



Veterans Affairs  
Canada

Anciens Combattants  
Canada

# Evaluation of Disability Benefits

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Audit and Evaluation Division

Canada 



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## **Executive Summary**

### **Background**

The evaluation of the Disability Benefits program was conducted in accordance with the Veterans Affairs Canada (VAC) Multi-Year Risk-Based Evaluation Plan 2014-19.

The objective of the Disability Benefits program is to compensate Veterans/members and other individuals in recognition of the effects of service-related disabilities, death or incarceration/evasion/escape.

The Disability Benefits program consists of both the Disability Pension and the Disability Award. The *Pension Act* of 1919 provides the framework for the Disability Pension (DP) which is a tax-free monthly payment, with the amount of the payment based on the extent of the Veteran's diagnosed medical disability related to their service. The Disability Award (DA), established in 2006 as part of the New Veterans Charter (NVC), provides injured members and Veterans with a tax-free cash award for an injury or illness resulting from military service. The amount of the award will depend on the severity of the disability. The Disability Benefits program provides a gateway to other VAC programs, services and benefits.

### **Overall Results**

#### **Relevance**

The evaluation confirms a continuing need for the Disability Benefits program.

The Disability Benefits program is aligned with the priorities of the Government of Canada, as well as the strategic plans of the Department.

#### **Performance - Achievement of Expected Outcomes**

The effectiveness and success of the Disability Benefits program is measured through the use of a Performance Measurement Strategy (PMS) that includes a logic model with outcomes. The logic model can be found in Appendix A.

In relation to the two immediate outcomes for the program the evaluation team found:

- that eligible Veterans are receiving compensation in recognition for their service-related disabilities.
- the *Flying Accidents Compensation Regulations* outcome does not impact the subsequent intermediate outcomes outlined by Treasury Board Secretariat (TBS).

The evaluation team also found that the intermediate outcomes are being measured but do not represent a change in the behaviour of the recipients as outlined by the TBS.

The success of the ultimate outcome is based on the premise that compensation equals recognition for recipients. Recognition is occurring as compensation is being provided to Veterans who receive a favourable decision.

Unintended impacts were identified during staff interviews, observations and statistical analysis. These impacts were as a result of VAC's focus on existing Disability Benefits service standards. VAC's current service standard is to process 80% of Disability Benefits applications in 16 weeks. VAC's turnaround time (TAT) is based only on files that have been completed and does not publicly report on the number of pending applications. Additionally, it was identified that applications are not always distributed for adjudication on a "first-in-first-out" basis.

### **Performance - Demonstration of Economy and Efficiency**

From 2012-13 to 2013-14, the percentage of administrative to program costs for the Disability Benefits program have averaged 3.7%, which is consistent with program benchmarks. The cost per completed disability benefit decision docket in 2013-14 was \$4,371 while in 2012-13 it was \$4,287.

Opportunities exist for VAC to improve the efficiency of the Disability Benefits program, and thereby improving service delivery to Veterans. One area that could improve is Tracking Work Items (TWI). A TWI records the status of a Disability Benefits application and allows VAC to track where and how long the application is in each of the processing stages. TWIs are manually entered into VAC's Client Service Delivery Network (CSDN) system and the use of each TWI is open to interpretation, resulting in greater risk for user error. Analysis of the data by the evaluation team noted improvements could be made in the areas of business processes for TWIs as well as training to ensure more consistent use.

Based on the TWI information available and supporting evidence from statistical analysis, over half of the Disability Benefits applications received by VAC are incomplete, which impacts the TAT for the Veteran. For these incomplete applications, it takes on average an additional 35 days to begin processing the application due to missing information.

Incomplete applications received from Veterans are only one aspect of delays in the processing of Disability Benefits applications. Delays in retrieving Service Health Records (SHRs), which were identified in statistical analysis and staff interviews, greatly impact the processing time for a Disability Benefits application. In particular, receipt of SHRs from the Department of National Defence (DND) can be lengthy. Although subject to a recent transformation initiative, the evaluation team found that there were minimal improvements in the average 55 day TAT to receive SHRs. Changes to the Disability Benefits program processes and SHRs may improve services to Veterans.

The evaluation findings resulted in the following recommendations:

### **Recommendation 1**

It is recommended that the Assistant Deputy Minister, Service Delivery, review, revise, and report on the immediate and intermediate outcomes of the Disability Benefits program and develop appropriate measures to assess program success.

### **Recommendation 2**

It is recommended that the Assistant Deputy Minister, Service Delivery:

- a) develop and implement new methods of workload allocation to ensure that the priority of claims processed is based on a Veteran-centric approach<sup>1</sup>.
- b) develop, implement and report a published service standard/ performance indicator to measure the length of time claims have been awaiting a decision (pending with a Service Standard Start Date).

### **Recommendation 3**

It is recommended that the Assistant Deputy Minister, Service Delivery:

- a) review TWIs and associated documentation to ensure relevance and modify as appropriate.
- b) direct and train staff to better utilize Tracking Work Items, which will assist VAC in improving the timeliness of processing Disability Benefits applications.

### **Recommendation 4**

It is recommended that the Assistant Deputy Minister, Service Delivery, make the following changes in an effort to reduce the backlog of Disability Benefits claims and improve processing times:

- a) review processes and implement methods which will improve timeliness in obtaining SHRs from DND.
- b) review, revise and implement tools to ensure a greater number of complete applications are received on initial submission.

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<sup>1</sup> Veteran-centric approach ensures that Veterans are at the center of all VAC policies, programs and processes.

## 1.0 Introduction

The evaluation of the Disability Benefits program was conducted in accordance with the Veterans Affairs Canada (VAC) Multi-Year Risk-Based Evaluation Plan 2014-19. The last evaluation of the Disability Benefits program was completed in August 2010.

The evaluation examined the relevance and performance of the Disability Benefits program and was conducted in accordance with Treasury Board policy requirements and guidance material.

## 1.1 Program Overview

The objective of the Disability Benefits program is to compensate Veterans/members and other individuals in recognition of the effects of service-related disabilities, death or incarceration/evasion/escape.<sup>2</sup> This objective is met by providing financial payments to eligible recipients. The Disability Benefits program remains a cornerstone of Canada's commitment to support individuals and their families, those whose lives have been affected as a result of service to their country. In fiscal year 2013-14, VAC provided Disability Benefits to 171,560 recipients totaling approximately \$2 billion in expenditures [excludes Royal Canadian Mounted Police (RCMP)].<sup>3</sup>

Disability Benefits include both the Disability Pension (DP) and Disability Award (DA) and provides a gateway to other VAC programs, services and benefits. The DP and the DA programs were created to reflect the needs of two different recipient groups. As identified in Table 1 below, each of the programs are governed under separate legislation, have unique intentions, and offer different payment methods.

**Table 1 – Disability Pension and Disability Award Overview**

<b>Disability Pension</b>	<b>Disability Award</b>
Based on <i>Pension Act</i> (established 1919)	Based on <i>NVC</i> <sup>4</sup> (established 2006)
Focuses on limitations and disablement	Focuses on well-being and abilities
Eligible recipients include War Service Veterans, surviving dependents, Canadian Armed Forces Veterans <sup>5</sup>	Eligible recipients include Canadian Armed Forces Veterans and survivors are eligible for Death Benefits
Payment is monthly pension (tax free)	Payment is lump sum award <sup>6</sup> (tax free)
Eligible to receive Attendance Allowance, Clothing Allowance, Exceptional Incapacity Allowance	Eligible to receive Clothing Allowance, Permanent Impairment Allowance and Supplement <sup>7</sup>
Applicants are required to complete a Disability Benefits application form that provides details of the applicant's disability and service <sup>8</sup>	Applicants are required to complete a Disability Benefits application form that provides details of the applicant's disability and service <sup>9</sup>

<sup>2</sup> Performance Measurement Strategy, Disability Benefits program, January 2014.

<sup>3</sup> VAC Client and Expenditure Forecast Document, 2015-16.

<sup>4</sup> *Canadian Forces Members and Veterans Re-establishment and Compensation Act*

<sup>5</sup> Veterans Affairs Canada, external website.

<sup>6</sup> Recipients have the option to receive an award as a lump sum, periodic payments, or a combination.

<sup>7</sup> Permanent Impairment Allowance (PIA) is a taxable, monthly benefit—payable for the recipient's life. The allowance is provided when future employment opportunities have been limited because of a service-related illness or injury. Although recipients of a DA may qualify for PIA, PIA does not fall under Disability Benefits.

<sup>8</sup> Veterans Affairs Canada, external website.

<sup>9</sup> Veterans Affairs Canada, external website.

As noted in the table above, eligible Disability Benefit recipients may be entitled to Special Awards, which consist of Attendance Allowance (AA), Clothing Allowance (CA), and Exceptional Incapacity Allowance (EIA).

- AA may be awarded to qualifying Veterans to provide assistance with attendance associated with day to day personal care.
- CA may be awarded to qualifying Veterans who are receiving a Disability Benefit for a condition that causes wear and tear on their clothing or requires them to wear specially-made clothing.
- EIA may be awarded to qualifying Veterans pensioners who are exceptionally incapacitated in compensation for pain and loss of enjoyment or shortened life expectancy.

Also covered under the umbrella of Disability Benefits is the *Flying Accidents Compensation Regulations* which is compensation to federal public servants for injury or death resulting from flights undertaken during work.

## 1.2 Program Eligibility

In order to be considered for a Disability Benefit, an applicant must complete a Disability Benefits application form that provides details of the applicant's disability and service. An applicant must have a medical condition or disability and be able to show that it is related to service.

There are two components to determining eligibility for a Disability Benefit: entitlement and assessment. The amount of a Disability Benefit depends on the degree to which the disability is related to the applicant's service (entitlement); and the extent of the disability (assessment).<sup>10</sup>

A recipient will receive a DP or a DA, depending on date of service related injury and the date of application. Typically, Canadian Armed Forces (CAF) members and Veterans are covered under the *Canadian Forces Members and Veterans Re-establishment and Compensation Act* (NVC) and are entitled to a DA. Anyone who submitted an application prior to April 1, 2006 may still qualify for a DP for any condition(s) related to that application.

## 1.3 Program Delivery

The Service Delivery Branch at VAC manages the Disability Benefits program. Both the DP and DA applications are processed using the three major processing stages outlined below.<sup>11</sup>

### Claims Preparation

The first step to apply for Disability Benefits is to fill out the application form. An application can be obtained and submitted via:<sup>12</sup>

- printing a copy from the VAC website and mailing to VAC;

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<sup>10</sup> Veterans Affairs Canada, external website.

<sup>11</sup> Performance Measurement Strategy, Disability Benefits program, January 2014.

<sup>12</sup> VAC: How to Get a Disability Benefits Application Form.

- accessing my VAC Account; or
- visiting a VAC area office, Service Canada Centre, Royal Canadian Legion or a War Amps of Canada for assistance.

VAC staff are available to assist individuals with completing an application. Once the application has been received by VAC, Disability Benefits staff will review the application, request service health records (SHRs), and request missing information to support the application, if required.

### Decision Making

Once an application is complete, it is assessed by an adjudicator, who is a trained decision-maker that specializes in disability benefits decisions. The adjudicator independently examines the evidence the applicant submitted as well as the information obtained by VAC on behalf of the applicant and applies relevant legislation, policies and guidelines in making decisions. Adjudicators have access to consult with Medical and Legal Advisors for opinions when making decisions. There are a number of aspects that go into making a decision such as the linkage between service and disability, qualifying service periods, and medical diagnosis. Disability adjudicators may also contact applicants for additional information in support of their application. Once the adjudicator makes a decision on the application, a letter will be mailed to the applicant informing them of the decision.

### Payment Processing

For those applicants receiving a favourable decision, the Benefits Processing Unit calculates the payment amount and informs the recipient, via a letter, of the amount to be received. Subsequent to the letter, the recipient will receive the payment.

## **2.0 Scope and Methodology**

The evaluation was conducted in accordance with the directive and standards specified in Treasury Board's *2009 Policy on Evaluation*. The scope of the evaluation was from April 2010 to March 2014 and was conducted during the timeframe of June 2014 to March 2015.

The evaluation included a review of:

- costs to fund the Disability Benefits program;
- Disability Benefits programs in other countries including the United States, Australia, and New Zealand, where information was available;
- *Flying Accidents Compensation Regulation* (at a high level) due to low occurrence and program expenditures; and
- Special Awards (at a high level).

The following were excluded from the scope of the evaluation:

- reassessments and departmental reviews;
- Disability Benefits first applications for RCMP<sup>13</sup> as an evaluation of DP under the *RCMP Pension Continuation Act* was completed by the RCMP in February 2014;

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<sup>13</sup> VAC administers and adjudicates DP claims on behalf of the RCMP members and their families which are provided for under the *RCMP Superannuation Act* and the *RCMP Pension Continuation Act*.

- a comparative analysis between DP and DA; and
- enhancements proposed in the 2015 budget.

## 2.1 Multiple Lines of Evidence

The research methodology incorporated multiple lines of evidence; thus, ensuring the reliability of information collected and results reported. The lines of evidence used to evaluate the Program's relevance and performance are outlined in Table 2 below:

**Table 2 - List of Methodologies**

Methodology	Source
Document Review	<ul style="list-style-type: none"> <li>• Departmental Acts and Regulations;</li> <li>• VAC reports, policies, procedures, forms, program and planning documents;</li> <li>• Program documents and data from United States, Australia, New Zealand;</li> <li>• Evaluation of the Canada Pension Plan Disability Program by Employment and Social Development Canada; and</li> <li>• Previous VAC Audits and Evaluations.</li> </ul>
Review of Research Studies	<ul style="list-style-type: none"> <li>• Published research studies (e.g., Rising VA Disability Payments Linked to Veteran Unemployment, Improving the Presumptive Disability and Decision-Making Process for Veterans); and</li> <li>• Pre-existing recipient survey/public opinion research (e.g., VAC National Client Survey 2010, Veterans' Understanding and Awareness of Services and Benefits Offered by VAC).</li> </ul>
File Review	<ul style="list-style-type: none"> <li>• Judgemental sample<sup>14</sup> of 109 Veteran files and their associated Tracking Work Items.</li> </ul>
Key Informant Interviews	<ul style="list-style-type: none"> <li>• A combination of 77 (44 Area Office and 33 Head Office) in-person and telephone interviews with VAC staff and departmental subject matter experts.</li> </ul>
Direct Observation	<ul style="list-style-type: none"> <li>• Information Technology systems, as well as business processes and practices were observed at three VAC Area Offices and Head Office.</li> </ul>
Statistical/Program Data	<ul style="list-style-type: none"> <li>• Analysis of statistical data provided from: <ul style="list-style-type: none"> <li>○ VAC Finance Division; and</li> <li>○ Service Delivery Branch.</li> </ul> </li> </ul>

## 2.2 Limitations

The following limitations were identified during the evaluation:

1. The evaluation team did not speak directly with individuals in receipt of a Disability Benefit. The evaluation team partially mitigated this limitation by performing the following activities:
  - Reviewing existing public opinion research (e.g., VAC's 2010 National Client Survey); and

<sup>14</sup> Judgmental sampling is used when a sample is taken based on certain findings about the overall population. The underlying assumption is that the researcher will select units that are characteristic of the population. Source: Statistics Canada.

- Conducting interviews with VAC employees who deal directly with Disability Benefit recipients with the intent to obtain the perspectives of Veterans.
2. The continual changes to the Disability Benefits program has impacted the evaluation team's ability to compare the program from one year to the next. These changes are being made with the intent to improve both the delivery of the program and its service to Veterans.
  3. There were inconsistencies relating to the use of TWIs<sup>15</sup> over the course of the evaluation period. This could be attributed to the differing data entry practices that the evaluation team noted during fieldwork and the lack of guidance provided in the business processes. These inconsistencies affect some of the quantitative data provided in this report. The evaluation team partially mitigated this limitation by conducting a judgmental file review and statistical analysis.
  4. Comparisons to Veterans programs in other countries are made throughout the report. As outlined in the Table 3 below, each country uses different decision making tools and this should be taken into consideration when reviewing the comparisons.

**Table 3 – Decision making tools used by Veteran Departments**

	Canada	United States	Australia	New Zealand
<b>Claim Review</b>	Each case reviewed individually			
<b>Tools used by decision makers<sup>16</sup></b>	Entitlement Eligibility Guidelines, Program Policies, and Table of Disabilities. <sup>17</sup>	Presumptions	Statements of Principle	Statements of Principle and Presumptions

These four limitations noted above should be considered when reading the evaluation findings.

### 3.0 Relevance

#### 3.1 Continued Need for the Program

There is a continued need for the Disability Benefits program.

As of March 2014, there was an estimated Veteran population of 697,400 (excludes Survivors and RCMP). The Disability Benefits program reaches 171,560 recipients<sup>18</sup> which is 25% of the

<sup>15</sup> Tracking Work items are used by VAC to record the status of disability benefit applications. Work items enable VAC to identify past due work items and generate reports to identify backlogs in the system and to track progress toward productivity targets. Source: Control of Large Program Expenditure Items Audit 2009.

<sup>16</sup> There are other tools and process used by decision makers such are referrals to Medical advisors, policy guidelines and manuals and specialist teams.

<sup>17</sup> The Table of Disabilities is a legislated /statutory instrument used to assess the extent of a disability for the purposes of determining disability benefits. The Table considers the relative importance of a certain body part/system to assess the level of impairment and the impact that impairment has on the individual's quality of life. Source: Veterans Affairs Canada external website.

<sup>18</sup> Please note that recipients include all those noted as eligible in Table 1 of this report.

total Veteran population. In comparison, in the United States 18% of the Veteran population are recipients.<sup>19</sup>

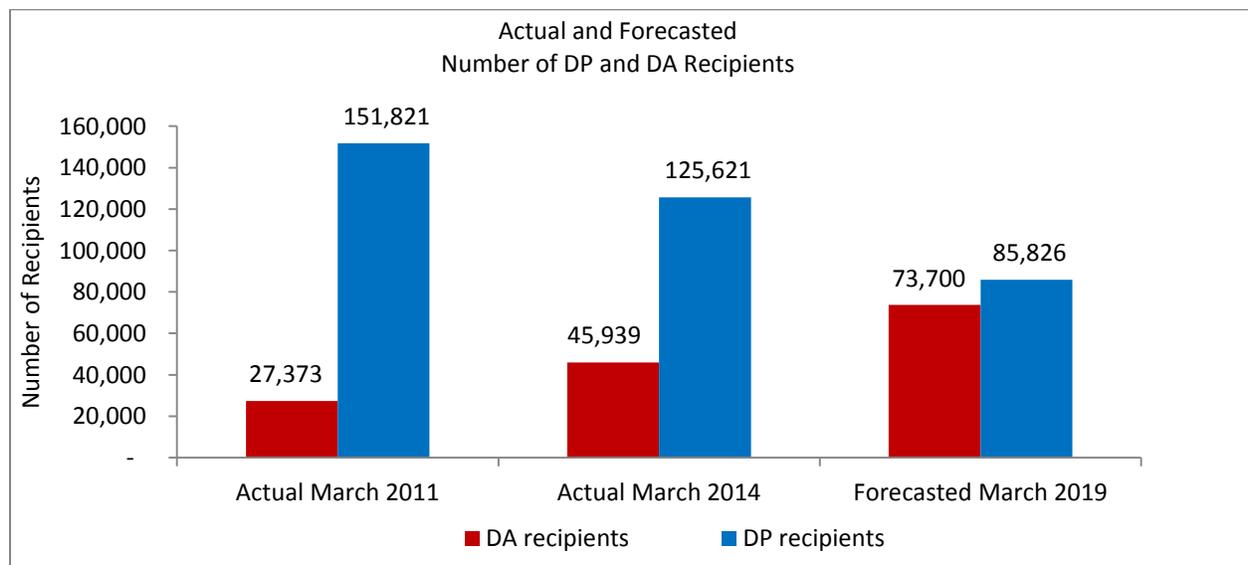
Studies of the Canadian Veteran population show that half of Veterans become recipients more than 15 years after release. It is forecasted that Veterans will require the services of VAC for chronic health problems and related disability attributed to service in the years to come.<sup>20</sup> This is consistent with VAC’s forecast which reflects a continued intake for the program going forward.

The overall number of DP recipients has been declining due to the increased mortality rates of the DP primary recipients, War Service Veterans. Even with this decline, over the last four fiscal years, 7,166 of War Service Veterans have accessed a DP for the first time for chronic health problems, highlighting there is still a need for the DP program.<sup>21</sup>

In comparison, the DA program is growing both in participants and expenditures faster than any other program at VAC. Over the next five years, the number of DA recipients is forecasted to increase by 60% (from 45,939 in 2013-14 to 73,700 in 2018-19). Current departmental forecasts to 2023-24 continue to predict an increase in DA recipients.

The forecasted composition of DB recipients represents a change in demographics from traditional War Service Veterans receiving a DP to CAF Veterans receiving a DA<sup>22</sup>. Figure 1 below which provides the number of Disability Benefit recipients by DP & DA, illustrates the change in program recipients.

**Figure 1 - Number of DP and DA Recipients, Actual and Forecasted Numbers**



Source: VAC Finance Division

Note: Dual recipients (in receipt of a DA and a DP) are counted in the number of DA recipients.

As the number of DA recipients is forecasted to increase, along with the modest intake of DP recipients coming to VAC late in life, there continues to be a need for the program.

<sup>19</sup> Stanford Institute for Economic Policy Research.

<sup>20</sup> Caring for Our Veterans Presentation, VAC.

<sup>21</sup> VAC Finance Division.

<sup>22</sup> VAC Client and Expenditure forecast 2015-2016.

### 3.2 Alignment with Government Priorities

The Disability Benefits program aligns with government priorities.

Each year, the federal government's priorities are identified in the Government of Canada's Speech from the Throne. Canada's latest *Speech from the Throne* (2013) highlights the importance the federal government places on caring for and honoring the Veteran population. The speech also notes "Our Veterans have stood up for us; we will stand by them". The 2011 *Speech from the Throne*, delivered by the Governor General of Canada, states "Our Government will continue to recognize and support all Veterans".

According to the *2015-16 Report on Plans and Priorities* (RPP), one of the key desired outcomes of VAC is "Financial, physical and mental well-being of eligible Veterans". To meet this outcome, VAC provides disability compensation, financial support, and transitional services. Both the DP and DA clearly support this outcome.

### 3.3 Alignment with Federal Roles and Responsibilities

The Disability Benefits program aligns with federal roles and responsibilities.

VAC exists to repay the nation's debt of gratitude toward those whose courageous efforts have given us this legacy, and have contributed to our growth as a nation.<sup>23</sup> VAC's mandate stems from various laws and regulations; the most significant being the *Department of Veterans Affairs Act*. VAC's mandate is to provide care, treatment or re-establishment in civilian life of any person who served Her Majesty<sup>24</sup>, of any person who has otherwise engaged in pursuits relating to war, and of any other person designated by the Governor in Council. The Disability Benefits program, which is provided as per VAC's mandate/legislation aligns with federal roles and responsibilities.

VAC mitigates duplication of benefits by requesting self-identification upon application.

As part of the Disability Benefits program, recipients of either a DP or a DA may be eligible for health care benefits and other services (such as the Veterans Independence Program) in respect to the disabling condition related to their service. In addition, the NVC includes other programs which releasing CAF members and their families can receive.

Provincially, there is no jurisdiction to care for Veterans who have service related disabilities. There are programs offered that have the potential to overlap with VAC's Disability Benefits program such as disability insurance, workers compensation, and provincial disability income programs.

In an effort to mitigate potential overlap between the programs noted above, VAC has included a question on their Disability Benefits application. The question reads "Have you ever received, are you in receipt of or are you applying for Workers' Compensation (or compensation from another source) in respect of this disability?" This information aids VAC in investigating potential duplication of services/benefits.

<sup>23</sup> Veterans Affairs Canada, external website.

<sup>24</sup> Can include but are not limited to: Canadian Forces, Navy, Merchant Navy, Army or Air Forces.

## 4.0 Performance

### 4.1 Achievement of Expected Outcomes

The effectiveness and success of a program is generally measured through the use of a Performance Measurement Strategy (PMS) and quality assurance. A complete PMS includes a Performance Measurement Plan (PMP), PMS, and logic model. Each of these items were analyzed by the evaluation team.

The two benefits under the Disability Benefits program (DP and DA) share the same approved PMS and logic model (see Appendix A for Disability Benefits Logic Model).<sup>25</sup> The program logic model provides the basis for the development of the PMS. A complete logic model should provide the program objective, illustrate the key activities of the program, note what outputs<sup>26</sup> those activities produce, and identify the expected results (outcomes) for the program.

Outcomes are the change or difference that results from the program outputs. Outcomes are described as immediate, intermediate, or ultimate based on the contribution/influence each outcome has on the program.

As outlined by Treasury Board Secretariat's (TBS) guidelines, *Supporting Effective Evaluations: A Guide to Developing Performance Measurement Strategies*;

- Immediate outcome(s) should equate to a "change in awareness, knowledge or skill";
- Intermediate outcome(s) should equate to a "change in the target population's behavior"; and
- Ultimate outcome should equate to a "change of state in a target population".

The following section addresses the progress realized towards achieving the Disability Benefits program outcomes.

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<b>Immediate Outcomes:</b>	<b>1. Eligible Veterans and other individuals received compensation in recognition of the effects of service-related disability or death, or hardships incurred during incarceration/evasion/escape.</b> <b>2. Eligible individuals under the provisions of the <i>Flying Accidents Compensation Regulations</i> receive compensation in recognition of the effects of service-related disabilities or death.</b>
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Eligible Veterans are receiving compensation in recognition for their service-related disabilities.

As per the Disability Benefits program's current PMP, there are several performance indicators for the immediate outcomes of the program. The indicators for the immediate outcomes look at the favourable rates of various Veteran groups and individuals and are reported on quarterly or annually.

<sup>25</sup> The PMS was approved in January 2014.

<sup>26</sup> Outputs are direct products or services generated from the activities of an organization, policy, program or initiative. Examples could include pamphlets, training sessions, research reports, etc. Source: Treasury Board Secretariat.

In reference to the first immediate outcome, during fiscal year 2013-14, the Disability Benefits program had a 71% favourable rate for the 16,782 first application decision dockets<sup>27</sup> completed during the year.<sup>28</sup> Table 4 below outlines the number of decisions and the corresponding favourable rates over the evaluation period (ranged between 73% and 71%). Although VAC does not track the reasons why applications are denied, it is the opinion of the evaluation team and interviewees that the majority of unfavorable decisions are a result of an applicant's injury not being related to service.

**Table 4 - Disability Benefits (First Application) Decisions and Favourable Rates at Year End (March 31<sup>st</sup>)<sup>29</sup>**

First Applications	2010-11	2011-12	2012-13	2013-14
Total Decisions	24,326	18,612	18,247	16,782
Favourable (Approved) Decisions	17,775	13,465	12,709	11,836
Unfavourable (Denied) Decisions	6,551	5,147	5,538	4,946
<b>Favourable Decision Rate %</b>	<b>73%</b>	<b>72%</b>	<b>70%</b>	<b>71%</b>

The logic model identifies *Flying Accidents Compensation Regulations* as an immediate outcome for the Disability Benefits program, but this outcome does not impact the subsequent intermediate outcomes as outlined by TBS.

The PMP only measures the outputs of the *Flying Accidents Compensation Regulations* and does not measure it at the outcome level as reflected in the logic model.

The second immediate outcome of the Disability Benefits program is that eligible individuals (employees of the Public Service of Canada) under the provisions of the *Flying Accidents Compensation Regulations*<sup>30</sup> receive compensation in recognition of the effects of service-related disabilities or death. The compensation provided to a recipient for their death or injury is based on the rates set out in Schedule I or II of the *Pension Act*.<sup>31</sup>

On March 31, 2014, there were 377 recipients of *Flying Accidents Compensation Regulations* with expenditures of \$710,317. Currently on the PMP, VAC measures only the outputs of the *Flying Accidents Compensation Regulations* and has not developed performance indicators to measure *Flying Accidents Compensation Regulations* as an outcome of the Disability Benefits program. Further, the results of this outcome do not impact the subsequent intermediate outcomes. As per TBS, the intermediate outcomes are to logically occur once the immediate outcome(s) has been achieved.<sup>32</sup>

<sup>27</sup> Once an application is received and a decision is made, VAC refers to the file as a decision docket. An applicant may request a decision for multiple conditions in one application. In 2013-14, there were 16,782 first application decision dockets, containing 27,731 conditions. (Source: VAC Facts and Figures, Dec 2014 edition). For example, a Veteran could submit an application to VAC for a hearing loss condition and Post Traumatic Stress Disorder. This one application would count as one decision docket but two conditions, and if one condition is favourable, the docket is deemed a favourable decision.

<sup>28</sup> VAC Facts and Figures, March 2014 edition.

<sup>29</sup> VAC Facts and Figures, March 2014 edition.

<sup>30</sup> *The Flying Accidents Compensation Regulations*, made pursuant to Section 7 of the *Aeronautics Act*, provide for the payment of compensation to employees or their dependents where injury or death is a direct result of a non-scheduled flight undertaken by an employee in the course of duty, or in the case of a civil aviation inspector where injury or death is a direct result of any flight undertaken for the purpose of conducting a flight test or monitoring commercial air operations on that flight. Source: Treasury Board Secretariat of Canada.

<sup>31</sup> *Flying Accidents Compensation Regulation*, Section 3, Payment of Compensation.

<sup>32</sup> Treasury Board Secretariat of Canada, *Supporting Effective Evaluations: A Guide to Developing Performance Measurement Strategies*.

<b>Intermediate Outcomes:</b>	<ol style="list-style-type: none"> <li>1. Eligible Veterans with needs for attendance are able to fund costs associated with care (Attendance Allowance).</li> <li>2. Eligible Veterans who experience wear and tear on their clothing (as a result of their compensated disability) are able to fund costs associated with apparel (Clothing Allowance).</li> <li>3. Eligible Veterans who are exceptionally incapacitated fully or partially by their compensated disabilities are able to fund costs associated with their incapacity (Exceptional Incapacity Allowance).</li> </ol>
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The current intermediate outcomes are being measured; however it is not consistent with TBS expectations.

The intermediate outcomes of the Disability Benefits program are that eligible Veterans are able to fund costs associated with the various needs associated with AA, CA, and EIA.

Currently, VAC annually measures these intermediate outcomes by reporting the number of recipients and the average payment per participant. Total expenditures for Special Awards have decreased by 19% from 2010-11 to 2013-14 (from \$131 million to \$106 million, respectively). Table 5 identifies the number of Veterans in receipt of each Special Award; whereas Table 6 identifies the total expenditures and average cost per recipient for each Special Award.<sup>33</sup>

**Table 5 – Number of Veterans in Receipt of Each Special Award (March 31<sup>st</sup>)**

Total number of Veterans	2010-11	2011-12	2012-13	2013-14
Attendance Allowance	13,034	11,387	10,097	8,984
Clothing Allowance	1,643	1,665	1,514	1,461
Exceptional Incapacity Allowance	1,012	1,605 <sup>34</sup>	1,662	1,642

**Table 6 – Total Expenditures and Average Cost per Recipient for Each Special Award (March 31<sup>st</sup>)**

Special Award Expenditures	2010-11		2011-12		2012-13		2013-14	
	\$thousands	Avg. \$ per Recipient						
Attendance Allowance	\$120,354	\$9,234	\$109,409	\$9,608	\$100,544	\$9,958	\$90,157	\$10,035
Clothing Allowance	\$884	\$538	\$1,013	\$608	\$925	\$611	\$917	\$628
Exceptional Incapacity Allowance	\$9,950	\$9,832	\$12,841	\$8,001	\$14,818	\$8,916	\$15,232	\$9,276
<b>Total for Special Awards</b>	<b>\$131,188</b>		<b>\$123,263</b>		<b>\$116,287</b>		<b>\$106,306</b>	

<sup>33</sup> VAC Client and Expenditure Forecast Documents 2015-2016.

<sup>34</sup> The number of EIA recipients increased in 2011-12 due to those Veterans eligible for backdated payments. Source: VAC Client and Expenditure Forecast 2013-14.

The tables above identify that the number of AA and CA recipients have decreased over the evaluation period. The average expenditures for these two recipient groups have increased minimally which are as a result of the Consumer Price Index. The number of recipients for EIA has increased and the average expenditures have decreased over the evaluation period.

The current intermediate outcomes do not occur as a result of the program's immediate outcome, nor do they represent a change in the behaviour of the recipients as outlined by the TBS guidelines. The evaluation team questions only using Special Awards as intermediate outcomes, as Special Awards are only a portion of the Disability Benefits program. For these reasons, the intermediate outcomes of the program need to be reviewed.

<b>Ultimate Outcome:</b>	<b>Eligible Veterans and other individuals are recognized for the effects of their service-related disability, or hardships incurred during incarceration/evasion/escape.</b>
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The Disability Benefits program recognizes Veterans for the effects of their service-related disability. This program is one of the benefits and services provided to Veterans which contributes to recognition.

The objective of the Disability Benefits program is to compensate Veterans in recognition of the effects of service-related disability, death, or incarceration/evasion/escape. The success of this ultimate outcome is based on the premise that compensation equals recognition for recipients. VAC measures the ultimate outcome based on the percentage of favorable Disability Benefits decisions that are made without requesting a level of review or appeal. As of March 31, 2014, 71% of first applications were deemed favourable (without requesting a level of review or appeal). For further detail, see Table 4 in Section 4.1.<sup>35</sup>

The most recent research available to the team was from the 2010 National Client Survey. The survey identifies that 74% of respondents (CAF, War Service and RCMP) receiving a Disability Benefit from VAC, believed they were being recognized. Of this, there were differences noted in the opinions of CAF and War Service Veterans. Sixty-three percent of CAF Veterans agreed that the Disability Benefits received recognized them for their service-related disability, compared to 88% of War Service Veterans. These findings are consistent with recent interviews with VAC staff who work closely with Veterans, who were in receipt of Disability Benefits. They indicated that older Veterans, generally War Service Veterans, believed they were being recognized more than CAF Veterans.<sup>36</sup>

The Disability Benefits program lists recognition as an ultimate outcome of the program. The Disability Benefits program considers compensation to be recognition. Recognition is occurring as compensation is being provided to Veterans on first application. Other forms of recognition are provided indirectly by VAC as the Disability Benefits program acts as a gateway to other programs and services.

<sup>35</sup> VAC Facts and Figures, March 2014 edition.

<sup>36</sup> 2010 VAC National Client Survey.

The Disability Benefits program's immediate and intermediate outcomes should be modified to reflect Performance Management guidelines as set by Treasury Board Secretariat.

The PMP was updated for the Disability Benefits program in January 2014. Data relating to program outcomes and the various indicators used to measure each outcome was collected and analyzed by the evaluation team. As outlined throughout Section 4.1, the current immediate and intermediate outcomes, although being measured by VAC, need to be aligned with TBS guidelines.

By modifying the current performance management strategy to be more reflective of TBS's guidelines, the outcomes information will allow for improved meaningful program monitoring, evaluation and, ultimately, decision making.

### Recommendation 1

**It is recommended that the Assistant Deputy Minister, Service Delivery, review, revise, and report on the immediate and intermediate outcomes of the Disability Benefits program and develop appropriate measures to assess program success.**

### Management Response

Management agrees with this recommendation. The Department will review and revise the immediate and intermediate outcomes of the Disability Benefits program and develop appropriate measure to assess program success.

### Management Action Plan

Corrective action to be taken	OPI (Office of Primary Interest)	Target date
Review, revise, and report on the immediate and intermediate outcomes of the Disability Benefits program and develop appropriate measure to assess program success.	Joint – Director General (DG), Service Delivery & Program Management (SDPM)/ Director General (DG), Centralized Operations Division (COD)	October 2016

Quality assurance is being completed; no formal follow-up processes are in place.

Quality Assurance (QA) reports for the Disability Benefits program are completed by the Centralized Operations Division to provide a quality review of first application decisions, both favourable and unfavourable. The intent of the reports are to strengthen VAC's commitment to better manage and mitigate potential errors.

In an effort to assist with QA, a data collection tool was established that contains a list of various high, medium and low risk items to be reviewed. The evaluation team noted that in 2013-14 171 of 16,785 first applications were reviewed as part of QA. As a result of the reviews, a QA report is compiled and recommendations are made. There is no formal process currently in

place to ensure that recommendations are followed-up and actioned. Currently, although outside the period of the evaluation, VAC is implementing a Quality Management Framework to help identify gaps, challenges and training needs.

When reviewing benchmark data from Veterans Affairs Departments in the United States and Australia, the evaluation team observed that QA reports are produced and are available on Departmental websites. These reports provide data such as the error rates associated with disability claims decisions. Further benchmarking information has been discussed throughout the report.

Unintended impacts have occurred due to VAC's focus on existing Disability Benefits service standards.

VAC currently does not adjudicate all applications on a first-in-first-out basis.

VAC's current published service standard is to process 80% of Disability Benefits applications within 16 weeks of receiving all information to support the associated application.<sup>37</sup> Based on staff interviews and the evaluation team observations, VAC's turnaround time (TAT) is based only on files that have been completed. Therefore, if a file is not complete at the time of service standard calculation it is not included in the calculation.<sup>38</sup> Currently there are no existing public reporting on these pending files not included in the calculation.

During direct observation, statistical review and field interviews, the team was informed that applications are not always distributed for adjudication on a "first-in-first-out" basis. For example, staff interviewed at varying levels indicated that because of VAC's emphasis on timeliness the triage process is affected by encouraging less complex files (i.e., single condition hearing loss claims) to be processed first. This method of processing claims may not be consistent with VAC's Veteran-centric approach.

VAC has committed to further reduce the current 16 week service standard. To achieve this goal, VAC has developed decision models. The key principles governing these models and anticipated outcomes include: establish minimum thresholds of evidence needed to link a disability to military service. This will allow more experienced staff to focus on the complex claims, reduce appeals, evidence burden, and wait times for Veterans. As these decision models are currently being implemented, the evaluation team suggests that a formal process be developed to ensure consistency in decisions regardless of the decision model used.

## Recommendation 2

It is recommended that the Assistant Deputy Minister, Service Delivery:

- a) develop and implement new methods of workload allocation to ensure that the priority of claims processed is based on a Veteran-centric approach.
- b) develop, implement and report a published service standard/ performance indicator to measure the length of time claims have been awaiting a decision (pending with a Service Standard Start Date).

<sup>37</sup> VAC 2012-2013 Service Standards.

<sup>38</sup> For example, an adjudicator has been allocated 4 files. 3 files have been completed within the 16 week TAT. 1 file has been started and on-going for 30 weeks but has yet to be completed. The adjudicator has met the service standard 100% of the time. The one file not complete will be reflected later in the service standard, once complete.

## **Management Response**

Management agrees with this recommendation. New and enhanced workload allocation as well as service standard reporting will be implemented, to ensure the priority of claims processed is based on a Veteran-centric approach.

## **Management Action Plan**

<b>Corrective action to be taken</b>	<b>OPI (Office of Primary Interest)</b>	<b>Target date</b>
Support ongoing workload management by:		
I. Develop and implement processes to ensure the allocation of claims is based on the length of time they have been awaiting a decision.	Joint- DG SDPM and DG COD	March 2016
II. Develop, implement and report a published service standard/ performance indicator to measure the length of time claims have been awaiting a decision.	Joint- DG SDPM and DG COD	March 2016
III. Develop and implement a process whereby Veterans are provided precise information on the status and expected time frame associated with their claim.	DG, COD	June 2016

## **4.2 Demonstration of Economy and Efficiency**

### **4.2.1 Program Expenditures and Participants**

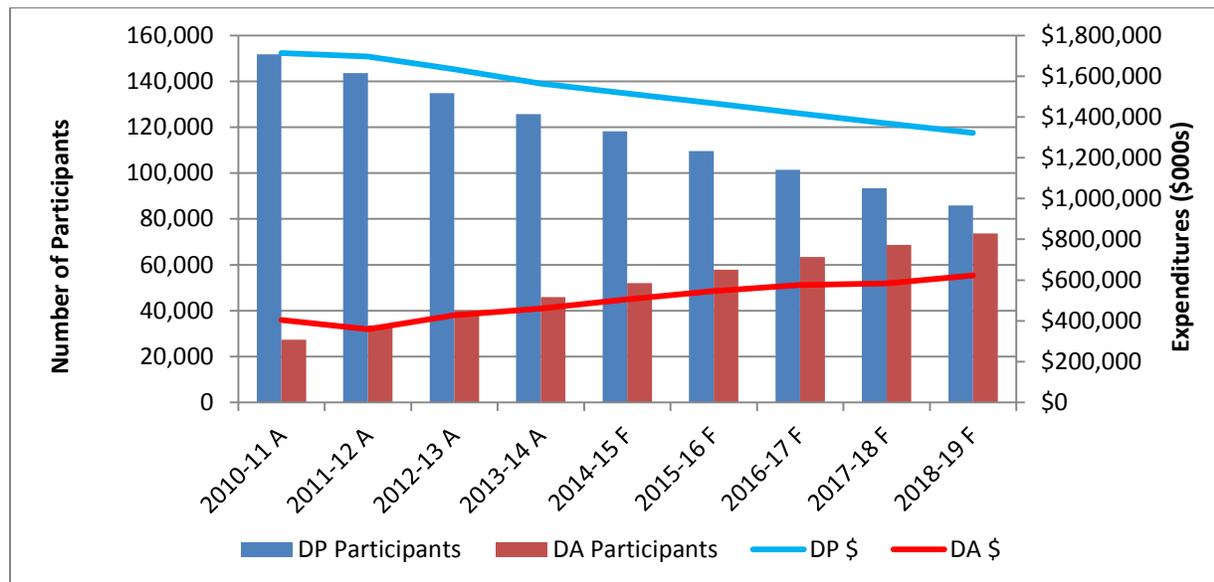
Disability Benefits program expenditures are forecasted to decrease by 4%.

In 2013-14, expenditures for the DB program were approximately \$2 billion. These expenditures have decreased by 4.4% since 2010-11 and are forecasted to decrease by an additional 3.9% by 2018-19. The number of DB recipients in 2013-14 were 171,560 (excluding RCMP and including dual participants<sup>39</sup>). The number of recipients has decreased by 4.3% since 2010-11 and are forecasted to decrease by an additional 8.0% by 2018-19. To further analyze the trend in expenditures and participants, the evaluation team isolated the DP and DA information. When looking at DP and DA separately, DP expenditures have been decreasing and DA expenditures have been increasing, consistent with the trends in recipient numbers in each of the programs. As DP expenditures equate to approximately 80% of Disability Benefits expenditures, the decreasing number of DP recipients contributes to the forecasted decline in Disability Benefits expenditures. Figure 2 identifies the actual number of DP and DA recipients and expenditures from 2010-11 to 2013-14 as well as the forecasted recipients and expenditures to 2018-19.<sup>40</sup>

<sup>39</sup> Some Veterans are eligible for both a DP and a DA, known as dual recipients.

<sup>40</sup> Source: VAC Client and Expenditure Forecast 2014-15, prepared in October 2013 by the Statistics Directorate, Finance.

**Figure 2 – Disability Pension (DP) and Disability Award (DA) Participants and Expenditures [Actuals (A) and Forecasts (F)], 2010-11 to 2018-19**



Source: VAC Finance Division.  
Dual recipients (in receipt of a DA and a DP) are counted in the number of DA recipients.

VAC's forecasts for the Disability Benefits program are within 4% of annual actual Disability Benefits expenditures over the 2010-11 to 2013-14 fiscal years. VAC's DP forecasts have been more accurate, compared to DA forecast, given DP is one of VAC's traditional programs with more predictable trends in participants. Table 7 below identifies each year's forecast, the actual expenditure amount, and the forecast variance for DP, DA, and Total DB.

**Table 7 – Disability Benefits Expenditures – Actual, Forecast, and Variance, 2010-11 to 2013-14.**

	2010-11			2011-12			2012-13			2013-14		
	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance
DP	\$1,717	\$1,714	0.2%	\$1,695	\$1,696	-0.1%	\$1,667	\$1,635	2.0%	\$1,593	\$1,564	1.9%
DA	\$385	\$404	-4.7%	\$439	\$360	21.9%	\$472	\$428	10.3%	\$485	\$461	5.2%
<b>Total DB</b>	<b>\$2,102</b>	<b>\$2,119*</b>	<b>-0.8%</b>	<b>\$2,134</b>	<b>\$2,055*</b>	<b>3.8%</b>	<b>\$2,140*</b>	<b>\$2,062*</b>	<b>3.8%</b>	<b>\$2,078</b>	<b>\$2,025</b>	<b>2.6%</b>

Source: VAC Finance Division. Note: Expenditures are in \$ millions. \* - Total is different due to rounding

#### 4.2.2 Program Resource Utilization

From 2012-13 to 2013-14, the percentage of administrative to program costs for the Disability Benefits program have averaged 3.7%, consistent with program benchmarks.

Resource utilization is related to the degree to which a program demonstrates efficiency and/or economy in the usage of resources. The costs associated with delivering a program include salaries, operating and maintenance, employee benefits, and contract administration costs. Usage of program resources is driven by a number of factors, including:

- program expenditures;
- recipient population;
- delivery mechanisms; and
- eligibility criteria.

The evaluation team attempted to obtain the actual program resource utilization costs for the Disability Benefits program for the period of the evaluation (2010-11 to 2013-14). VAC's Finance Division provided the administrative costs for fiscal years 2012-13 and 2013-14. Due to changes in 2012-13 by TBS in reporting administrative costs, the administrative costs for 2010-11 and 2011-12 were not compared.

The administrative expenditures for the delivery of the Disability Benefits program, in 2013-14, were \$73.4 million, or 3.6% of program expenditures. This is a decrease from the \$78.2 million in administrative expenditures in 2012-13, which equated to 3.8% of program expenditures. The evaluation team researched similar government programs to compare with VAC's Disability Benefits program. The purpose of the comparison was to benchmark VAC's administrative costs to comparable programs, and to identify opportunities for improvement in the delivery of VAC's program. Although the evaluation team could not find programs that could provide a direct comparison, the costs of similar programs researched are generally consistent with VAC's.<sup>41</sup>

The cost per completed disability benefit decision docket was also calculated. In 2013-14, the cost was \$4,371 (\$73.4 million administrative expenditures for 16,782 decision dockets) while in 2012-13 it was \$4,287 (\$78.2 million administrative expenditures for 18,247 decision dockets).<sup>42</sup>

### 4.2.3 Efficiency

The completeness of an application affects its TAT. This is consistent with other benchmarked programs throughout the world.

VAC's 2012-13 service standards note that VAC will process a Disability Benefits first application within 16 weeks (112 calendar days) of receiving all information in support of the application. VAC's target is to meet this service standard with 80% of the applications.<sup>43</sup> Over the evaluation period, VAC met this service standard in 73% of the applications received.

Over the years, VAC has calculated the start date of the TAT for Disability Benefits processing based on a number of methods. VAC measures its TAT starting at the date in which a completed application is received. The evaluation team analyzed information from 2010-11 to 2013-14 and determined it takes on average 91 days from the time a completed application is received until the amount of payment (if applicable) has been determined.

In making a decision on a Disability Benefits application, VAC uses evidence-based Entitlement Eligibility Guidelines (EEGs), program policies, and the Table of Disabilities. These guidelines are policy statements used to assist adjudicators in facilitating decision making by determining the relationship of a Veteran's medical condition/disability to their military service. The EEGs are based on evidence from credible and peer-reviewed medical research and literature that shows

<sup>41</sup> The administrative to program costs in the following years were as follows: Australia VA (5% in 2013-14), US Disability program (2.1% in 2013), Canada Pension Program Disability (1.3% in 2007-08), Australia Disability program (4% in 2005).

<sup>42</sup> The cost per docket is based on actual administrative expenditures, not rounded administrative expenditures as quoted.

<sup>43</sup> VAC 2012-2013 Service Standards.

the scientific evidence of connections between health conditions and exposures in the military environment.

To better comment on VAC’s TAT, the evaluation team analyzed data from Veterans’ Departments in the United States, Australia, and New Zealand. A common thread was that all countries adjudicate claims individually using varying decision making tools as outlined in Table 3 in Section 2.2. Table 8 below shows the published Service Standards for Veterans Affairs in Canada, United States, Australia and New Zealand. The varying decision making tools, along with the completeness of the disability application received, impact each country’s TAT Service Standard.

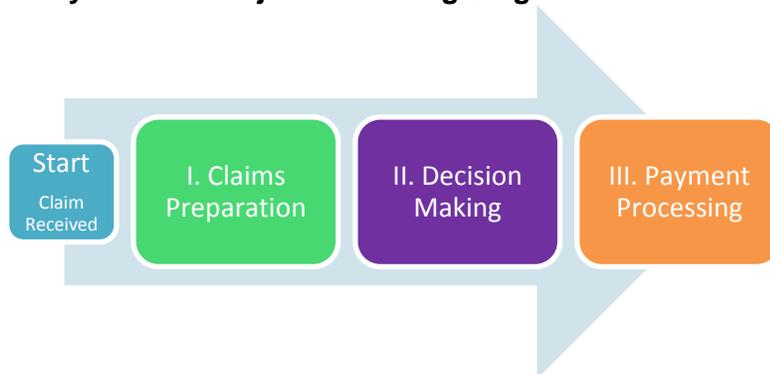
**Table 8 – Claim Review, Adjudication Method, and Published Service Standard for Canada, United States, Australia, and New Zealand.**

	Canada	United States	Australia	New Zealand
<b>Published TAT Service Standards</b>	112 days (or 16 weeks) from receipt of completed application	148 to 197 days as of May 2015 <sup>44</sup>	75 days	42 day target from receipt of completed application

There is a backlog of Disability Benefits applications at VAC. Identifying where the actual backlog(s) occur could be enhanced by improving the use and reporting of TWI.

There are various processing stages for Disability Benefits applications which are seen in Figure 3.

**Figure 3 - Disability Benefits Major Processing Stages**



To better understand where backlog exists in each of the processing stages, TWIs are available to be used. A TWI, records the status of a Disability Benefits application and allows VAC to track where and how long the application is in each of the stages.

Within the business process “How to Process a Disability Benefits Application” limited guidance is provided to staff on when and how to use the TWIs. The evaluation team’s review of business processes concluded that in-depth instructions for each TWI were not available. To examine staffs’ use of the TWIs the evaluation team completed a judgmental sample file review. Inconsistencies of when and how TWIs are used were noted during the file review.

<sup>44</sup> TAT varies depending on how application was submitted.

TWIs are manually entered into VAC's Client Service Delivery Network (CSDN)<sup>45</sup> system and the use of each TWI is open to interpretation, resulting in greater risk for user error. The evaluation team recommends that guidance and training to staff be provided to ensure consistent and correct use of TWIs. By consistently using TWIs, the areas where backlogs are occurring can be easily identified and addressed, which should improve the application processing times for Veterans.

### Recommendation 3

**It is recommended that the Assistant Deputy Minister, Service Delivery:**

- a) review TWIs and associated documentation to ensure relevance and modify as appropriate.**
- b) direct and train staff to better utilize Tracking Work Items, which will assist VAC in improving the timeliness of processing Disability Benefits applications.**

### Management Response

Management agrees with this recommendation. A review of TWIs will be completed to ensure relevance and modifications will occur as appropriate which will improve monitoring of workload at each step of the process. Direction to staff regarding the use of TWIs will be reviewed and revised as required and staff will be trained as appropriate. This exercise will assist in monitoring the workload in processing Disability Benefits applications.

### Management Action Plan

Corrective action to be taken	OPI (Office of Primary Interest)	Target date
I. Review TWIs and associated documentation to ensure relevancy and identify gaps in utilization. Implement changes where appropriate.	DG COD/DG SDPM	March 2016
II. Review direction provided to staff regarding the use of TWI. Revise direction as required and train staff as appropriate.	DG COD/DG SDPM	March 2016
III. Create exception reports and monitor the use of TWI.	DG COD/DG SDPM	October 2016

VAC's service standard for processing Disability Benefits applications is 16 weeks. To determine where efficiencies can be gained throughout the different processing stages, the team reviewed TWI data to identify if and where backlogs are occurring. As noted above, TWI's are not being used by staff consistently which may impact reported processing times noted in the following sections.

<sup>45</sup> The Client Service Delivery Network (CSDN) is an integrated system that supports the delivery of disability pensions and awards, economic support, and health care benefits and services.

Table 9 identifies the major processing stages and the associated TWIs that may occur in each stage.

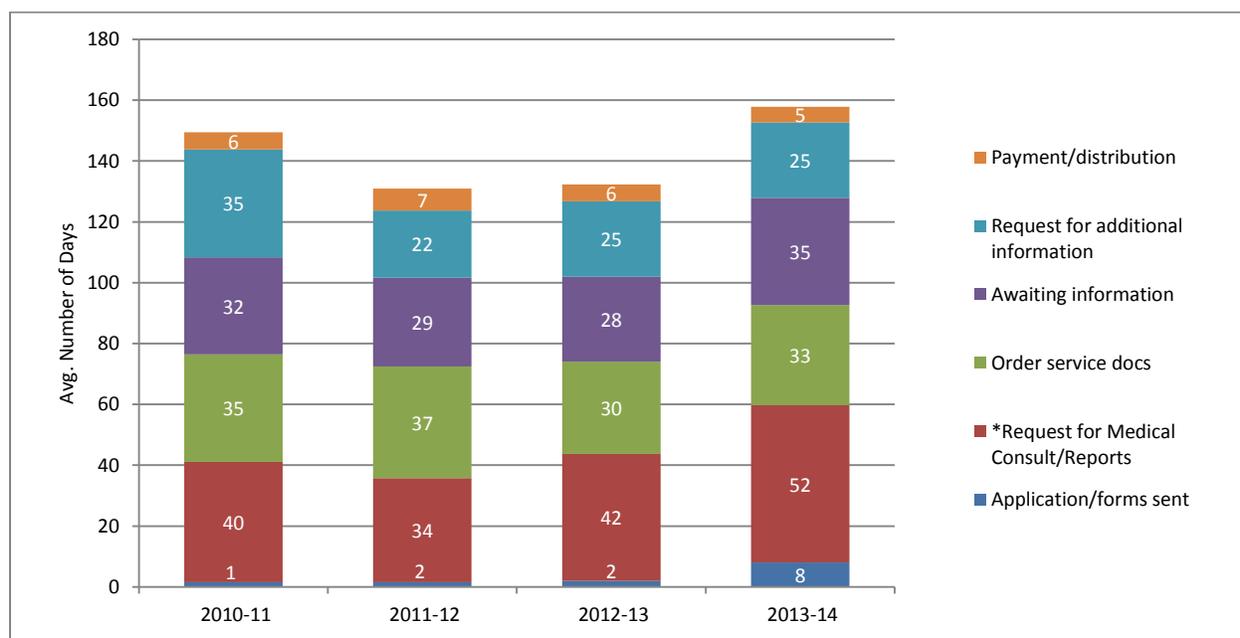
**Table 9 – Disability Benefits Program Processing Stages and the Corresponding Tracking Work Items**

Major Processing Stages	Tracking Work Item
I. Claims Preparation	Application/forms sent (from VAC)
	Request for Medical Consult/Reports
	Order service docs
II. Decision Making	Awaiting information
	Request for additional information
III. Payment Processing	Payment/distribution

Note: Details on each of the stages are discussed in Section 1.3 and further in report.

Figure 4 below represents average number of days for a claim to be processed for each of TWIs from fiscal years 2010-11 to 2013-14.<sup>46</sup>

**Figure 4 - Average Number of Days for a DB claim to be processed for each of the stages**



Source: VAC Finance Division

Note: Some of TWI used in the calculation of processing times were opened and closed on the same day or were not closed at the appropriate date for various reasons (manual error, documents already received, etc.). Order Service Docs include ordering documents from Department of National Defence (DND), Library and Archives Canada, and other sources.

\* Request for Medical Consult/Reports is used when VAC is requesting information from a treating practitioner and/or facility. This time is outside of VAC's control.

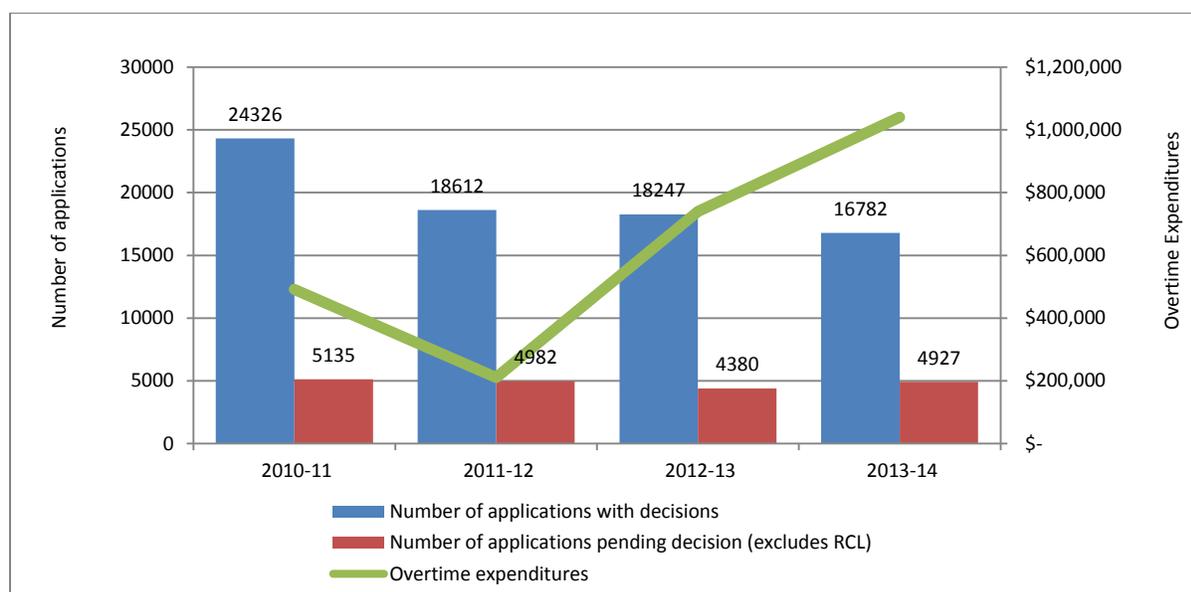
<sup>46</sup> VAC Finance Division.

As noted in the figure above, the main delays in processing claims in 2013-14 are the delays associated with waiting for requested medical reports (average of 52 days), awaiting information to support the claim (35 days), and ordering service documents (SHRs – 33 days). When analyzing these figures, the limitations previously noted with regards to TWIs should be considered.

A number of initiatives have been implemented to improve the processing of Disability Benefits applications.

Over the evaluation period, the number of pending applications has remained relatively constant even with VAC incurring overtime costs to address the pending applications. As illustrated in Figure 5, the number of pending applications has remained relatively constant, with increasing overtime expenditures, over the evaluation period.

**Figure 5 - Overtime Expenditures and the Number of Pending Applications, 2010 to 2014**



Source: VAC Finance and Centralized Operations Divisions, VAC

VAC is mindful of the backlog of applications and recent VAC initiatives have attempted to improve the efficiency within the program. In April 2015 (outside the evaluation period), VAC's Minister O'Toole announced the Department will hire more than 100 new disability benefits staff, to help ensure Veterans receive faster decisions on Disability Benefits applications.

In 2011-12, VAC launched various transformation initiatives to improve services to Veterans. Some of these initiatives that relate to Disability Benefits include:

- digitizing service and health records (SHRs);
- auto letter generation;
- re-engineering disability benefits program processes;
- my VAC account: self-serve options; and
- service and health records at DND.<sup>47</sup>

<sup>47</sup> Veterans Affairs Canada, Transformation Fact Sheet.

In addition to these transformation initiatives, VAC has recently (outside the evaluation period) implemented new adjudication methods for claims containing certain types of conditions in the attempt to provide Veterans with improved service. This method, known as the Evidence Informed Decision Model (EIDM), is based on a streamlined decision making process with defined eligibility criteria for certain disabilities claimed. Given that this initiative is new and is outside of the evaluation period, the team cannot comment on the impact this will have on the TAT.

The specific impact on TAT and backlog that each of these transformation initiatives has had cannot be definitively measured due to incomplete tracking data. Based on staff interviews, reviewing statistical data, and direct observation to date, as a whole, the initiatives may not have had as positive of an effect on backlog as initially anticipated.

When attempting to analyze the effects from Transformation initiatives and to better understand where backlogs are occurring in each of the major processing stages (as identified in Table 9), the evaluation team analyzed various TWI (as per Figure 4) relating to tasks completed in each of these stages: claims preparation, decision making, and payment processing.

### I. Claims Preparation

Incomplete Disability Benefits applications are being received at VAC. This, along with the delays in receiving SHR from DND, impacts the timeliness of claims processing.

The Disability Benefits program requires an applicant to complete and sign a Disability Benefits application (that includes details of the disability and service). As noted in Section 1.3, a Disability Benefits application can be submitted in a number of methods. Upon receipt by the Department, an application is generally prepared in a VAC Area Office by a Disability Benefits Officer who is available to counsel applicants and provide assistance with the application process.<sup>48</sup>

The evaluation team reviewed the statistics available on all TWIs used by VAC and noted “claims preparation” took the largest amount of time during the Disability Benefits process at approximately 71 days over the evaluation period. It is important to note that “claims preparation” is considered an overarching TWI and can encompass a number of other smaller TWI such as: (awaiting information from client, order service docs, etc.).

Based on the TWI information that was available, the completeness of the application received impacts the TAT for the Veteran. According to data reviewed by the evaluation team, 51% of applications received by VAC are incomplete (i.e., the application received date does not match that of VAC’s service standard start date). This was further supported by interviews with VAC staff. For these incomplete applications, it takes on average an additional 35 days to begin processing the application (missing information could include but is not limited to signatures, diagnosis, proof of identification, etc.).

Incomplete applications received from Veterans are only one aspect of delays in the processing of Disability Benefits application. Delays in retrieving SHRs, which were identified in statistical analysis and staff interviews, greatly impact the processing time for a Disability Benefits application. In particular, receipt of SHRs from DND can be lengthy and was subject to a recent

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<sup>48</sup> With the exception of single condition hearing loss claims which are prepared and adjudicated at VAC Head Office in Charlottetown.

transformation initiative. Over the evaluation period (2010-2014), even with recent transformation initiatives, there were minimal improvements in the average 55 day TAT.<sup>49</sup>

The evaluation team has noted that, in recent months, VAC has identified the receipt of SHRs as an issue impacting processing times. Going forward, various strategies are being put into place to attempt to address this issue, thus contributing to the overall goal of improved processing times for first applications.

#### **Recommendation 4**

**It is recommended that the Assistant Deputy Minister, Service Delivery, make the following changes in an effort to reduce the backlog of Disability Benefit claims and improve processing times:**

- a) Review processes and implement methods which will improve timeliness in obtaining SHRs from DND.
- b) Review, revise and implement tools to ensure a greater number of complete applications are received on initial submission.

#### **Management Response**

Management agrees with this recommendation.

- a) A review of processes/methods is underway to improve timelines in obtaining SHRs from DND. Methods will be implemented to improve timelines in obtaining SHRs from DND.
- b) A review of the tools will be performed to ensure a greater number of complete applications are received on initial submission.

#### **Management Action Plan**

<b>Corrective action to be taken</b>	<b>OPI (Office of Primary Interest)</b>	<b>Target date</b>
I. Review methods as well as implement and communicate changes to improve timelines in obtaining SHRs from DND.	DG COD	September 2016
II. Review existing tools, including the roles and responsibilities of the applicant, revise tools, implement and communicate these changes to increase complete applications received on initial submission.	Joint - DG COD / DG SDPM	September 2016

#### **II. Decision Making**

VAC has a group of adjudicators who examine the evidence presented, and make a decision in accordance with applicable legislation, policies and guidelines to determine eligibility for DPs and/or DAs. If necessary, Disability Adjudicators contact applicants for additional information in support of the claim.

<sup>49</sup> SHRs can be ordered from 3 different locations (DND, Library and Archives Canada, and outside docs), each with their own TWI. The 55 day TAT is based on the TAT for DND only.

At VAC, adjudication takes on average 37 days (over the evaluation period) from the time the application is forwarded to the adjudication unit, until the time the decision is made. When a claim is received in Adjudication, often additional information is required. This can occur when claims are sent directly to Head Office (thus bypassing Area Offices) or additional SHRs need to be ordered etc. It is difficult to determine if this amount of time is reasonable in comparison to other countries as each country's method of adjudication varies and not all publicly report from the time the adjudication unit receives a claim to the time an adjudicator makes a decision.

Through interviewing VAC adjudicators and direct observation, the following issues with SHRs were noted:

- the scanned records were in no specific order;
- there was duplication in records scanned;
- difficulties in search capabilities to find required information; and
- the legibility of the scanned documentation.

All of the above noted issues impact the daily activities of the decision maker as the usability of the digital SHRs is critical for an adjudicator's ability to quickly and accurately review all information available to make a decision on a file. When there are issues with the digital SHRs, the TAT in decision making can suffer.

### III. Payment Processing

Decisions are processed for payment in the Benefits Processing section at VAC's Head Office. For a decision awarded under the *Pension Act*, the payment is provided to the individual on a monthly basis. For a decision awarded under the *Canadian Forces Members and Veterans Re-Establishment and Compensation Act (CFMVRCA)*, depending on the individual's choice, the DA payment may be processed as a lump sum payment, an annual payment or as a combination of both.

The length of time from the adjudication decision to the payment calculation can vary (over the evaluation period) depending whether the Veteran is receiving a DA or a DP:

- For DP Veterans, this takes on average 12 days. Once the payment calculation is executed, a payment is made to the DP Veteran.
- For DA Veterans, this takes on average 6 days. Once the payment is calculated, VAC mails an option letter to the Veteran offering a choice in payment methods and the Veteran has 90 days to respond.<sup>50</sup> VAC provides the DA recipients with payment options as a way of allowing them to make an informed decision in their best interest, with the knowledge of compensation involved. This potential additional 90 days are not included in the service standard TAT for DA recipients at VAC. Therefore, the time that it takes for a Veteran to receive a DA payment is actually longer than that reflected in VAC's current TAT.

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<sup>50</sup> Over the evaluation period, VAC statistics identify that 99% of DA recipients request to receive their payment in a lump sum format.

## 5.0 Conclusions

In conclusion, there is a need for the Disability Benefits program. Although the number of DP recipients and expenditures are forecasted to continue to decrease, the DA program is growing both in recipients and expenditures faster than any other program at VAC. The Disability Benefits program provides a gateway to other benefits and services in respect to Veteran's service related condition. In addition, the Disability Benefits program is aligned with the priorities of the Government of Canada, as well as the strategic plans of the Department.

The immediate and intermediate outcomes for the Disability Benefits program are being measured, but they do not currently reflect the guidelines for supporting effective evaluations created by TBS. The intermediate outcomes do not occur as a result of the program's immediate outcome, nor do they represent a change in the behavior of the recipients. The success of the ultimate outcome is based on the premise that compensation equals recognition for recipients. Recognition is occurring as compensation is being provided to Veterans on first application.

Unintended impacts have resulted due to VAC's focus on existing Disability Benefits service standards. Currently VAC does not publicly report on the number of pending applications or how long they have been outstanding. Additionally, it was identified that applications are not always distributed for adjudication on a "first-in-first-out" basis. This method of processing applications may not be consistent with VAC's "Veteran-centric" strategy.

A TWI records the status of a Disability Benefits application and allows VAC to track where and how long the application is in each of the processing stages. The TWIs and corresponding documentation need to be reviewed and the use of each TWI is open to interpretation, resulting in greater risk for user error. Based on the TWI information available and supporting evidence from statistical analysis, over half of the applications received by VAC are incomplete, which can impact the TAT for the Veteran. Further, delays in retrieving SHRs from DND greatly impact the processing time for a Disability Benefits application. Over the evaluation period, even with recent transformation initiatives, there were minimal improvements in the average 55 day TAT for obtaining SHRs from DND.

In recent years, VAC has launched various initiatives to improve services to Veterans. During the evaluation period the number of applications pending decision remained constant. Recently, outside the evaluation period, additional initiatives have been implemented with the intent to improve processing times of Disability Benefits applications. The impact that these initiatives will have on the service to clients and the timeliness of processing applications have yet to be evaluated due to their recent implementation.

## Appendix A: Disability Benefits Program Logic Model

