circumstances including the corrective actions taken by VBA.

The under secretary stated that generally agencies are required to complete final action on OIG recommendations within 12 months of publication and assuming current practices will go unchanged is false, as VBA values OIG's vital oversight role and works diligently to implement recommendations to improve service to veterans. However, as of February 2020, VBA had 13 open OIG recommendations that had been pending for more than 12 months following various report publications. Also, two of 13 recommendations have been pending for more than five years.



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Abbreviations

CAPRI	Compensation and Pension Record Interchange
FY	fiscal year
OIG	Office of Inspector General
VARO	VA regional office
VBA	Veterans Benefits Administration
VBMS	Veterans Benefits Management System
VHA	Veterans Health Administration



Introduction

Veterans disabled during active military service, either by injury or disease, are entitled to tax-free compensation if considered eligible by the Veterans Benefits Administration (VBA). The compensation depends on the degree of disability on a scale from 0 percent to 100 percent. Veterans who are hospitalized for more than 21 days for treatment or observation for a service-connected disability evaluated at a rate lower than 100 percent are entitled to a temporary increase to the 100 percent compensation rate.⁴ The disability benefit adjustment is effective from when the veteran is admitted through the last day of the month of treatment or observation at a VA or VA-approved medical facility. The OIG conducted this audit to determine whether veterans received accurate disability compensation benefit payments based on hospitalization at VA medical facilities. Inaccurate benefit adjustments or adjustments that are not completed can result in improper payments. The OIG also examined whether claims processors documented determinations for veterans admitted for service-connected mental health conditions as to their competency to manage VA funds, as required.

Temporary Increase of Benefits for Hospitalization

An evaluation to temporarily increase disability compensation for hospitalization can begin when a veteran has been identified as having been admitted into a VA medical facility through an Admission Report for Service-Connected Veterans. The process could also be initiated when the VA regional office (VARO) receives a veteran's claim following the hospitalization. Veterans receive the increase in their disability compensation benefit as a retroactive payment.

VARO management must designate a primary and alternate hospital adjustment coordinator responsible for generating hospital admission reports daily or weekly using the Compensation and Pension Record Interchange (CAPRI) for each medical facility in their region.⁵ VARO managers can select a claims assistant, claims processor, or manager to be the coordinator. According to the VA manual, the hospital admission report lists all veterans admitted to a VA medical facility with a service-connected disability. It includes each veteran's claim number, admission date, admitting diagnosis, and discharge date.⁶ According to the VA manual, if the hospital admission report shows the veteran was hospitalized for a service-connected condition,

⁴ 38 U.S.C. § 1156 (2008) and 38 C.F.R. § 4.29 (2014).

⁵ VA Manual M21-1, part 3, sub. 5, chap. 6, sec. A, "Information Exchange Between Department of Veterans Affairs (VA) Regional Offices (ROs) and Medical Facilities," July 26, 2017; July 23, 2018; and December 3, 2018. VA Manual M-21, part 3, sub. 5, chap. 6, sec. G, topic 2 "Overview of User Options in CAPRI," September 13, 2018. CAPRI provides VBA staff read-only access to the veterans' electronic health records to facilitate processing veteran benefits claims and generate hospital reports. Compensation and Pension Record Interchange (CAPRI), "User Manual," September 2019.

⁶ Compensation and Pension Record Interchange (CAPRI), "User Manual," September 2019.

the coordinator also generates a discharge report to obtain the date the veteran was released or discharged from the medical facility after a stay of 21 days or more. Coordinators must maintain a log of the reports generated from CAPRI. The log should show⁷

- The type of hospital report generated, such as Admission Report for Service-Connected Veterans, Re-Admission Report, or Discharge Report;
- The date the report was generated and the dates covered by the report;
- The date the coordinator sent any reports involving veterans under another VARO’s jurisdiction to that VARO; and
- Any problems that occurred when handling the reports.

Figure 1 provides an overview of the generation and processing of hospital admission reports.

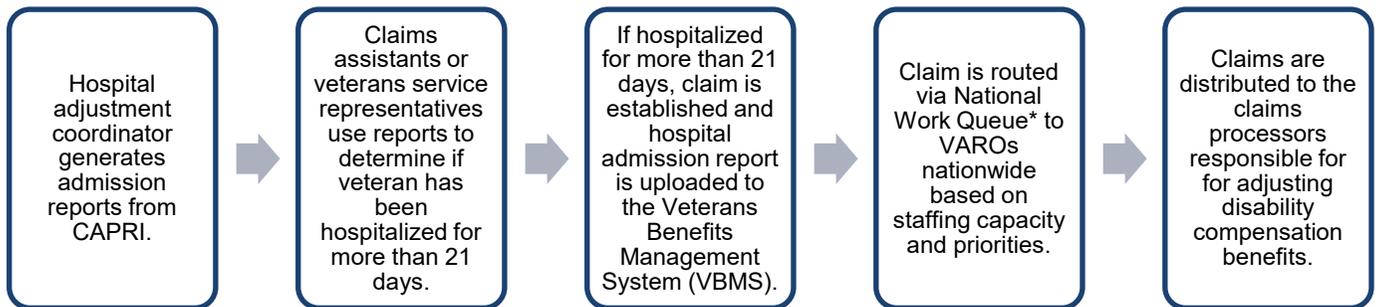


Figure 1: Overview of processing hospital admission reports

Source: VA OIG analysis for generating and processing hospital admission reports based on VBA policies and procedures.

*Note: The National Work Queue is VBA’s workload management system, which distributes claims nationwide for processing based on staffing availability, national claims processing priorities, and special missions.

Claims processors are responsible for verifying whether the veteran is entitled to a benefit adjustment for the hospitalized condition. For example, a veteran receiving service-connected disability payments for posttraumatic stress disorder who is hospitalized for more than 21 days for a non-service-connected stroke would not be entitled to the adjustment. However, if the same veteran was hospitalized for the service-connected posttraumatic stress disorder, that veteran’s benefits would be subject to the temporary increase to 100 percent. Claims processors are also responsible for reducing the temporary rate to the veterans’ pre-admission disability rate once the veterans are discharged. According to the VA manual, the discharge reports are used to stop the temporary compensation increase as the report shows when the veteran is discharged. Also, the

⁷ VA Manual 21-1, part 3, sub. 5, chap. 6, sec. A, “Information Exchange Between Department of Veterans Affairs (VA) Regional Offices (ROs) and Medical Facilities,” July 26, 2017; July 23, 2018; and December 3, 2018.

temporary increase ends after the last day of the month of treatment. Not starting or ending the temporary compensation increase at the correct time can lead to underpayments or overpayments to the veteran.

Veterans' Competency Documentation

Any time a temporary increase of benefits to 100 percent is granted for a service-connected mental health condition, claims processors must document in the rating decision whether the veteran is not competent to handle VA funds.⁸ In this context, claims processors must document whether the veteran is mentally incompetent, defined as a person who, because of injury or disease, lacks the capacity to manage his or her own affairs, including receiving payments or properly managing funds received from VA. Veterans Health Administration (VHA) policy states that if a patient's mental health condition may affect the patient's competence to handle VA funds, the clinician must conduct an evaluation to ascertain competency status and the findings must be documented.⁹ If there is no clear and convincing evidence the veteran is incompetent, the claims processor would document that there is none.

⁸ VA Manual 21-1, part 3, sub 4, chap. 8, sec. A, topic 2, "Considering Competency While Evaluating Evidence," November 16, 2016 and February 19, 2019.

⁹ VHA Handbook 1907.01 *Health Information Management and Health Records*, March 19, 2015.

Results and Recommendations

Finding: VBA Did Not Adjust or Incorrectly Adjusted Some Veterans' Benefits for Hospitalization and Did Not Always Document Competency as Required

The OIG estimated from its sample that VARO staff either did not adjust or incorrectly adjusted disability compensation benefits for hospitalization in about 2,500 of 5,800 veterans' cases (43 percent) who were hospitalized at a VA medical facility for more than 21 days due to their service-connected disabilities during 2018. Specifically, an estimated

- 1,500 veterans did not have their disability compensation benefits adjusted during a service-connected hospital stay, and
- 1,000 veterans did not have accurate disability compensation benefit adjustments for their service-connected hospital stay.

Cases that were not adjusted or were adjusted incorrectly resulted in an estimated \$8 million in improper payments, consisting of approximately \$6.1 million in underpayments and \$1.9 million in overpayments.¹⁰ Based on rates at the time of the audit, the OIG estimated that without corrective action, VBA could make \$40 million in improper payments over the next five years—\$30.7 million in underpayments and \$9.4 million in overpayments.¹¹

The OIG determined that disability compensation benefit adjustments did not occur because coordinators did not generate hospital admission reports and maintain hospital report logs. The hospital admission reports or the receipt of a veteran's claim start the process of temporarily increasing a veteran's compensation benefits. For hospital admission reports, the log is a control tool that VARO managers should use to validate that the coordinators generated and processed these reports. However, VARO managers provided ineffective oversight of hospital admission reports by not ensuring coordinators generated reports and maintained logs. One reason was a change in regulations that caused confusion about whether VBA could assign temporary increases to 100 percent ratings for hospitalization. This resulted in admission reports not being generated. Also, claims processors were unfamiliar with policies and procedures for processing

¹⁰ Office of Management and Budget Circular A-123, Appendix C, "Requirements for Payment Integrity Improvement," (June 26, 2018) classifies the inaccurate payments resulting from these errors as improper payments. An improper payment is any payment that should not have been made or that was made in an incorrect amount.

¹¹ The estimated \$40 million in improper payments was calculated by multiplying the estimated \$8,007,797 in improper payments for one year by five. The \$30.7 million in underpayments was calculated by multiplying \$6,131,727 in underpayments for year one by five. The \$9.4 million in overpayments was calculated by multiplying \$1,876,104 for year one by five. The \$40 million number was calculated by using the estimated unrounded dollar amounts for underpayments and overpayments shown in Appendix B, Table B.6. If the rounded dollar amounts that are presented in the body of this report were used, the five-year estimated impact would be \$40.1 million.

temporary benefit increases due to the infrequent workload and limited training for these types of cases. For example, nine of 16 employees interviewed by the audit team had not worked such cases in the previous year.

The OIG also identified an estimated 1,900 veterans' cases in which claims processors correctly adjusted benefits for hospitalization due to a mental health condition but did not document a veteran's competency on the rating decision as required. Any time a temporary increase of benefits to 100 percent is granted for a service-connected mental health condition, claims processors must document on the rating decision whether there is evidence the veteran is not competent to handle VA funds. This documentation requirement applies regardless of the outcome of the determination on competency. Claims processors were unclear on this requirement because they were not familiar with related policies and procedures due to their infrequent workload and training for these types of cases. Although claims processors did not comply with this important internal control, the OIG found no evidence that veterans incompetent to handle VA funds were paid disability benefits.

What the OIG Did

The audit team reviewed a random sample of 555 veterans' cases among 37,250 unique cases in which service-connected veterans were hospitalized at a VA medical facility for more than 21 days in calendar year 2018. From those, the team identified 87 veterans who were admitted for their service-connected disabilities and should have had an adjustment to their benefits based on their hospitalization. Based on the 87 veterans identified in the sample, the OIG estimates about 5,800 of 37,250 veteran cases would have had an adjustment to their benefits based on their hospitalization being for their service-connected condition.

The team reviewed these 87 veterans' records to determine whether the veterans received accurate disability compensation benefit payments based on hospitalization and whether their competency was documented in the rating decision if hospitalized due to a service-connected mental health condition. The team used VBA's electronic systems, including the VBMS and CAPRI, to review the sampled veterans' records and relevant required documentation. The team discussed the veterans' cases with VBA's Compensation Service's Quality Assurance personnel.¹² VBA concurred with OIG's identification of errors for cases not adjusted that should have been, that were adjusted incorrectly, or for which competency was not documented. The audit team conducted site visits at three VAROs and interviewed staff involved in generating, processing, and overseeing hospital admission reports at an additional five VAROs. See Appendix A for the audit's scope and methodology and list of VAROs.

¹² Compensation Service's Systematic Technical Accuracy Review program is VBA's national method for measuring compensation claims processing accuracy.

The finding is based on the audit team's determinations in several areas discussed more fully in the sections that follow:

- Disability compensation benefits were not properly adjusted for eligible veterans' hospitalization.
 - VAROs did not generate hospitalization reports or maintain required report logs.
 - Oversight of hospitalization reports was ineffective.
 - Change in regulations caused confusion.
- Disability compensation benefits were not correctly processed for veterans' hospitalization and competency was not documented when required.
 - Incorrect adjustments were made
 - Veterans' competency documentation was lacking
 - Hospitalization claim workload and training were limited

Disability Compensation Benefits Were Not Properly Adjusted for Eligible Veterans' Hospitalization

VARO staff did not initiate disability compensation benefit adjustments for 22 of 87 veterans who were hospitalized at VA medical facilities for service-connected disabilities for more than 21 days. In 13 of the 22 cases, there was no hospital admission report in the veterans' claim folders to indicate a temporary increase was needed. Coordinators are required to generate the hospital admission reports daily or weekly to identify veterans who may be eligible for a temporary increase to the 100 percent disability compensation rate.¹³ In the remaining nine cases, two had a hospital admission report and seven had a claim submitted by the veteran but no admission report in the claim folders. For the seven claims submitted by veterans, claims processors did not obtain supporting medical evidence that the veterans were hospitalized for more than 21 days from CAPRI and the VBMS. Despite the admission reports and claims submitted by the veteran, processors took no action to increase benefits to the temporary 100 percent rate.

Based on these sample results, the audit team estimated that VARO staff did not temporarily increase benefits for about 1,500 veterans. The team estimated that these errors resulted in improper payments of \$3.7 million—all underpayments. Based on rates at the time of the audit,

¹³ VA Manual 21-1, part 3, sub. 5, chap. 6, sec. A, topic 1, "Methods of Information Exchange" and topic 2, "Initial Actions Upon Receipt of Notice From a VA Medical Facility of a Veteran's Hospitalization at VA Expense," July 26, 2017; July 23, 2018; and December 3, 2018.

the team estimated that additional improper underpayments of \$18.4 million could occur over the next five years unless VARO staff improve benefit adjustment processing for veterans hospitalized due to service-connected disabilities.¹⁴ Example 1 provides details of a veteran's case where no benefit adjustment was completed, which resulted in an underpayment.

Example 1

A veteran was admitted to a VA medical facility for 43 days for a service-connected disability. There was no hospital admission report in the veteran's record because the VARO had not generated hospital admission reports since May 2018. Therefore, the claims processor was unaware of the need to make the adjustment to temporarily increase the veteran's disability compensation benefits. As a result, VA underpaid the veteran approximately \$2,700.

VAROs Did Not Generate Required Hospitalization Reports or Maintain Required Report Logs

The OIG found VARO managers did not always ensure hospital admission reports were being generated, causing veterans to miss temporary benefit increases to which they were entitled. The audit team interviewed veteran service center managers and coordinators at eight VAROs. The team determined that five of eight VAROs had not generated hospital admission reports as required.

As stated earlier, the hospital admission reports are needed to start the process of temporarily increasing a veteran's compensation benefits.¹⁵ To document the increase, the admission reports are uploaded into the veteran's electronic claims folder. Without those reports, veterans potentially miss entitled benefits. Table 1 includes the eight VAROs reviewed, whether the hospital admission reports were generated, and the month the most recent report was generated.

¹⁴ The estimated \$18.4 million in improper payments was calculated by multiplying the estimated \$3,670,399 in improper payments for one year by five. The \$18.4 million number was calculated by using the estimated unrounded dollar improper payments shown in Appendix B, Table B.7. If the rounded dollar amount was used, the five-year estimated impact would be \$18.5 million.

¹⁵ VA Manual 21-1, Part 4, sub. 2, chap. 2, sec. J, topic 2, "General Information on Hospitalization Rating Under 38 CFR 4.29" February 12, 2016.

Table 1. VAROs Generating Hospital Admission Report as of December 31, 2018

VARO	Hospital admission reports generated	Date last generated
A	No	September 2016
B	No	May 2018
C	No	September 2015
D	No	March 2015
E	Yes	December 2018
F	No	November 2018*
G	Yes	December 2018
H	Yes	December 2018

Source: VA OIG analysis of hospital admission reports from January 1, 2018, through December 31, 2018, and interviews with VARO staff.

**Note: VARO F was missing July 2018 and December 2018 hospital admission reports.*

In addition, the audit team reviewed the reasons coordinators did not generate some hospital admission reports during 2018 and since April 2019:

- VARO A staff had not generated hospital admission reports since September 2016. According to the coordinator at that time, his supervisor—who has since left the VA— informed him that generating and processing these reports was not required. The veteran service center manager believed this was a result of the 2015 update to VA Manual M21-1 that stated benefit adjustments for hospitalization needed to be in a prescribed form to be processed. Based on her interpretation of the manual, the hospital admission reports were not in the correct form. Therefore, VARO staff did not generate and process these reports. On review by the OIG, the manual update applied when veterans submitted a claim for benefit adjustments for hospitalization. The VA manual still accepted hospital admission reports as a prescribed form for this benefit adjustment; therefore, these reports are required to be generated and processed.¹⁶ According to the VARO, as a result, from October 2016 through March 2019, there were 2,456 hospital admission reports not generated. Of those 2,456 instances with no hospital admission report, 260 involved veterans whose benefits needed to be adjusted.

¹⁶ VA Manual 21-1, part 3, sub 2, chap. 2, sec. b, "Claims for Disability Compensation and-or Pension, and Claims for Survivors Benefits," December 21, 2017; August 1, 2018; November 14, 2018; and December 13, 2018.

- VARO B staff had not generated hospital admission reports since May 2018. The acting manager told the audit team this occurred because the individuals in the coordinator and supervisor positions changed, there was no assigned alternate coordinator, and there was a higher priority project. According to the VARO, as a result, from June 2018 through March 2019, there were 14,022 hospital admission reports not generated. Of the 14,022 instances in which there were no hospital admission reports, 115 involved veterans whose benefits needed to be adjusted.
- VARO C staff had not generated the hospital admission reports since September 2015. When the coordinator was promoted in September 2015, no one continued to generate the hospital admission reports. The position was vacant from October 2015 until March 2019. The manager thought the VA medical centers provided the reports because the previous coordinator visited the hospitalized veterans at the medical centers. As the VARO is co-located with the VA medical center, the coordinator was proactive in helping veterans submit claims while they were hospitalized and after they were discharged. The coordinator role was overlooked, and hospital admission reports were not generated. According to the VARO, as a result, from October 2015 through March 2019, there were 1,007 hospital admission reports not generated. Of the 1,007 instances with no related hospital admission reports, there were no veterans whose benefits needed to be adjusted.

VBA's Compensation Service reported similar results in FY 2018, reporting seven of 12 different VAROs inspected during its site visit quality review program were not generating hospital admission reports.¹⁷ According to the Compensation Service's quality assurance director, the organization conducts 12–14 VARO site visits per year, visiting every VARO every three to five years. The purpose of site visits is to ensure that VBA policies, procedures, and support systems pertaining to compensation benefits are followed consistently nationwide, including providing external oversight to ensure VAROs generate hospital admission reports. The quality assurance director said reviews of hospital adjustments that include the admission reports were conducted during the FY 2018 site visits and formally added to the site visit procedures at the beginning of FY 2019. However, because this is a new initiative by VBA's quality assurance staff, the audit team could not determine its effectiveness.

Hospitalization logs are an internal control for VARO managers to determine whether coordinators generated and processed hospital admission reports in a timely manner. The audit team requested logs for 2018 and determined those VAROs not generating reports also did not maintain logs. VARO managers should use the log to validate the coordinators generated and processed hospital admission reports, thereby helping ensure veterans are receiving benefit

¹⁷ Compensation Service develops and disseminates procedures for the administration of the compensation benefit program.

adjustments for hospitalization. However, the managers did not ensure the logs were completed, either because of their lack of oversight or not being aware of this requirement. Table 2 includes the eight VAROs reviewed, whether the coordinator log was maintained throughout the scope period, and whether the coordinator log included all the required information.

Table 2. VARO Hospital Adjustment Coordinator Logs

VARO	Log completed	Log included all required information
A	No	No
B	No	No
C	No	No
D	No	No
E	No	No
F	No	No
G	Yes	Yes
H	Yes	No

Source: VA OIG analysis of hospital adjustment coordinators logs for January 1, 2018, through December 31, 2018, and interviews with VARO staff.

In addition, the OIG also found that Compensation Service’s site visit teams did not review coordinator logs to ensure they were complete because this step was not included as part of the Compensation Service’s site visit procedures. After the audit team discussed this issue with the Compensation Service’s quality assurance director, he stated he would include a review of coordinators’ logs in the site visit review procedures.

Oversight of Hospitalization Reports Was Ineffective

VARO managers did not provide effective oversight of hospital admission reports to ensure coordinators generated the reports and maintained logs. In most instances, their oversight was limited to their annual review of hospital admission reports as part of the process to generate another report, the Systematic Analysis of Operations (SAO). SAO reports are internal controls for VARO managers to identify potential problems and propose corrective actions. Because Compensation Service only reviews the SAO reports during site visits, which occur every three to five years, issues with hospital admission report generation can remain unidentified for years. This could result in delayed correction of deficiencies because Compensation Service oversight was too infrequent to be effective.

For example, the audit team reviewed VARO D's most recent SAO report dated June 19, 2018. The wording in the VARO's SAO report indicated that staff believed they no longer needed to generate hospital admission reports; the VARO's managers indicated they stopped generating hospital admission reports in March 2015. Since Compensation Service conducted its last site visit at the VARO in October 2014, the error went undetected for more than three years.

Generating the hospital admission reports nationally could provide greater assurance that the information necessary to correctly process benefit adjustments for hospitalization is being provided. In early 2019, Compensation Service requested an aggregate report of all VA medical facility hospital admissions as a test to centralize generating and processing hospital adjustments, according to the assistant director of VBA's Office of Business Intelligence. The assistant director also indicated this type of aggregate report will need to be generated directly from the VHA database instead of using CAPRI because CAPRI does not aggregate data from all facilities and these reports can only be generated one facility at a time.

VBA has developed the technical capability needed to generate a national hospital admission report, according to VBA's Compensation Service's chief of operational innovation when interviewed in January 2020. In addition, he stated Compensation Service in conjunction with other offices are developing an implementation plan to operationalize this new capability, which will be complete and ready for implementation by March 2020.

Change in Regulations Caused Confusion

VBA should clarify and align the processing of hospitalization reports and the temporary adjustment of benefits to avoid confusion and inconsistent results. VBA's manual authorizes VARO personnel to assign a temporary increase of benefits to 100 percent, on its own initiative, when a hospital admission report confirms that a veteran was hospitalized for a service-connected condition for a period of more than 21 days.¹⁸ According to the deputy executive director of Compensation Service, this practice conforms with federal law which directs VA to "assign" a total temporary increase in benefits under such circumstances.¹⁹ However, other statutory and regulatory provisions in federal law and the Code of Federal Regulations require a claimant to file a claim using a form prescribed by the VA Secretary before VA can pay benefits,²⁰ including temporary benefit increases to 100 percent based on

¹⁸ VA Manual 21-1, part 4, sub. 2, chap. 2, sec. J, topic 2, "General Information on Hospitalization Ratings Under 38 CFR 4.29," February 12, 2016. M21-1, part 3, sub 1, chap. 1, topic 4, "Cross-Functional Teams," March 3, 2017; May 16, 2018; and M21-1, part 3, sub.1, chap.1, topic 3, "Cross-Functional Teams," June 6, 2018.

¹⁹ 38 U.S.C. § 1156 (2008).

²⁰ 38 U.S.C. § 5101 (2016) and 38 C.F.R. § 3.151 (1985).

hospitalization.²¹ Effective March 24, 2015, VA regulations established specific information required to file a claim for benefits.²² A claim, according to VA regulations, must specify the benefit sought and include, among other information, the claimant's signature.²³ As a result, on March 24, 2015 VBA updated the manual to reflect that hospital admission reports were the prescribed forms to be used for processing total temporary rating benefits. On January 13, 2020, VBA no longer considered hospital admission reports as prescribed forms; however, these reports will still result in a determination for entitlement to a temporary adjustment of benefits.²⁴

Because VA uses hospital admission reports to manually process the benefits for veterans entitled to the temporary increase of benefits to 100 percent, confusion reportedly arose after March 24, 2015, regarding the specific form needed to adjust benefits for hospitalization. For example, the OIG learned that VARO A and D personnel stopped generating hospital admission reports for the purpose of processing temporary benefits adjustments for hospitalization in 2016 and 2015, respectively, following the effective date of VA's regulations in March 2015. The veteran service center managers at those VAROs interpreted the VBA manual update to mean benefit adjustments could only occur if claims were submitted on prescribed forms. However, other VARO personnel continued to manually process the benefits, using hospital admission reports, as had been done before the regulatory changes in 2015.

The OIG understands that, to the extent possible, statutes generally should be harmonized and not read as creating conflict.²⁵ VBA has neither clarified nor reconciled the various authorities such as the statutory, regulatory, and VBA manual provisions, to ensure consistent practices when adjusting benefits based on hospitalization. To the extent VBA can achieve consistency in the system-wide processing of temporary benefit adjustments for hospitalization, whether this requires a statutory or regulatory change, all available options should be considered. Such action will ensure lawful, consistent, and timely processing of benefits for veterans whose entitlement to temporary increases of benefits to 100 percent is not in question.

²¹ VA Manual 21-1, part 4, sub 2, chap. 2, sec. J, topic 2, "General Information on Hospitalization Ratings Under 38 CFR 4.29," February 12, 2016.

²² 79 FR 57659-698 (Final rule amending VA's "adjudication regulations to require that all claims governed by VA's adjudication regulations be filed on standard forms prescribed by the Secretary, regardless of the type of claim or posture in which the claim arises.") September 25, 2014.

²³ 38 C.F.R. § 3.155(d) (2014) and 38 C.F.R. § 3.160 1993).

²⁴ VA Manual 21-1. Part 3, sub. 2, chap. 2 section B, "Claims for Disability Compensation and-or Pension, and Claims for Survivors Benefits," December 21, 2017; August 1, 2018; November 14, 2018; December 13, 2018; and January 13, 2020.

²⁵ *Epic Systems Corp. v Lewis*, 138 S. Ct. 1612 (2018).

Disability Compensation Benefits Were Not Correctly Processed for Veterans' Hospitalization and Competency Was Not Documented When Required

Claims processors made incorrect adjustments in 17 percent of the cases the audit team reviewed and did not document veterans' competency in 32 percent of cases.

Incorrect Adjustments Were Made

Claims processors incorrectly adjusted 15 of 87 veterans' benefits when they were hospitalized at VA medical facilities for service-connected disabilities for more than 21 days. Based on the sample results, the audit team estimated that processors incorrectly adjusted about 1,000 veterans' cases that had a monetary effect on veterans during 2018. The audit team estimated that the errors resulted in improper payments of \$4.3 million—\$2.5 million in underpayments and \$1.9 million in overpayments²⁶. The team further estimated that additional improper payments totaling \$21.7 million could occur over the next five years unless VARO staff improve the benefit adjustment processing for hospitalized veterans.²⁷ Example 2 provides details of a veteran with an underpayment and Example 3 illustrates an overpayment.

Example 2

A veteran was admitted to a VA domiciliary for 142 days for a service-connected disability. The claims processor denied entitlement to a benefit adjustment for hospitalization stating that the veteran was a homeless resident in a VA domiciliary program and not entitled to the temporary increase of benefits. VBA policy states the temporary increase to 100 percent benefits does not apply when the veteran is a resident in a domiciliary program, but also states that if treatment given is consistent with hospital care for a service-connected disability, even though the veteran is concurrently required to be in a VA domiciliary program, then a temporary increase of benefits is warranted.²⁸ The veteran's hospital records showed that he was receiving hospital-level care for his service-connected disability while in the domiciliary program, which would

²⁶ Due to rounding the over- and underpayments do not sum to \$4.3 million improper payments.

²⁷ The estimated \$21.7 million in improper payments was calculated by multiplying the estimated \$4,337,432 in improper payments for one year by five. The \$4.3 million number was calculated by using the estimated unrounded dollar amounts for underpayments and overpayments shown in Appendix B, Table B.8. If the rounded dollar amounts that are presented in the body of this report were used, the one-year estimated impact would be \$4.4 million.

²⁸ VA Manual 21-1, part 4, sub. 2, chap. 2, sec. J, "General Information on Hospitalization Ratings Under 38 CFR 4.29," February 12, 2016.

entitle him to the temporary increase. Because of the inaccurate action to deny entitlement, VA underpaid the veteran approximately \$4,800 over three months.

Example 3

A veteran was admitted to a VA medical facility for 93 days for a service-connected disability. The claims processor correctly completed the benefit adjustment for hospitalization and increased the veteran's benefits but did not discontinue the temporary increase as required. As a result, at the time of the review, VA had overpaid the veteran approximately \$5,500 over two months. VBA agreed this was an overpayment on April 12, 2019, but no changes to the veteran's monthly overpayment were made until October 1, 2019.

VBA's Compensation Service's Quality Assurance concurred with all the errors the OIG found for cases adjusted incorrectly.

Veterans' Competency Documentation Was Lacking

During this audit, the audit team identified an estimated 1,900 veterans' cases in which claims processors correctly adjusted benefits for hospitalization due to a service-connected mental health condition but did not document the veteran's competency in the rating decision, as required.²⁹

Although claims processors did not comply with this important internal control, the OIG found no evidence that veterans not competent to handle VA funds were paid disability benefits. The audit team identified 28 cases in which processors correctly adjusted benefits for hospitalization due to a service-connected mental health condition but did not document competency in the rating decision.³⁰ All 28 veterans were considered competent based on VHA's procedures for documenting competency. In seven cases the physicians' or clinicians' assessments in the discharge summary included an explicit statement regarding the veteran's competency "for VA purposes" or to handle funds; however, the claims processors did not include the competency statement in the rating decisions. In the remaining 21 cases the physicians' or clinicians' assessments did not include an explicit statement about competence or incompetence in the medical records, and the claims processors did not include the competency statement in the rating decision.

²⁹ VA Manual 21-1, part 3, sub. 4, chap. 8, sec. A, topic 2, "Considering Competency While Evaluating Evidence," November 16, 2016.

³⁰ VA Manual 21-1, part 3, sub. 4, chap. 8, sec. A, topic 2, "Considering Competency While Evaluating Evidence," November 16, 2016.

Hospitalization Claim Workload and Training Were Limited

Most claims processors interviewed stated that they did not process benefit adjustments for hospitalization claims enough to maintain proficiency. Nine of 16 claims processors the audit team interviewed stated that they did not receive claims involving benefit adjustments for hospitalization in the last calendar year. Also, five of 16 processors only received between one to three claims involving benefit adjustment for hospitalization every three months. Only two of 16 claims processors received more than three of these types of claims every three months. Based on data from VBA's calendar year 2018 Monday Morning Workload Report, benefit adjustments for hospitalization accounted for less than one percent of total compensation benefit workload nationally. This workload does not include those claims submitted directly by veterans.³¹ As a result of this limited workload, claims processors were not proficient in either processing benefit adjustments for hospitalization or implementing the applicable policy.

Further exacerbating the problem, claims processors stated they have had limited training related to these benefit adjustments. Claims processors received training on processing adjustments that included temporary increases of benefits for hospitalization; however, the training was not specifically focused on that subject. According to the Compensation Service's director of training, claims processors receive training on benefit adjustments for hospitalization as part of their initial training in the Challenge program. The Challenge program is a course of study delivered by Compensation Service to entry-level claims processors. Challenge training provides employees with hands-on training on computer applications, policies, and procedures related to claims processing. After claims processors complete Challenge training, there is no additional mandatory training for these benefit adjustments.

VARO managers were generally aware of the claim processors' limited workload and training related to benefit adjustments for hospitalization claims. However, they were not fully aware of how that affected the accuracy of processing these claims. The VBA's Systematic Technical Accuracy Review report for FY 2018 showed, of the over 11,100 claims that received quality reviews, 30 claims involved benefit adjustments for hospitalization.³²

Claims processors would benefit from training focused on benefit adjustments for hospitalization to maintain their proficiency. For example, claims processors interviewed stated errors may have occurred because they forgot about having to document competency when veterans were admitted for a service-connected mental health condition. They also stated they were confused

³¹ The Monday Morning Workload Report is one of VBA's outward-facing reports for stakeholders. The purpose of the report is to display a snapshot of VBA workload on a weekly basis. This report displays the national totals for pending compensation workload. This report was filtered to the disability compensation benefit adjustments for increased entitlement due to hospitalization or surgery claims.

³² The Systematic Technical Accuracy Review process includes quality reviews in two key processing areas, rating and authorization, and assesses all essential claim adjudication actions. Systematic Technical Accuracy Review is VBA's national method for measuring compensation claims processing accuracy.

when a veteran's admission or stay in the VA domiciliary program would also grant entitlement to temporary increases of disability compensation benefits. While there are online refresher training classes available in VA's Talent Management System that include temporary benefit increases for hospitalization, they do not focus on temporary benefit increases for hospitalization.

Although there is no mandatory training for this workload, Compensation Service does use other means, such as bulletins, to pass information to the VAROs. Bulletins provide notices to VARO managers and staff, including claims processors, about guidance changes or clarifications. For example, a Compensation Service bulletin from February 2018 indicated veterans who participate in the VHA's ASPIRE residential rehabilitation treatment program are not eligible to receive a temporary 100 percent benefit adjustment. The April 2019 bulletin clarified that guidance, noting that entitlement to a temporary increase in disability benefits for hospitalization is determined based on what types of services the veteran received while enrolled in a VHA program, not whether any particular program would qualify a veteran for benefits.

Even though bulletins are a source of information for VARO staff, there is no assurance claims processors are reading them. If VBA provided required cyclical or periodic training, even every two to three years, it could help ensure claims processors are getting the necessary information. Required training would also be a more frequent reminder of how to accurately process benefit adjustments for hospitalization.

Conclusion

VA paid an estimated \$8 million in one year in incorrect disability compensation benefits to veterans who were hospitalized for more than 21 days in VA medical facilities for their service-connected disability. This occurred because monitoring was inadequate to ensure the required reporting was being done and because staff training was too limited to make certain they were familiar with processing such claims. The OIG estimated that, based on rates at the time of the review and without corrective action, VA could improperly pay \$40 million over the next five years.

Recommendations 1–6

The OIG recommended the under secretary for benefits take the following actions:

1. Correct disability compensation benefits for the veterans identified in the sample whose benefits were not adjusted or were incorrectly adjusted.
2. Develop and implement a plan to ensure all VA regional offices generate and process the weekly Admission Report for Service-Connected Veterans and maintain coordinators' logs to complete required benefit adjustments.
3. Continue to develop and implement a plan to nationally generate and process the Admission Report for Service-Connected Veterans.

4. Determine if a statutory or regulatory change is required to ensure lawful, consistent, and timely processing of benefits for veterans entitled to temporary increases of benefits to 100 percent.
5. Develop and implement a plan to ensure staff receive refresher training when needed to properly process temporary disability compensation benefit adjustments for veterans hospitalized for more than 21 days that includes monitoring the effectiveness of the training.
6. Develop a plan to determine which veterans required adjustment of compensation benefits for hospitalization for a service-connected condition, using the Admission Report for Service-Connected Veterans for fiscal years 2018 and 2019, and make the required adjustments.

Management Comments

The under secretary for benefits concurred with Recommendations 1 through 6.

To address Recommendation 1, the under secretary for benefits reported VBA will take corrective actions on the errors identified in the sample whose benefits were not adjusted or incorrectly adjusted. The target completion date is June 30, 2020.

To address Recommendation 2, the under secretary for benefits stated VBA will remind regional offices of the requirement to generate and process the weekly Admission Report for Service-Connected Veterans and maintain coordinators' logs to complete the required benefit adjustments. Further, VBA will address this topic with regional office leadership on its national calls. The target completion date is March 31, 2020.

For Recommendation 3, the under secretary for benefits stated VBA will develop and implement a plan to nationally generate and process Admission Reports for Service-Connected Veterans. They also established an integrated product team responsible for the development and implementation of nationally generated admission reports. On January 31, 2020, the integrated product team conducted a formal kickoff meeting and plans to implement the nationally generated admission reports in March 2020. The target completion date is March 31, 2020.

For Recommendation 4, the under secretary for benefits reported VBA reviewed the pertinent statutes and regulations regarding entitlement to a temporary increase in benefits to 100 percent and concluded that these provisions do not result in unlawful, inconsistent, or untimely processing of these benefits. Moreover, VBA has discussed with VA's Office of General Counsel VBA's policy of awarding a temporary total disability rating under 38 C.F.R. §§ 4.29 and 4.30 upon receipt of certain hospitalization notices. As Office of General Counsel noted to OIG on September 12, 2019, VBA's "practice described in the manual is consistent with VA's authority under 38 U.S.C. § 5101(a) and 38 C.F.R. § 3.151." Therefore, no changes are warranted to these regulations or statutes. VBA requests closure of this recommendation.

For Recommendation 5, the under secretary for benefits stated VBA indicated by September 30, 2020, it will update the “Hospital Adjustments” training course and have the revised training materials made available for staff to receive refresher training when needed. Further VBA will make competency-based training assessments available that gauge the effectiveness of previously completed training and will allow for individualized determinations as to which staff need refresher training on this topic by September 30, 2021. The target completion date is September 30, 2021.

For Recommendation 6, the under secretary for benefits reported VBA will develop a plan to identify and take appropriate actions for veterans who required adjustment of compensation benefits based on hospitalization for a service-connected condition for fiscal years 2018 and 2019. VBA expects to finalize the plan and provide a copy of the plan to OIG by June 30, 2020.

Although the under secretary for benefits agreed with all the recommendations, he did not concur with the OIG’s projection of estimated monetary impact based on review findings. The under secretary stated the five-year estimate is incorrect and misleading to the reader because the OIG’s report assumes that VBA would not make any improvements over the next five years. Generally, agencies are required to complete final action on OIG recommendations within 12 months of publication. Appendix D contains the full text of the under secretary’s comments. The OIG’s response and justification follow.

OIG Response

The under secretary for benefits provided acceptable corrective action plans for each recommendation. The under secretary requested closure of Recommendation 4; however, the OIG will follow up with VBA regarding its discussions with Office of General Counsel to obtain further clarity on how those mentioned regulations and statutes warrant no change. The OIG will monitor implementation of planned actions and will close the recommendations when VBA provides sufficient evidence demonstrating progress in addressing the intent of the recommendations and the issues identified. The OIG will monitor VBA’s progress and follow up on implementation of all recommendations until proposed actions are completed.

As stated in Appendix C, the OIG uses the five-year projection of potential monetary impact to emphasize the importance of taking corrective actions and to highlight the potential magnitude of identified issues if such actions are delayed or never implemented. The OIG acknowledges and discloses that this is an estimate and the actual future monetary impact will vary due to events and circumstances including the corrective actions taken by VBA. The under secretary stated that generally agencies are required to complete final action on OIG recommendations within 12 months of publication and assuming current practices will go unchanged is false, as VBA values OIG's vital oversight role and works diligently to implement recommendations to improve service to veterans. However, as of February 2020, VBA had 13 open OIG recommendations

that had been pending for more than 12 months following various report publications. Also, two of 13 recommendations have been pending for more than five years.

Appendix A: Scope and Methodology

Scope

The audit team conducted its work from February 2019 through January 2020. The audit covered a universe of 37,250 cases of veterans and a sample of 555 cases of service-connected veterans admitted at a VA medical facility for more than 21 days from January 1, 2018, through December 31, 2018. To be included in the sample, a veteran must have been in the hospital 21 days or more by December 31, 2018.

Methodology

To accomplish the audit objective, the audit team identified and reviewed applicable laws and VBA policy related to benefit adjustments for hospitalization. The team interviewed and obtained relevant testimonial information from VARO management and staff. The team performed site visits at the following VAROs:

- Chicago, Illinois
- Houston, Texas
- New York, New York

The team interviewed staff involved in generating, processing, and oversight of admission reports from the following VAROs:

- Buffalo, New York
- Cheyenne, Wyoming
- Montgomery, Alabama
- Portland, Oregon
- Waco, Texas

The team also

- Reviewed and analyzed documentation from all the above VAROs, including staff training records, SAO reports, site visit reports, hospital admission reports, and logs;
- Interviewed and obtained testimonial information and documentation from managers and staff from VBA's Central Office including the Compensation Service's Quality Assurance, Policy and Procedures, and Training Management divisions;

- Interviewed managers and staff from VBA’s Office of Performance Analysis and Integrity and Office of Field Operations;
- Used VBA’s electronic systems, including VBMS, to review the sampled veterans’ records and relevant documentation required to assess whether staff accurately adjusted compensation benefits for hospitalization, and
- Discussed the findings with VBA officials and included their comments where appropriate in this report.

Sampling

The audit team identified a universe of 37,250 unique cases in which service-connected veterans were hospitalized at a VA medical facility for more than 21 days. The team reviewed a random sample of 555 veterans’ cases. The sample cases were reviewed to determine if they were in-scope or out-of-scope. Sample cases were out-of-scope if the veteran was not hospitalized for service-connected disabilities, the veteran was already 100 percent service-connected for the hospitalized condition, or no change in benefits would be warranted based on the veteran receiving a temporary 100 percent rating. The team identified and reviewed 87 in-scope cases for processing and accurate calculation of temporary benefit adjustment for that disability to the 100 percent rate. See Appendix B for sampling methodology.

Fraud Assessment

The audit team assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this audit. The audit team exercised due diligence in staying alert to any fraud indicators by taking actions such as

- Soliciting the OIG’s Office of Investigations for indicators;
- Reviewing OIG hotline complaints and concerns for indicators, and
- Conducting fraud assessments to identify fraud risks significant to the objective.

The OIG did not identify any instances of fraud or potential fraud during this audit.

Data Reliability

The audit team used computer-processed data from VHA’s Corporate Data Warehouse and VBA’s Corporate Data Warehouse. To test for reliability, the team determined whether any data were missing from key fields, included any calculation errors, or were outside the time frame requested. The team also assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Furthermore, the team compared veterans’ names, social security numbers, admission dates, and discharge dates as provided in the data received in the 555 veterans’ cases reviewed.

Testing of the data disclosed that they were sufficiently reliable for the audit objectives. Comparison of the data with information contained in the veterans' claim folders reviewed did not disclose any problems with data reliability.

Government Standards

The OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Appendix B: Statistical Sampling Methodology

Approach

To accomplish the objective, the audit team reviewed a statistical sample of veterans' cases to determine if veterans should have had benefits adjusted or competency documented in the rating decision based on being hospitalized at a VA medical facility for more than 21 days for a service-connected disability from January 1, 2018, through December 31, 2018.

Population

The population included 37,250 unique cases of service-connected veterans who were hospitalized at a VA medical facility for more than 21 days for the 12-month period from January 1, 2018, through December 31, 2018.

Sampling Design

The audit team selected a statistical sample of 555 veterans' cases from the population of veterans who were hospitalized with a service-connected condition at a VA medical facility for more than 21 days. The sample cases were reviewed to determine if they were in-scope or out-of-scope. Sample cases were out-of-scope if the veteran was not hospitalized for their service-connected condition, the veteran was already 100 percent service-connected for the hospitalized condition, or no change in benefits would be warranted based on the veteran receiving a temporary 100 percent rating. The sample was selected using a simple random sampling method: each item in the universe had an equal probability of being selected.

The team expected many out-of-scope samples for this review. Therefore, a larger than normal sample size was selected to obtain approximately 100 in-scope samples. The actual number of in-scope samples was 87.

Weights

The audit team calculated estimates in this report using weighted sample data. Samples were weighted to represent the population from which they were drawn. The team uses the weights to compute estimates. For example, the team calculated the error rate point estimates by summing the sampling weights for all sample cases that contained the error, then dividing that value by the sum of the weights for all sample cases.

Projections and Margins of Error

The point estimate (or estimated error) is an estimate of the population parameter obtained by sampling. The margin of error/ confidence interval associated with each point estimate is a measure of the precision of the point estimate that accounts for the sampling methodology used.

If the OIG repeated this audit with multiple samples, the confidence intervals would differ for each sample but would include the true population value 90 percent of the time.

The OIG statistician employed statistical analysis software to calculate the weighted population estimates and associated sampling errors. This software uses replication methodology to calculate margins of error and confidence intervals that correctly account for the complexity of the sample design.

The sample size was determined after reviewing the expected precision of the projections based on the sample size, potential error rate, and logistical concerns of the sample review. While precision improves with larger samples, the rate of improvement does not significantly change as more records are added to the sample review. Figure B.1 shows the effect of progressively larger sample sizes on the margin of error.

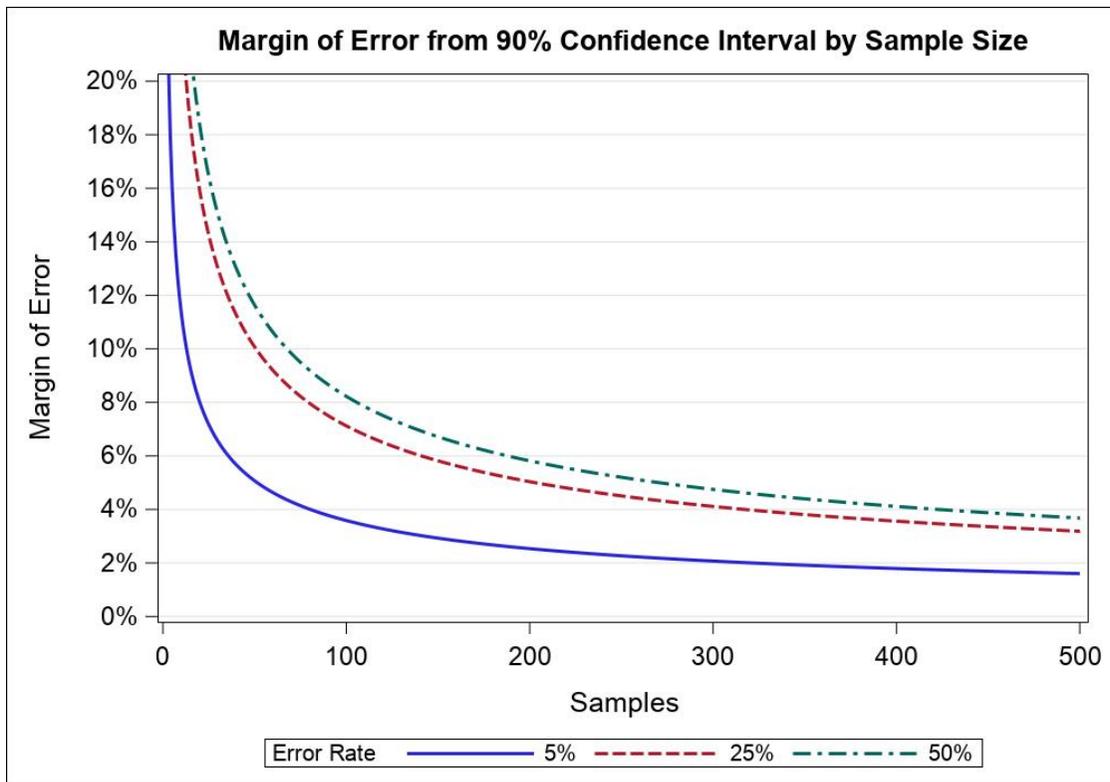


Figure B.1. Effect of Sample Size on Margin of Error
 Source: VA OIG statistician's analysis

Table B.1 shows the projections of the number of in-scope and out-of-scope veterans' cases in the universe based on the error rate.

Table B.1. Summary of Projections and Confidence Intervals for Veterans' Cases In-Scope and Out-of-Scope

Result	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
Out-of-scope	31,411 (84.3%)	948 (2.5%)	30,463 (81.8%)	32,359 (86.9%)	468
In-scope	5,839 (15.7%)	948 (2.5%)	4,891 (13.1%)	6,787 (18.2%)	87
Total	37,250 (100%)				555

Source: VA OIG statistician's projection of errors January 1, 2018 through December 31, 2018, by adjustment status based on audit team sample data analysis.

Table B.2 shows the projections for the total number of disability compensation benefit cases with no or incorrect adjustments when veterans were hospitalized at VA medical facilities for their service-connected disabilities for more than 21 days.

Table B.2. Summary of Projections and Confidence Intervals for Disability Compensation Cases with No or Incorrect Adjustments for Hospitalization

Result	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
No or incorrect adjustments	2,483 (42.5%)	650 (8.8%)	1,833 (33.7%)	3,134 (51.4%)	37

Source: VA OIG statistician's projection of veteran with no or incorreced adjustments January 1, 2018, through December 31, 2018, by adjustment status based on audit team sample data analysis.

Note: Table does not total because of rounding.

Table B.3 shows the projection for the veterans’ cases with no benefit adjustments for hospitalization completed for increases for when those veterans were hospitalized at VA medical facilities for service-connected disabilities for more than 21 days.

Table B.3. Summary of Projections and Confidence Intervals for Cases with No Benefit Adjustment for Hospitalization

Result	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
No benefit adjustment	1,477 (4%)	509 (1.4%)	968 (2.6%)	1,985 (5.3%)	22

Source: VA OIG statistician’s projection of veterans with no benefit adjustment January 1, 2018, through December 31, 2018, based on audit team sample data analysis.

Note: Table does not total because of rounding.

Table B.4 shows the projection for veterans’ cases with incorrect benefit adjustments for their temporary increase of disability compensation benefits when those veterans were hospitalized at VA medical facilities for service-connected disabilities for more than 21 days.

Table B.4. Summary of Projections and Confidence Intervals for Cases with an Incorrect Disability Compensation Benefit Adjustment

Result	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
Incorrect adjustments	1,007 (2.7%)	423 (1.1%)	584 (1.6%)	1,430 (3.8%)	15

Source: VA OIG statistician’s projection of inaccurate rating decisions addressed January 1, 2018, through December 31, 2018, based on audit team sample data analysis.

Table B.5 shows the projection for veterans’ cases with a benefit adjustment when hospitalized for a mental health condition but competency was not documented in the veterans’ rating decision.

Table B.5. Summary of Projections and Confidence Intervals for Cases with a Benefit Adjustment for Mental Health Condition but Did Not Document Competency in the Rating Decision

Result	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
Competency not documented	1,879 (5.0%)	571 (1.5%)	1,309 (3.5%)	2,450 (6.6%)	28

Source: VA OIG statistician’s projection of competency not documented in rating decision January 1, 2018, through December 31, 2018, based on audit team sample data analysis.

Note: Table does not total because of rounding.

Table B.6 shows projection for improper payments resulting from veterans’ cases with no or incorrect adjustments for their disability compensation benefits when those veterans were hospitalized at VA medical facilities for service-connected disabilities for more than 21 days.

Table B.6. Summary of Projections and Confidence Intervals for Improper Payments

Result	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
Improper payment	\$8,007,797	\$2,663,502	\$5,344,295	\$10,671,298	37
Underpayment	\$6,131,727	\$2,303,193	\$3,828,534	\$8,434,919	31
Overpayment	\$1,876,104	\$1,379,246	\$496,858	\$3,255,350	6

Source: VA OIG statistician’s projection of improper payments January 1, 2018, through December 31, 2018, by adjustment status based on audit team sample data analysis.

Note: Table does not total because of rounding.

Table B.7 shows the projection for the improper underpayments made to veterans due to no adjustments to their disability compensation benefits when those veterans were hospitalized at VA medical facilities for service-connected disabilities for more than 21 days.

Table B.7. Summary of Projections and Confidence Intervals for Improper Underpayments Due to No Disability Compensation Benefit Adjustment

Result	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
Underpayment	\$3,670,399	\$1,477,333	\$2,193,066	\$5,147,732	22

Source: VA OIG statistician's projection of underpayments due to no rating decisions January 1, 2018, through December 31, 2018, by adjustment status based on audit team sample data analysis.

Table B.8 shows the projection for the improper underpayments and overpayments made to veterans due to incorrect adjustment for their disability compensation benefits when those veterans were hospitalized at VA medical facilities for service-connected disabilities for more than 21 days.

Table B.8. Summary of Projections and Confidence Intervals for Improper Underpayments and Overpayments Due to Cases with an Incorrect Disability Compensation Benefit Adjustment

Result	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
Improper payment	\$4,337,432	\$2,251,174	\$2,086,258	\$6,588,605	15
Underpayment	\$2,461,328	\$1,791,848	\$669,480	\$4,253,175	9
Overpayment	\$1,876,104	\$1,379,246	\$496,858	\$3,255,350	6

Source: VA OIG statistician's projection of under- and overpayments due to inaccurate rating decisions January 1, 2018, through December 31, 2018, by adjustment status based on audit team sample data analysis.

Note: Table does not total because of rounding.

Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1-6	Based on rates during the scope of the audit, the OIG estimated that without corrective action VBA could improperly pay \$40 million over the next five years.	\$0	\$40 million
	Total	\$0	\$40 million

Appendix D: Management Comments

Date: February 25, 2020

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report – Disability Compensation Benefit Adjustments for Hospitalization Need Improvement [Project No. 2019-06249-R4-0001] – VIEWS 02356676

To: Assistant Inspector General for Audits and Evaluations (52)

Attached is VBA's response to the OIG Draft Report: Disability Compensation Benefit Adjustments for Hospitalization Need Improvement.

OIG's report assumes that VBA would not make any improvements over the next five years, including those from implementing OIG's recommendations, and then proceeds to identify a corresponding estimated monetary impact. VBA takes exception to this practice as this assumption is incorrect and misleading to the reader. Furthermore, the methodology/reasoning for the practice is not clearly documented or explained in the report. Generally, agencies are required to complete final action on OIG recommendations within 12 months of publication. Assuming current practices will go unchanged is false, as VBA values OIG's vital oversight role and works diligently to implement recommendations to improve service to Veterans. OIG has stated that they use a five-year estimate to emphasize the importance of taking corrective actions and to highlight the potential magnitude of identified issues if actions are delayed or never implemented. VBA takes OIG recommendations very seriously and has a rigorous recommendation follow up process. Therefore, VBA continues to believe this practice is incorrect and misleading to the reader.

The OIG removed point of contact information prior to publication.

/s/

Paul R. Lawrence, Ph.D.

Attachments

Veterans Benefits Administration (VBA) Comments on OIG Draft Report

Disability Compensation Benefit Adjustments for Hospitalization Need Improvement

VBA concurs with OIG's findings and submits the following comments in response to the findings and recommendations in the OIG draft report:

To provide context regarding VBA's annual rating inventory, VBA notes that hospital adjustments account for roughly 3 percent of VBA's annual rating inventory.

Recommendation 1: The Under Secretary for Benefits should correct disability compensation benefits for the Veterans identified in the sample whose benefits were not adjusted or incorrectly adjusted.

VBA Response: Concur. VBA will take corrective actions on the errors identified in the sample whose benefits were not adjusted or incorrectly adjusted. VBA expects to complete corrective actions by June 30, 2020.

Target Completion Date: June 30, 2020

Recommendation 2: The Under Secretary for Benefits should develop and implement a plan to ensure all VA regional offices generate and process the weekly Admission Report for Service-Connected Veterans and maintain coordinators' logs to complete required benefit adjustments.

VBA Response: Concur. VBA will remind regional offices (ROs) of the requirement to generate and process the weekly Admission Report for Service-Connected Veterans and maintain coordinators' logs to complete the required benefit adjustments. Additionally, VBA will address this topic with RO leadership on its national calls.

Target Completion Date: March 31, 2020

Recommendation 3: The Under Secretary for Benefits should continue to develop and implement a plan to nationally generate and process the Admission Report for Service-Connected Veterans.

VBA Response: Concur. VBA will develop and implement a plan to nationally generate and process Admission Reports for Service-Connected Veterans. VBA established an integrated product team (IPT) responsible for the development and implementation of nationally generated admission reports. On January 31, 2020, the IPT conducted a formal kickoff meeting and plans to implement the nationally generated admission reports in March 2020.

Target Completion Date: March 31, 2020

Recommendation 4: The Under Secretary for Benefits should determine if a statutory or regulatory change is required to ensure lawful, consistent, and timely processing of benefits for veterans entitled to temporary increase of benefits to 100 percent.

VBA Response: Concur. VBA reviewed the pertinent statutes and regulations regarding entitlement to a temporary increase in benefits to 100 percent and concluded that these provisions do not result in unlawful, inconsistent, or untimely processing of these benefits. Moreover, VBA has discussed with VA's Office of General Counsel (OGC), VBA's policy of awarding a temporary total disability rating under 38 C.F.R. §§ 4.29 and 4.30 upon receipt of certain hospitalization notices. As OGC noted to OIG on September 12, 2019, VBA's "practice described in the manual is consistent with VA's authority under 38 U.S.C. § 5101(a) and 38 C.F.R. § 3.151" (see attached email from OGC to OIG). Therefore, no changes are warranted to the regulations (38 C.F.R. § 4.29; 38 C.F.R. § 3.155; 38 C.F.R. § 3.160; 38 C.F.R. § 3.400) or statutes (38 U.S.C. § 1156; 38 U.S.C. § 5101). VBA requests closure of this recommendation.

Recommendation 5: The Under Secretary for Benefits should develop and implement a plan to ensure staff receive refresher training when needed to properly process temporary disability compensation benefit adjustments for veterans hospitalized for more than 21 days that includes monitoring the effectiveness of the training.

VBA Response: Concur. By September 30, 2020, VBA will update the “Hospital Adjustments” training course and have the revised training materials made available for staff to receive refresher training when needed. In addition, by September 30, 2021, VBA will make competency-based training assessments available that gauge the effectiveness of previously completed training and will allow for individualized determinations as to which staff need refresher training on this topic.

Target Completion Date: September 30, 2021

Recommendation 6: The Under Secretary for Benefits should develop a plan to determine the veterans who required adjustment of compensation benefits for hospitalization for a service-connected condition using the Admission Report for Service-Connected Veterans for fiscal years 2018 and 2019 and to make the required adjustments.

VBA Response: Concur. VBA will develop a plan to identify and take appropriate actions for Veterans who required adjustment of compensation benefits based on hospitalization for a service-connected condition for fiscal years 2018 and 2019. VBA expects to finalize the plan and provide a copy of the plan to OIG by June 30, 2020.

Target Completion Date: June 30, 2020

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended

OIG Contact and Staff Acknowledgments

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